# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Kraig Biocraft Laboratories, Inc

**Form: 10-K**

**Date Filed: 2017-03-22**

Corporate Issuer CIK: 1413119

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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, 2016**

☐ 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<br>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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer<br>(Do not check if a smaller reporting company) | ☐ | Smaller reporting company | ☑ |

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, 2016 was approximately $9,850,489. The aggregate market value was computed by reference to the last sale price ($0.02 price per share) of such common equity as of that date.

As of March 22, 2017, the registrant had 780,962,857 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 ifnew 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.

**Collaborative Research and Licensing**

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 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 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 is contractually obligated to financially support the 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 collative research agreement, the Company entered into successive 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 the 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 will provide 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. In August 2016, this agreement was extended to December 31, 2016.

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

- Within 30 days of the date of this agreement, a warrant for six hundred thousand (600,000) shares of the Company's common stock to be exercisable on the 14 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Within 30 days of the date of this agreement, a warrant for one million shares (1,000,000) of the Company's common stock to be exercisable on the 20 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Within 30 days of the date of this agreement, a warrant for two million (2,000,000) shares of the Company's common stock to be exercisable on the 32 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Based on the consultants reaching two sets of benchmarks, two separate warrants for one million five hundred thousand (1,500,000) shares of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has not been issued as of the date of this report.

- On the three year anniversary, assuming the Board determines the consultant acted in good faith pursuant to the consulting agreements and the Company's board of directors approves, additional warrants will be issued to consultants, as a bonus, for one million five hundred thousand shares (1,500,000) of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. As of the date of this Report, such warrants have not been issued.

As of the date hereof, the Company has issued a total of 7,200,000 warrants under the foregoing two consulting agreements.

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, 2016, 41,626,276 shares of common stock were issued pursuant to the Letter Agreement.

On June 22, 2015, the Company entered into an agreement with a consultant pursuant to which the consultant would provide investor relations services. The agreement commenced on June 22, 2015 and continued until December 16, 2015. As agreed in the agreement and as a consideration for the services performed, on June 22, 2015, the Company issued the consultant a three year warrant to purchase 15,000,000 shares of common stock which carries a cashless exercise provision with a fair value of $590,335.

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

**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 has been estimated at greater than $133 billion.(1)

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.”

(1) https://globenewswire.com/news-release/2015/08/04/757406/10144484/en/Global-Technical-Textiles-Market-to-Reach-US-160-38-Billion-owing-to-Innovative-Product-Development-Transparency-Market-Research.html

**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.

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

**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.

**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 780,962,857 shares of common stock issued and outstanding as of March 22, 2017. Kim Thompson, our founder and CEO, owns approximately 29.96% of the issued and outstanding common shares. There are 2 shares of super voting preferred stock issued and outstanding as of March 22, 2017, 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.

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 and 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 the 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 University of Notre Dame extending the agreement through March 2016 ("2015 Notre Dame Research Agreement"). Under the 2015 Notre Dame Research agreement the Company will provide 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. In August 2016 this agreement was extended to December 31, 2016. For the year ended December 31, 2016 and 2015, respectively, the Company paid $397,136 and $432,008 in research and development fees.

We also entered into an intellectual property and sponsored research agreement with the University of Wyoming in 2006.

**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 12 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, Korea, Vietnam, Brazil, India, China, Australia, Japan, and Canada. As of the date hereof, all of these patents were pending applications and none have been issued.

We do not own any patents. 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

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. 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 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.

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 within the next twelve months to address accrued feeds. 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 three to nine months of research time and result in increased research and development costs in the range of $30,000 to $140,000.

**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, 2016 and 2015, we have spent approximately 7,500 hours and 7,000 hours, respectively, on research and development activities, which consisted primarily of laboratory research on genetic engineering by our outside consultants pursuant to our collaborative research agreement with the University of Notre Dame.

**Employees**

As of the date of this filing, we have five (5) 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 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 $2,112 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.

Starting in July of 2016, we rent factory space in South Bend, Indiana with a monthly rent of $670.

**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.**

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. On March 21, 2017, the closing bid price of our Common Stock was $0.063 per share.

The following table sets forth the high and low trade information for our common stock for each quarter during the past two years. The prices reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily reflect actual transactions.

| | Low Price | High Price |
|---|---|---|
| Fourth Quarter 2016 | $ 0.04 | $ 0.056 |
| Third Quarter 2016 | $ 0.019 | $ 0.095 |
| Second Quarter 2016 | $ 0.014 | $ 0.025 |
| First Quarter 2016 | $ 0.022 | $ 0.027 |
| | | |
| Fourth Quarter 2015 | $ 0.02 | $ 0.04 |
| Third Quarter 2015 | $ 0.02 | $ 0.04 |
| Second Quarter 2015 | $ 0.03 | $ 0.06 |
| First Quarter 2015 | $ 0.02 | $ 0.04 |

**Holders**

As of March 22, 2017 in accordance with our transfer agent records, we had 30 record holders of our Class A 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.

**Dividends**

To date, we have not declared or paid any cash dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future.

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

**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 21, 2015, the Company issued 2,918,919 shares in connection with the cashless exercise of the 3,000,000 warrants.

On January 23, 2015, the Company issued to its COO a warrant to purchase 2,000,000 shares of common stock as compensation for his services pursuant to an employment agreement dated January 19, 2015.

On March 5, 2015, the Company issued 10,000 shares with a fair value of $321 ($0.0321/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through February 28, 2015 of $10,000. The issuance of shares resulted in gain on settlement of accounts payable of $9,679.

On May 28, 2015, the Company issued 3-year warrant for 3,000,000 shares to a related party, with an exercise price of $0.001 per share.

On June 22, 2015, the Company issued 3-year warrant for 15,000,000 shares to a consultant, with an exercise price of $0.001 per share.

On July 2, 2015, the Company issued 588,461 shares and 588,461 shares of common stock for consulting services to two consultants respectively.

On November 9, 2015, the Company issued 14,000 shares with a fair value of $434 ($0.031/share) to a consultant as consideration for consulting fees owed from March 1, 2015 through September 30, 2015 of $14,000. The issuance of shares resulted in gain on settlement of accounts payable of $13,556.

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

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

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

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

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

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

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

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.

**Repurchases of Equity Securities**

None

**ITEM 6. SELECTED FINANCIAL DATA**

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 have spent approximately $397,136 between January 2016 and December 2016 on collaborative research and development of high strength polymers at the University of Notre Dame. We expect to spend approximately $35,000 per month between January 2017 and March 2017 on collaborative research and development of high strength polymers at the University of Notre Dame. With this funding we plan to accelerate both our microbiology and selective breeding programs as well as providing more resources for our material testing protocols. If our financing allows, management will give strong consideration to accelerating the pace of spending on research and development within the University of Notre Dame's laboratories.
- We expect to spend approximately $13,700 on collaborative research and development of high strength polymers and spider silk protein at the University of Wyoming over the next twelve months. This level of research spending at the university is also a requirement of our licensing agreement with them.
- We will actively consider pursuing collaborative research opportunities with other university laboratories in the area of high strength polymers. If our financing will allow, management will give strong consideration to increasing the depth of our research to include polymer production technologies that are closely related to our core research
- We will consider buying an established revenue producing company 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 will allow, 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 created in 2016.
- We plan to actively pursue the development of commercial scale production of our recombinant materials including Monster SilkTM 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 expanding our operations. Equity financing will result in a dilution to existing shareholders.

**Results of Operations for the Years ended December 31, 2016 and 2015.**

Our revenue, operating expenses, and net loss from operations for the years ended December 31, 2016 as compared to the year ended December 31, 2015, were as follows – some balances on the prior period's combined financial statements have been reclassified to conform to the current period presentation:

| | Years ended December 31, | | | % Change |
|---|---|---|---|---|
| | 2016 | 2015 | Change | Increase (Decrease) |
| NET REVENUES | $ 31,858 | $ - | $ 31,858 | 100% |
| OPERATING EXPENSES: | | | | |
| General and Administrative | $ 1,736,918 | $ 920,919 | $ 815,999 | 88.61% |
| Professional Fees | $ 396,125 | $ 260,716 | $ 135,409 | 51.94% |
| Officer's Salary | $ 447,283 | $ 440,896 | $ 6,387 | 1.45% |
| Research and Development | $ 397,136 | $ 432,008 | $ (34,872) | (8.07%) |
| **Total operating expenses** | $ 2,977,462 | $ 2,054,539 | $ 922,923 | 44.92% |
| **Loss from operations** | $ (2,945,604) | $ (2,054,539) | $ (891,065) | (43.37%) |
| Gain on forgiveness of debt | $ 11,191 | $ 23,245 | $ (12,054) | (51.86) |
| Loss on disposal of fixed asset | - | $ (953) | $ (953) | (100%) |
| Interest expense | $ (139,430) | $ (101,546) | $ 37,884 | 37.31% |
| **Net Loss** | $ (3,073,843) | $ (2,133,793) | $ 940,050 | 44.06% |

Net Revenues: During the year ended December 31, 2016, we realized $31,858 of revenues from our business. During the year ended December 31, 2015, we realized $0 of revenues from our business. The change in revenues between the years ended December 31, 2016 and 2015 was $31,858 or 100%. This increase was related to our first contract with the US Defense Department.

Research and development expenses: During year ended December 31, 2016 we incurred $397,136 research and development expenses. During year ended December 31, 2015 we incurred $432,008 of research and development expenses, a decrease of $34,872 or 8.07% compared with the same period in 2016. The research and development expenses are attributable to the research and development with the Notre Dame University; this increase was due to the timing of research related activity and related charges and the hiring of an additional lab team member.

Professional Fees: During year ended December 31 2016, we incurred $396,125 professional expenses, which increased by $135,409 or 51.94% from $260,716 for year ended December 31, 2015. The increase in professional fees expense was attributable to increased expenses related to investor relations services during year ended December 31, 2016.

Officers Salary: During year ended December 31, 2016, officers' salary expenses increased to $447,283 or 1.45% from $440,896 for year ended December 31, 2015.

General and Administrative Expense : General and administrative expenses increased by $815,999 or 88.61% to $1,736,918 for year ended December 31, 2016 from $920,919 for year ended December 31, 2015. Our general and administrative expenses for year ended December 31, 2016 consisted of consulting fees of $23,457 and other general and administrative expenses (which includes expenses such as Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation) of $1,685,825, Travel of $16,548, office salary of $11,088 for a total of $1,736,918. Our general and administrative expenses for year ended December 31, 2015 consisted of salaries and benefits of $3,570, consulting fees of $34,000, and other general and administrative expenses (which includes expenses such as: Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation of $866,825, and travel of $16,524 for a total of $920,919. The primary reason for the increase in comparing year ended December 31, 2016 to the corresponding period for 2015 was mainly due to general business expenses and warrants issuances for services.

Interest Expense: Interest expense increased by $37,884 to $139,430 for the year ended December 31, 2016 from $101,546 for the year ended December 31, 2015. The increase was primarily due to interest on the loans.

Net Loss: Net loss increased by $940,050, or 44.06%, to a net loss of $3,073,843 for the year ended December 31, 2016 from a net loss of $2,133,793 for the year ended December 31, 2015. This increase in net loss was driven primarily by increases 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 $3,073,843 during the year ended December 31, 2016, and losses are expected to continue in the near term. The accumulated deficit is $23,385,979 at December 31, 2016. Refer to Note 5 for our discussion of stockholder deficit. We have been funding our operations through private loans and the sale of common stock in private placement transactions. Refer to Note 4 and Note 5 in the condensed financial statements for our discussion of notes payable and shares issued, respectively. Our cash resources are insufficient to meet our planned business objectives without additional financing. These and other factors raise substantial doubt about our ability to continue as a going concern. 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, 2016, we had $298,859 of cash on hand. These funds are insufficient to complete our business plan and as a consequence, we will need to seek additional funds, primarily through the issuance of debt or equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or 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, 2016 as compared to December 31, 2015, were as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 298,859 | $ 238,188 |
| Accounts receivable | $ 31,858 | $ - |
| Prepaid Expenses | $ 1,324 | $ 645 |
| Total current assets | $ 332,041 | $ 238,833 |
| Total assets | $ 383,659 | $ 304,937 |
| Total current liabilities | $ 2,744,472 | $ 2,201,873 |
| Total liabilities | $ 2,744,472 | $ 2,201,873 |

At December 31, 2016, we had a working capital deficit of $2,412,431, compared to a working capital deficit of $1,963,040 at December 31, 2015. Current liabilities increased to $2,744,472 at December 31, 2016 from $2,201,873 at December 31, 2015, primarily as a result of accounts payable and accrued compensation.

For the year ended December 31, 2016, net cash used in operations of $1,011,841 was the result of a net loss of $3,073,843 offset by depreciation expense of $16,974, gain on forgiveness of debt of $11,191, warrants issued to related parties of $193,654, increase in prepaid expenses of $679, an increase of accrued expenses and other payables-related party of $498,640 and a decrease in accounts payable of $16,425. For the year ended December 31, 2015, net cash used in operations of $967,563 was the result of a net loss of $2,133,793 offset by depreciation expense of $15,419, gain on forgiveness of debt of $23,245, loss on disposal of fixed assets of $953, warrants issued to related parties of $121,448, warrants issued to consultants of $590,335, decrease in prepaid expenses of $355 an increase of accrued expenses and other payables-related party of $489,719 and a decrease in accounts payable of $28,753.

Net cash used in our investing activities were $2,488 and $39,285 for the year ended December 31, 2016 and December 31, 2015, respectively. Our investing activities for the years ended December 31, 2016 and 2015 are attributable to purchases of fixed assets.

Our financing activities resulted in a cash inflow of $1,075,000 for the years ended December 31, 2016, which is represented by $1,025,000 proceeds from issuance of common stock and $50,000 proceeds from shareholder note payable. Our financing activities resulted in cash inflow of $750,000 for the year ended December 31, 2015, which is represented by $750,000 proceeds from issuance of common stock.

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

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

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

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

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

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

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

In September, 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) (“ASU 2015-16”). Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning December 15, 2015. The adoption of ASU 2015-016 is not expected to have a material effect on the Company’s consolidated financial statements.

In August, 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). The amendment in this ASU defers the effective date of ASU No. 2014-09 for all entities for one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods with that reporting period.

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) (“ASU 2015-03”), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**Kraig Biocraft Laboratories, Inc.**

**CONTENTS**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Kraig Biocraft Laboratories, Inc. as of December 31, 2016, and 2015, and the related statements of operations, changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2016. Kraig Biocraft Laboratories, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kraig Biocraft Laboratories, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company 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

Houston, Texas

March 22, 2017

**Kraig Biocraft Laboratories, Inc.**
**Balance Sheets**

**ASSETS**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Current Assets** | | |
| Cash | **$ 298,859** | **$ 238,188** |
| Accounts receivable, net | 31,858 | - |
| Prepaid expenses | 1,324 | 645 |
| Total Current Assets | 332,041 | 238,833 |
| | | |
| Property and Equipment, net | 51,618 | 66,104 |
| | | |
| **Total Assets** | **$ 383,659** | **$ 304,937** |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | **$ 513,562** | **$ 469,833** |
| Note payable - related party | 50,000 | - |
| Royalty agreement payable - related party | 65,292 | 65,292 |
| Accounts payable and accrued expenses - related party | 2,115,618 | 1,666,748 |
| **Total Current Liabilities** | **2,744,472** | **2,201,873** |
| | | |
| **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, | | |
| 773,627,964 and 708,068,385 shares issued and outstanding, respectively | 12,958,757 | 10,801,942 |
| Common stock Class B, no par value; unlimited shares authorized, | | |
| no shares issued and outstanding | - | - |
| Common Stock Issuable, 5,778,633 and 1,122,311 shares, respectively | 279,754 | 22,000 |
| Additional paid-in capital | 2,568,855 | 2,373,458 |
| Accumulated Deficit | (23,385,979) | (20,312,136) |
| | | |
| **Total Stockholders' Deficit** | **(2,360,813)** | **(1,896,936)** |
| | | |
| **Total Liabilities and Stockholders' Deficit** | **$ 383,659** | **$ 304,937** |

**Kraig Biocraft Laboratories, Inc.**
**Statements of Operations**

| | For the Years Ended | |
|---|---|---|
| | **December 31, 2016** | **December 31, 2015** |
| **Revenue** | $ 31,858 | $ - |
| | | |
| **Operating Expenses** | | |
| General and Administrative | 1,736,918 | 920,919 |
| Professional Fees | 396,125 | 260,716 |
| Officer's Salary | 447,283 | 440,896 |
| Research and Development | 397,136 | 432,008 |
| **Total Operating Expenses** | 2,977,462 | 2,054,539 |
| | | |
| **Loss from Operations** | (2,945,604) | (2,054,539) |
| | | |
| **Other Income/(Expenses)** | | |
| Gain on forgiveness of debt | 11,191 | 23,245 |
| Loss on disposal of fixed asset | - | (953) |
| Interest expense | (139,430) | (101,546) |
| **Total Other Income/(Expenses)** | (128,239) | (79,254) |
| | | |
| **Net (Loss) before Provision for Income Taxes** | (3,073,843) | (2,133,793) |
| | | |
| **Provision for Income Taxes** | - | - |
| | | |
| **Net (Loss)** | **$ (3,073,843)** | **$ (2,133,793)** |
| | | |
| **Net Income (Loss) Per Share - Basic and Diluted** | **$ (0.00)** | **$ (0.00)** |
| | | |
| **Weighted average number of shares outstanding during the period - Basic and Diluted** | **744,284,497** | **685,836,581** |

**Kraig Biocraft Laboratories, Inc.**
**Statements of Cash Flows**

| | For the years ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| **Cash Flows From Operating Activities:** | | |
| Net Loss | $ (3,073,843) | $ (2,133,793) |
| Adjustments to reconcile net loss to net cash used in operations | | |
| Depreciation expense | 16,974 | 15,419 |
| Gain on forgiveness of debt | 11,191 | (23,245) |
| Loss on disposal of fixed asset | - | 953 |
| Imputed interest | 1,425 | - |
| Stock issuable for services | 32,850 | - |
| Warrants issued to consultants | 1,356,230 | 590,335 |
| Warrants issued to related party | 193,654 | 121,448 |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in prepaid expenses | (679) | 355 |
| Increase in accounts receivables, net | (31,858) | - |
| (Decrease) in accrued expenses and other payables - related party | 498,640 | 489,718 |
| (Decrease) Increase in accounts payable | (16,425) | (28,753) |
| **Net Cash Used In Operating Activities** | **(1,011,841)** | **(967,563)** |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Purchase of Fixed Assets and Domain Name | (2,488) | (39,285) |
| **Net Cash Used In Investing Activities** | **(2,488)** | **(39,285)** |
| | | |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from Notes Payable - related party | 50,000 | - |
| Proceeds from issuance of common stock | 1,025,000 | 750,000 |
| **Net Cash Provided by Financing Activities** | **1,075,000** | **750,000** |
| | | |
| **Net Increase in Cash** | 60,671 | (256,848) |
| | | |
| Cash at Beginning of Period | 238,188 | 495,036 |
| | | |
| **Cash at End of Period** | **$ 298,859** | **$ 238,188** |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for taxes | $ - | $ - |
| | | |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| **Shares issued in connection with cashless warrants exercise** | $ 1,131,007 | $ 238,342 |
| **Shares issuable in connection with cashless warrant exercise** | $ 224,904 | $ - |
| **Settlement of accounts payable with stock issuance** | $ 808 | $ 755 |

**Kraig Biocraft Laboratories, Inc.**
**Statement of Changes in Stockholders Deficit**
**For the years ended December 31, 2016 and 2015**

| Preferred Stock - Series A | Common Stock - Class A | | Common Stock - Class B | | | | Common Stock - Class A Shares | | | Accumulated Deficit | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par | Shares | Par | Shares | Par | Shares | Par | APIC | | Total |
| **Balance, December 31 ,2014** | **2** | **5,217,800** | **673,974,429** | **9,812,845** | **-** | **-** | **1,122,311** | **22,000** | **1,900,018** | **(18,178,345)** | **(1,225,682)** |
| Grant 5,000,000 warrants for services to related party | - | - | - | - | - | - | - | - | 121,448 | - | 121,448 |
| Grant 15,000,000 warrants for services to consultants | - | - | - | - | - | - | - | - | 590,335 | - | 590,335 |
| Exercise of 4,200,000 warrants in exchange for stock | - | - | 4,095,841 | 238,342 | - | - | - | - | (238,342) | - | - |
| Settlement of accounts payable with stock issuance ($0.03/share) | - | - | 24,000 | 755 | - | - | - | - | - | - | 755 |
| Stock issued for cash ($0.01/share) | - | - | 29,974,115 | 750,000 | - | - | - | - | - | - | 750,000 |
| Net loss for the year ended December 31, 2015 | - | - | - | - | - | - | - | - | - | (2,133,793) | (2,133,793) |
| **Balance, December 31, 2015** | **2** | **$ 5,217,800** | **708,068,385** | **$ 10,801,942** | **-** | **$ -** | **1,122,311** | **$ 22,000** | **$ 2,373,458** | **$ (20,312,136)** | **$ (1,896,936)** |
| Stock issued for cash ($0.0246/share) | - | - | 41,626,276 | 1,025,000 | - | - | - | - | - | - | 1,025,000 |
| Stock issued for services ($0.04380/share) | - | - | - | - | - | - | 750,000 | 32,850 | - | - | 32,850 |
| Imputed Interest | - | - | - | - | - | - | - | - | 1,425 | - | 1,425 |
| Grant 6,000,000 warrants for services to related party | - | - | - | - | - | - | - | - | 125,053 | - | 125,053 |
| Warrants issued for services - related party | | | - | | | | | | 68,600 | - | 68,600 |
| Warrants issued for services | - | - | - | - | - | - | - | - | 1,356,230 | - | 1,356,230 |
| Exercise of 27,500,000 warrants in exchange for stock | - | - | 23,909,303 | 1,131,007 | - | - | 3,906,322 | 224,904 | (1,355,911) | - | - |
| Settlement of accounts payable with stock issuance ($0.03367/share) | - | - | 24,000 | 808 | - | - | - | - | - | - | 808 |
| Net loss for the year ended December 31, 2016 | - | - | - | - | - | - | - | - | - | (3,073,843) | (3,073,843) |
| **Balance, December 31, 2016** | **2** | **$ 5,217,800** | **773,627,964** | **$ 12,958,757** | **-** | **$ -** | **5,778,633** | **$ 279,754** | **$ 2,568,855** | **$ (23,385,979)** | **$ (2,360,813)** |

## 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.

### *(B) Use of Estimates*

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

### *(C) Cash*

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents as of December 31, 2016 or December 31, 2015.

### *(D) Loss Per Share*

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by FASB Accounting Standards Codification No. 260, “Earnings per Share.” During the years ended December 31, 2016 and 2015, 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 during the years ended December 31, 2016 and 2015 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Stock Warrants (Exercise price - $0.001/share) | 47,800,000 | 34,000,000 |
| Convertible Preferred Stock | 2 | 2 |
| Total | 47,800,002 | 345,000,002 |

### *(E) Research and Development Costs*

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

### (F) Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (“ASC 740-10-25”). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

| | 2016 | 2015 |
|---|---|---|
| Expected income tax recovery (expense) at the statutory rate of 34% | (1,045,001) | $ (724,717) |
| Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes) | 534,325 | 229,561 |
| Change in valuation allowance | 510,677 | 495,156 |
| Provision for income taxes | $ - | $ - |

The components of deferred income taxes are as follows :

| | Years Ended December, 2016 | 2015 |
|---|---|---|
| Deferred tax liability: | $ - | $ - |
| Deferred tax asset | | |
| Net Operating Loss Carryforward | 2,813,989 | 3,324,665 |
| Valuation allowance | (2,813,989 | (3,324,665) |
| 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 2035.

The net change in the valuation allowance for the year ended December 31, 2016 and 2015 was an increase of $510,677 and $495,156 respectively.

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, 2016 and December 31, 2015 there were no amounts that had been accrued in respect to uncertain tax positions.

The Company's U.S. federal income tax return for the fiscal year ended December 31, 2013 was audited by the Internal Revenue Service ("IRS"). The IRS made certain adjustments to the Company's prior year tax returns; however, the adjustments did not result in any tax liability or required payments.

***(G) Derivative Financial Instruments***

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

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

***(H) Stock-Based Compensation***

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

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

***(I) Business Segments***

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

***(J) Recent Accounting Pronouncements***

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

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

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

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

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

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

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

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) ("ASU 2015-16"). Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning December 15, 2015. The adoption of ASU 2015-016 is not expected to have a material effect on the Company's consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"). The amendment in this ASU defers the effective date of ASU No. 2014-09 for all entities for one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods with that reporting period.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

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

***(K) Reclassification***

The 2015 financial statements have been reclassified to conform to the 2016 presentation.

***(L) Equipment***

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

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

There were no impairment losses recorded during the years ended December 31, 2016 and 2015.

***(M) Fair Value of Financial Instruments***

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

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access. We believe our carrying value of level 1 instruments approximate their fair value at December 31, 2016 and December 31, 2015.

- 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, 2016 | December 31, 2015 |
|---|---|---|
| Level 1 | $ - | $ - |
| Level 2 | - | - |
| Level 3 | - | - |
| **Total** | $ - | $ - |

***(N) Revenue Recognition***

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

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

For the year ended December 31, 2016, the Company recognized $31,858 in revenue from the Government contract.

***(O) Concentration of Credit Risk***

The Company at times has cash in banks in excess of FDIC insurance limits. At December 31, 2016 and December 31, 2015, the Company had approximately $48,859 and $0, respectively in excess of FDIC insurance limits.

At December 31, 2016 and December 31, 2015, the Company had a concentration of accounts receivable of:

| **Customer** | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Customer A | 100% | 0% |
| Customer A | $ 31,858 | $ - |

For the years ended December 31, 2016 and December 31, 2015, the Company had a concentration of sales of:

| **Customer** | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Customer A | 100% | 0% |
| Customer A | $ 31,858 | $ - |

For the years ended December 31, 2016 and December 31, 2015, 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 $2,412,431 and stockholders' deficiency of $2,360,813 and used $1,011,841 of cash in operations for the year ended December 31, 2016. 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, 2016 and December 31, 2015, property and equipment, net, is as follows:

| | As of December 31, 2016 | As of December 31, 2015 |
|---|---|---|
| **Automobile** | $ 41,805 | $ 41,805 |
| **Laboratory Equipment** | 39,310 | 36,822 |
| **Office Equipment** | 6,466 | 6,466 |
| **Less: Accumulated Depreciation** | (35,963) | (18,989) |
| **Total Property and Equipment, net** | $ 51,618 | $ 66,104 |

Depreciation expense for the year ended December 31, 2016 and 2015 was $16,974 and $15,419 respectively.

**NOTE 4 ACRRUED INTEREST – RELATED PARTY**

On June 6, 2016, the Company received $50,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

On February 25, 2013, the Company received $150,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. At December 31, 2013 the loan balance was repaid. For the Company's fiscal years ended December 31, 2016 and 2015, the Company recorded $0 and $2,001 in accrued interest payable respectively.

**NOTE 5 STOCKHOLDERS' DEFICIT**

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

On June 16, 2015, the Company issued 4,675,811 share of common stock for $150,000 ($0.03/share).

On July 9, 2015, the Company issued 3,731,343 share of common stock for $100,000 ($0.026/share).

On August 3, 2015, the Company issued 4,152,824 share of common stock for $100,000 ($0.024/share).

On September 28, 2015, the Company issued 4,166,667 share of common stock for $100,000 ($0.024/share).

On October 19, 2015, the Company issued 3,894,081 shares of common stock for $100,000 ($0.026/share).

On November 16, 2015, the Company issued 4,166,667 shares of common stock for $100,000 ($0.024/share).

On December 21, 2015, the Company issued 5,186,722 shares of common stock for $100,000 ($0.019/share).

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

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

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

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

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

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

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

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

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

***(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 March 5, 2015, the Company issued 10,000 shares with a fair value of $321 ($0.0321/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through February 28, 2015 of $10,000. The issuance of shares resulted in gain on settlement of accounts payable of $9,679.

On November 9, 2015, the Company issued 14,000 shares with a fair value of $434 ($0.031/share) to a consultant as consideration for consulting fees owed from March 1, 2015 through September 30, 2015 of $14,000. The issuance of shares resulted in gain on settlement of accounts payable of $13,566.

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

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

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

***(C) Common Stock Warrants***

On January 21, 2015, the Company issued 2,918,919 shares in connection with the cashless exercise of the 3,000,000 warrants.

On January 23, 2015, the Company issued 3-year warrant to purchase 2,000,000 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 $72,317, based upon the Black-Scholes option-pricing model on the date of grant and were fully vested upon issuance and will be exercisable on February 2, 2016, and for a period expiring on January 19, 2018.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 88.13% |
| Expected term | 3 years |
| Risk free interest rate | 1.33% |
| Expected forfeitures | 0% |

On May 28, 2015, the Company issued 3-year warrant to purchase 3,000,000 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 $117,503, based upon the Black-Scholes option-pricing model on the date of grant and vested on October 28, 2016, and will be exercisable commencing on May 28, 2018, and for a period expiring on May 28, 2022. During the years ended December 31, 2016 and 2015, the Company recorded $68,600 and $28,300 as an expense for such warrants issued to related party.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 77.49% |
| Expected term | 4 years |
| Risk free interest rate | 1.24% |
| Expected forfeitures | 0% |

On June 22, 2015, the Company issued 3-year warrant to purchase 15,000,000 shares of common stock at a price of $0.001 per share to a consultant for services to be rendered. The warrants had a fair value of $590,335, based upon the Black-Scholes option-pricing model on the date of grant and were fully vested upon issuance and will be exercisable commencing on December 28, 2015, and for a period expiring on September 22, 2018 (See Note 6( C)).

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 78.85% |
| Expected term | 3 years |
| Risk free interest rate | 1.06% |
| Expected forfeitures | 0% |

On July 2, 2015, the Company issued 1,176,922 shares in connection with the cashless exercise of the 1,200,000 warrants

On January 1, 2016, the Company issued 3-year warrant to purchase 6,000,000 shares of common stock at $0.001 per share to a related party for services to be rendered. The warrants had a fair value of $142,526, based upon the Black-Scholes option-pricing model on the date of grant and vested on February 20, 2017, and will be exercisable commencing on February 20, 2018, and for a period expiring on February 20, 2021. During the years ended December 31, 2016, the Company recorded $125,053 as an expense for such warrants issued to this related party.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 78.58% |
| Expected term | 3 years |
| Risk free interest rate | 1.32% |
| Expected forfeitures | 0% |

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

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

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

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

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

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

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

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

| | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 93.6% |
| 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 will become exercisable on July 26, 2018, and for a period of 4 years expiring on July 26, 2022. During the years ended December 31, 2016, the Company recorded $292,126 as an expense for such warrants issued.

| | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 93.60% |
| 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 years ended December 31, 2016, the Company recorded $68,686 as an expense for such warrants issued (See Note 6(C)).

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

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

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

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years |
|---|---|---|---|
| Balance, December 31, 2014 | 18,200,000 | $ 0.001 | 2.1 |
| Granted | 20,000,000 | | |
| Exercised | (4,200,000) | | |
| Cancelled/Forfeited | - | | |
| Balance, December 31, 2015 | 34,000,000 | $ 0.001 | 1.7 |
| Granted | 41,300,000 | | |
| Exercised | (27,500,000) | | |
| Cancelled/Forfeited | - | | |
| Balance, December 31, 2016 | 47,800,000 | $ 0.001 | 3.8 |
| | | | |
| Intrinsic Value | $ 2,557,300 | | |

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

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

**For the year ended December 31, 2015, the following warrants were outstanding:**

| Exercise Price Warrants Outstanding | Warrants Exercisable | Weighted Average Remaining Contractual Life | A ggregate Intrinsic Value |
|---|---|---|---|
| $ 0.001 | 34,000,000 | 1.7 | $ 842,000 |

***(D) Amendment to Articles of Incorporation***

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

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

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

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

- Calm Seas has purchased an aggregate of $7,500,000 of our Class A common stock; or

- The second anniversary from the Effective Date.

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

***(A)License Agreement***

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

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

***(B)Royalty and Research Agreements***

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

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr Thompson, its CEO. In consideration of the Company issuing either 200,000 preferred shares with the following preferences; no dividends and voting rights equal to 100 common shares per share of preferred stock or the payment of $120,000, the officer agreed to terminate the royalty payments due under the agreement and give title to the exclusive license for the non-protective apparel use of the intellectual property to the Company. On the date of the agreement, the Company did not have any preferred stock authorized with the required preferences. In accordance with FASB Accounting Standards Codification No 480, *Distinguishing Liabilities from Equity*, the Company determined that the present value of the payment of $120,000 that was due on December 26, 2007, the one year anniversary of the addendum, should be recorded as an accrued expense until such time as the Company has the ability to assert that it has preferred shares authorized. As of March 31, 2010, the Company has recorded $120,000 in accrued expenses- related party. On December 21, 2007 the officer extended the due date to July 30, 2008. On May 30, 2008 the officer extended the due date to December 31, 2008. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. The due date was extended to March 31, 2011. On September 8, 2009, a payment of $15,000 was paid to the officer. An additional payment of $10,000 was made on October 19, 2009 and December 1, 2009, respectfully. Additionally, the accrued expenses are accruing 7% interest per year. On January 15, 2010 an additional payment of $10,000 was made. During the quarter ending September 30, 2010 an additional payment of $8,000 was made. During the quarter ending September 30, 2012 an additional payment of $1,000 was made. During the year ended December 31, 2013, an additional payment of $1,280 was made. During the year ended December 31, 2014, an additional loan of $572 was made. As of December 31, 2016 and December 31, 2015, the outstanding balance is $65,292. As of December 31, 2016 the Company recorded interest expense and related accrued interest payable of $1,959.

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

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

***(C) Consulting Agreement***

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

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

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

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

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

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

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

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

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

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

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

***(D) Operating Lease Agreement***

On April 1, 2012, the Company executed a one-year non-cancelable operating lease for its Laboratory space. The lease was subsequently extended through March 31, 2014. On February 25, 2015, the Company renewed its lease of a Laboratory. The lease is on a month to month basis at an annual rate of $13,200. On June 30, 2015, the Company terminated this lease.

The Company rented office space at 120 N. Washington Square, Suite 805, Lansing, Michigan 48950, which was its principal place of business. The lease was on a month to month basis. The Company paid an annual rent of $600 for conference facilities, mail, fax, and reception services located at our principal place of business. On September 1, 2015, the Company ended the lease of this office.

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

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

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

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

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

Rent expense for the year ended December 31, 2016 and 2015 was $9,845 and $12,832, respectively.

**NOTE 7 RELATED PARTY TRANSACTIONS**

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr. Thompson, its CEO. Pursuant to the addendum, the Company agreed to issue either 200,000 preferred shares with the following preferences; no dividends and voting rights equal to 100 common shares per share of preferred stock or the payment of $120,000, the officer agreed to terminate the royalty payments due under the agreement and give title to the exclusive license for the non-protective apparel use of the intellectual property to the Company. On the date of the agreement, the Company did not have any preferred stock authorized with the required preferences. In accordance with FASB Accounting Standards Codification No. 480, *Distinguishing Liabilities from Equity*, the Company determined that the present value of the payment of $120,000 that was due on December 26, 2007, one year anniversary of the addendum, should be recorded as an accrued expense until such time as the Company has the ability to assert that it has preferred shares authorized. As of March 31, 2010, the Company has recorded $120,000 in royalty agreement payable- related party. On December 21, 2007 the officer extended the due date to July 30, 2008. On May 30, 2008, the officer extended the due date to March 31, 2009. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On March 30, 2010, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On September 8, 2009, a payment of $15,000 was paid to the officer. On October 19, 2009 and December 1, 2009, $10,000 was paid to the officer respectfully. An additional payment of $10,000 was made on January 15, 2010. During the quarter ending September 30, 2010 an additional payment of $8,000 was made. During the year ended December 31, 2012 an additional payment of $1,000 was made. During the year ended December 31, 2013 an additional payment of $1,280 was made. During the year ended December 31, 2014, an additional loan of $572 was made. As of December 31, 2016 the outstanding balance is $65,292. Additionally, the accrued expenses are accruing 7% interest per year. As of December 31, 2016, the Company recorded interest expense and related accrued interest payable of $1,959.

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

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

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

On June 6, 2016, the Company borrowed $50,000 from a principal stockholder. Pursuant to the terms of the loan, the loan is unsecured carrying an annual interest at 3% and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

As of December 31, 2016 and December 31, 2015, there was $187,756 and $148,019, respectively, included in accounts payable and accrued expenses - related party, which is owed to the Company's Chief Executive Officer.

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

As of December 31, 2015, there was $426,054 of accrued interest- related party and $12,718 in shareholder loan interest – related party included in accounts payable and accrued expenses – related party, which his owed to the Company's Chief Executive officer.

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

As of December 31, 2015, the Company owes $1,094,153 in accrued salary to principal stockholder and $1,748 to the Company's COO.

The Company owes $65,292 in royalty payable to related party for the year ended December 31, 2016 and December 31, 2015.

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

On January 1, 2016, the Company issued 3-year warrant for 6,000,000 shares to a related party, with an exercise price of $0.001 per share. The warrants were granted for services to be rendered. The warrants had a fair value of $142,526, based upon the Black-Scholes option-pricing model on the date of grant and vesting on February 20, 2017, and will be exercisable on February 20, 2018, and for a period expiring on February 20, 2021. During the year ended December 31, 2016, the Company recorded $125,053 as an expense for warrants issued to related party.

**NOTE 8 SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 22, 2017, the date the financial statements were available to be issued.

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

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

## 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, 2016. 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, 2016, 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 2016, 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, 2016, 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.

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, 2016 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 | 55 | President, Chief Executive Officer, Chief Financial Officer and Director | April 25, 2006 |
| Jonathan R. Rice | 37 | 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 is currently studying for his Masters of Business Administration at Michigan State University and expects to graduate 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 officers and director have not filed any bankruptcy petition, been convicted of or been the subject of any criminal proceedings or the subject of any order, judgment or decree involving the violation of any state or federal securities laws within the past ten (10) years.

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 were appointed by our board of directors and holds office until removed by the board.

**Committees**

Because our Board of Directors currently consists of only one member, no board committees have been formed as of the filing of this Annual Report. All audit committee functions are performed by Mr. Kim Thompson, as the sole member of our Board of Directors and he is the largest shareholder of the Company and the Company's Chief Executive Officer and President. Mr. Thompson does not qualify as an "audit committee financial expert" within the applicable definition of the Securities and Exchange Commission.

**Meetings of the Board of Directors**

During its fiscal year ended December 31, 2016, 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.

**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, 2016 and 2015 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 | 2016 | $ 297,889 | $ 59,578 | $ 0 | $ 0 | $ 0 | $ 0 | $ 44,609 | (1) | $ 402,076 |
| | 2015 | $ 281,027 | $ 56,205 | $ 0 | $ 0 | $ 0 | $ 0 | $ 37,580 | (2) | $ 374,812 |
| Jonathan R. Rice COO | 2016 | $ 125,393 | $ 24,000 | $ 0 | $ 125,053 | $ 0 | $ 0 | $ 17,215 | (3) | $ 291,661 |
| | 2015 | $ 97,915 | $ 4,000 | $ 0 | $ 121,448 | $ 0 | $ 0 | $ 13,814 | (4) | $ 237,117 |

1) In 2016, Kim Thompson received $29,613 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us. In 2016, Kim Thompons received $14,996 in reimbursement for office and travel related expenses.
2) In 2015, Kim Thompson received $37,580 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us.
3) In 2016, Jonathan Rice received $10,925 in medical insurance and medical reimbursement, $1,040 in phone service expenses, and $ 5,250 in tuition reimbursements pursuant to an employment agreement entered into with us.

4) In 2015, Jonathan Rice received $7,604 in medical insurance and medical reimbursement, $960 in phone service expenses, and $ 5,250 in tuition reimbursements 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 is five years. 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. On April 26, 2006, the Company entered into its first a five-year employment agreement with the Company's Chairman, Chief Executive Officer and Chief Financial Officer. The agreement renewed annually so that at all times, the term of the agreement was five years. Pursuant to this agreement, the Company agreed to pay an annual base salary of $185,000 for the period May 1, 2006 through December 31, 2006. Base pay will be increased each January 1st, for the subsequent twelve month periods by six percent. The officer will also be entitled to life, disability, health and dental insurance. In addition, the officer received five year warrants to purchase 700,000 shares of common stock at an exercise price of $0.21 per share, eight year warrants to purchase 1,500,000 shares of common stock at an exercise price of $0.33 per share, and nine year warrants to purchase 2,000,000 shares of common stock at an exercise price of $0.40 per share. The warrants fully vested on the date of grant. The agreement also calls for the issuance of warrants and increase in the officer's base compensation upon the Company reaching certain milestones. The Chief executive subsequently 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. Additionally, on May 28, 2015, the Company issued a three-year warrant to purchase 3,000,000 shares of common stock of the Company at an exercise price of $0.001 per share. The warrant fully vests on October 28, 2016. For the twelve months ended the Company recorded $121,448 for the warrants issued to related party.

On January 1, 2016, 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 $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 COO Employment Agreement. Additionally, on August 4, 2016, the Company issued a performance retention bonus to Mr. Rice of $20,000 which is payable on March 31, 2018. For the twelve months ended the Company recorded $125,053 for the warrants issued to related party.

**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 Owner | Amount and Nature of Beneficial | | Percent of Class (1) |
|---|---|---|---|---|
| Class A Common Stock | Kim Thompson<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 233,991,767 | (2) | 29.96% |
| Class A Common Stock | Jonathan R. Rice<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 11,000,000 | (3) | 1.41% |
| Class A Common Stock | All executive officers and directors as a group (2 Person) | 244,991,767 | | 31.37% |
| Series A Preferred Stock | Kim Thompson<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 2 | | 100% |
| Series A Preferred Stock | All executive officers and directors as a group (1 Person) | 2 | | 100% |

_____

(1) The percent of class is based on 780,962,857 shares of our Class A common stock issued and outstanding as of the date of this report.
(2) Such shares are shares of common stock owned and may be issued upon exercise of warrants that are owned by Mr. Thompson, including 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**

**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.

As of December 31, 2016 and December 31, 2015, the Company owed $1,392,041 and $1,094,153, respectively, in accrued salary and accrued payroll taxes to principal stockholder. As of December 31, 2016, no accrued salary has been converted to Class A Common Stock.

As of December 31, 2016 and December 31, 2015, there was $187,756 and $148,019, respectively, included in accounts payable and accrued expenses - related party, which was owed to the Company's Chief Executive Officer.

As of December 31, 2015, there was $426,054 of accrued interest- related party and $12,718 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, 2016, there was $561,245 of accrued interest- related party and $15,531 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, 2016 and December 31, 2015.

On June 6, 2016 the Company received $50,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

Other than the above transactions or as otherwise set forth in this report or in any reports filed by the Company with the SEC, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K. 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**

| | 2016 | 2015 |
|---|---|---|
| Audit Fees | $ 18,800 | $ 13,000 |
| Audit-Related Fees | - | - |
| Tax Fees | - | 8,500 |
| All Other Fees | - | - |
| Total | $ 18,800 | $ 21,500 |

**Audit Fees**

For the Company's fiscal years ended December 31, 2016 and 2015, we were billed approximately $18,800 and $13,000 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, 2016 and 2015.

**Tax Fees**

For the Company's fiscal year ended December 31, 2015, we were billed approximately $8,500 for professional services rendered for tax compliance, tax advice, and tax planning. For the Company's fiscal year ended December 31, 2016, we have not been billed for professional services rendered for tax compliance, tax advice, and tax planning.

**All Other Fees**

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2016 and 2015.

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 / Collaborative Research Agreement, dated March 4, 2015, between the Company and University of Notre Dame du Lac. |
| 14.1 | Code of Business Conduct and Ethics (13) |
| 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 22, 2017

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 ACT OF 1933, THIS ANNUAL REPORT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

| Signature | Title | Date |
|---|---|---|
| /S/ Kim Thompson<br>Kim Thompson | President, Chief Executive Officer, Chief Financial Officer and Sole Director | March 22, 2017 |



>

**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, 2016**

☐ 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<br>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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer (Do not check if a smaller reporting company) | ☐ | Smaller reporting company | ☑ |

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, 2016 was approximately $9,850,489. The aggregate market value was computed by reference to the last sale price ($0.02 price per share) of such common equity as of that date.

As of March 22, 2017, the registrant had 780,962,857 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 ifnew 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.

**Collaborative Research and Licensing**

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 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 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 is contractually obligated to financially support the 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 collative research agreement, the Company entered into successive 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 the 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 will provide 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. In August 2016, this agreement was extended to December 31, 2016.

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

- Within 30 days of the date of this agreement, a warrant for six hundred thousand (600,000) shares of the Company's common stock to be exercisable on the 14 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Within 30 days of the date of this agreement, a warrant for one million shares (1,000,000) of the Company's common stock to be exercisable on the 20 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Within 30 days of the date of this agreement, a warrant for two million (2,000,000) shares of the Company's common stock to be exercisable on the 32 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has been issued as of the date of this report.

- Based on the consultants reaching two sets of benchmarks, two separate warrants for one million five hundred thousand (1,500,000) shares of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. Such warrant has not been issued as of the date of this report.

- On the three year anniversary, assuming the Board determines the consultant acted in good faith pursuant to the consulting agreements and the Company's board of directors approves, additional warrants will be issued to consultants, as a bonus, for one million five hundred thousand shares (1,500,000) of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision. As of the date of this Report, such warrants have not been issued.

As of the date hereof, the Company has issued a total of 7,200,000 warrants under the foregoing two consulting agreements.

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, 2016, 41,626,276 shares of common stock were issued pursuant to the Letter Agreement.

On June 22, 2015, the Company entered into an agreement with a consultant pursuant to which the consultant would provide investor relations services. The agreement commenced on June 22, 2015 and continued until December 16, 2015. As agreed in the agreement and as a consideration for the services performed, on June 22, 2015, the Company issued the consultant a three year warrant to purchase 15,000,000 shares of common stock which carries a cashless exercise provision with a fair value of $590,335.

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

**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 has been estimated at greater than $133 billion.(1)

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.”

(1) https://globenewswire.com/news-release/2015/08/04/757406/10144484/en/Global-Technical-Textiles-Market-to-Reach-US-160-38-Billion-owing-to-Innovative-Product-Development-Transparency-Market-Research.html

**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.

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

**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.

**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 780,962,857 shares of common stock issued and outstanding as of March 22, 2017. Kim Thompson, our founder and CEO, owns approximately 29.96% of the issued and outstanding common shares. There are 2 shares of super voting preferred stock issued and outstanding as of March 22, 2017, 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.

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 and 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 the 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 University of Notre Dame extending the agreement through March 2016 ("2015 Notre Dame Research Agreement"). Under the 2015 Notre Dame Research agreement the Company will provide 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. In August 2016 this agreement was extended to December 31, 2016. For the year ended December 31, 2016 and 2015, respectively, the Company paid $397,136 and $432,008 in research and development fees.

We also entered into an intellectual property and sponsored research agreement with the University of Wyoming in 2006.

**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 12 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, Korea, Vietnam, Brazil, India, China, Australia, Japan, and Canada. As of the date hereof, all of these patents were pending applications and none have been issued.

We do not own any patents. 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

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. 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 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.

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 within the next twelve months to address accrued feeds. 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 three to nine months of research time and result in increased research and development costs in the range of $30,000 to $140,000.

**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, 2016 and 2015, we have spent approximately 7,500 hours and 7,000 hours, respectively, on research and development activities, which consisted primarily of laboratory research on genetic engineering by our outside consultants pursuant to our collaborative research agreement with the University of Notre Dame.

**Employees**

As of the date of this filing, we have five (5) 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 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 $2,112 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.

Starting in July of 2016, we rent factory space in South Bend, Indiana with a monthly rent of $670.

**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.**

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. On March 21, 2017, the closing bid price of our Common Stock was $0.063 per share.

The following table sets forth the high and low trade information for our common stock for each quarter during the past two years. The prices reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily reflect actual transactions.

| | Low Price | High Price |
|---|---|---|
| Fourth Quarter 2016 | $ 0.04 | $ 0.056 |
| Third Quarter 2016 | $ 0.019 | $ 0.095 |
| Second Quarter 2016 | $ 0.014 | $ 0.025 |
| First Quarter 2016 | $ 0.022 | $ 0.027 |
| | | |
| Fourth Quarter 2015 | $ 0.02 | $ 0.04 |
| Third Quarter 2015 | $ 0.02 | $ 0.04 |
| Second Quarter 2015 | $ 0.03 | $ 0.06 |
| First Quarter 2015 | $ 0.02 | $ 0.04 |

**Holders**

As of March 22, 2017 in accordance with our transfer agent records, we had 30 record holders of our Class A 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.

**Dividends**

To date, we have not declared or paid any cash dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future.

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

**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 21, 2015, the Company issued 2,918,919 shares in connection with the cashless exercise of the 3,000,000 warrants.

On January 23, 2015, the Company issued to its COO a warrant to purchase 2,000,000 shares of common stock as compensation for his services pursuant to an employment agreement dated January 19, 2015.

On March 5, 2015, the Company issued 10,000 shares with a fair value of $321 ($0.0321/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through February 28, 2015 of $10,000. The issuance of shares resulted in gain on settlement of accounts payable of $9,679.

On May 28, 2015, the Company issued 3-year warrant for 3,000,000 shares to a related party, with an exercise price of $0.001 per share.

On June 22, 2015, the Company issued 3-year warrant for 15,000,000 shares to a consultant, with an exercise price of $0.001 per share.

On July 2, 2015, the Company issued 588,461 shares and 588,461 shares of common stock for consulting services to two consultants respectively.

On November 9, 2015, the Company issued 14,000 shares with a fair value of $434 ($0.031/share) to a consultant as consideration for consulting fees owed from March 1, 2015 through September 30, 2015 of $14,000. The issuance of shares resulted in gain on settlement of accounts payable of $13,556.

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

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

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

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

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

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

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

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.

**Repurchases of Equity Securities**

None

**ITEM 6. SELECTED FINANCIAL DATA**

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 have spent approximately $397,136 between January 2016 and December 2016 on collaborative research and development of high strength polymers at the University of Notre Dame. We expect to spend approximately $35,000 per month between January 2017 and March 2017 on collaborative research and development of high strength polymers at the University of Notre Dame. With this funding we plan to accelerate both our microbiology and selective breeding programs as well as providing more resources for our material testing protocols. If our financing allows, management will give strong consideration to accelerating the pace of spending on research and development within the University of Notre Dame's laboratories.
- We expect to spend approximately $13,700 on collaborative research and development of high strength polymers and spider silk protein at the University of Wyoming over the next twelve months. This level of research spending at the university is also a requirement of our licensing agreement with them.
- We will actively consider pursuing collaborative research opportunities with other university laboratories in the area of high strength polymers. If our financing will allow, management will give strong consideration to increasing the depth of our research to include polymer production technologies that are closely related to our core research
- We will consider buying an established revenue producing company 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 will allow, 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 created in 2016.
- We plan to actively pursue the development of commercial scale production of our recombinant materials including Monster SilkTM 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 expanding our operations. Equity financing will result in a dilution to existing shareholders.

**Results of Operations for the Years ended December 31, 2016 and 2015.**

Our revenue, operating expenses, and net loss from operations for the years ended December 31, 2016 as compared to the year ended December 31, 2015, were as follows – some balances on the prior period's combined financial statements have been reclassified to conform to the current period presentation:

| | Years ended December 31, | | | % Change |
|---|---|---|---|---|
| | 2016 | 2015 | Change | Increase (Decrease) |
| NET REVENUES | $ 31,858 | $ - | $ 31,858 | 100% |
| OPERATING EXPENSES: | | | | |
| General and Administrative | $ 1,736,918 | $ 920,919 | $ 815,999 | 88.61% |
| Professional Fees | $ 396,125 | $ 260,716 | $ 135,409 | 51.94% |
| Officer's Salary | $ 447,283 | $ 440,896 | $ 6,387 | 1.45% |
| Research and Development | $ 397,136 | $ 432,008 | $ (34,872) | (8.07%) |
| **Total operating expenses** | $ 2,977,462 | $ 2,054,539 | $ 922,923 | 44.92% |
| **Loss from operations** | $ (2,945,604) | $ (2,054,539) | $ (891,065) | (43.37%) |
| Gain on forgiveness of debt | $ 11,191 | $ 23,245 | $ (12,054) | (51.86) |
| Loss on disposal of fixed asset | - | $ (953) | $ (953) | (100%) |
| Interest expense | $ (139,430) | $ (101,546) | $ 37,884 | 37.31% |
| **Net Loss** | $ (3,073,843) | $ (2,133,793) | $ 940,050 | 44.06% |

Net Revenues: During the year ended December 31, 2016, we realized $31,858 of revenues from our business. During the year ended December 31, 2015, we realized $0 of revenues from our business. The change in revenues between the years ended December 31, 2016 and 2015 was $31,858 or 100%. This increase was related to our first contract with the US Defense Department.

Research and development expenses: During year ended December 31, 2016 we incurred $397,136 research and development expenses. During year ended December 31, 2015 we incurred $432,008 of research and development expenses, a decrease of $34,872 or 8.07% compared with the same period in 2016. The research and development expenses are attributable to the research and development with the Notre Dame University; this increase was due to the timing of research related activity and related charges and the hiring of an additional lab team member.

Professional Fees: During year ended December 31 2016, we incurred $396,125 professional expenses, which increased by $135,409 or 51.94% from $260,716 for year ended December 31, 2015. The increase in professional fees expense was attributable to increased expenses related to investor relations services during year ended December 31, 2016.

Officers Salary: During year ended December 31, 2016, officers' salary expenses increased to $447,283 or 1.45% from $440,896 for year ended December 31, 2015.

General and Administrative Expense : General and administrative expenses increased by $815,999 or 88.61% to $1,736,918 for year ended December 31, 2016 from $920,919 for year ended December 31, 2015. Our general and administrative expenses for year ended December 31, 2016 consisted of consulting fees of $23,457 and other general and administrative expenses (which includes expenses such as Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation) of $1,685,825, Travel of $16,548, office salary of $11,088 for a total of $1,736,918. Our general and administrative expenses for year ended December 31, 2015 consisted of salaries and benefits of $3,570, consulting fees of $34,000, and other general and administrative expenses (which includes expenses such as: Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation of $866,825, and travel of $16,524 for a total of $920,919. The primary reason for the increase in comparing year ended December 31, 2016 to the corresponding period for 2015 was mainly due to general business expenses and warrants issuances for services.

Interest Expense: Interest expense increased by $37,884 to $139,430 for the year ended December 31, 2016 from $101,546 for the year ended December 31, 2015. The increase was primarily due to interest on the loans.

Net Loss: Net loss increased by $940,050, or 44.06%, to a net loss of $3,073,843 for the year ended December 31, 2016 from a net loss of $2,133,793 for the year ended December 31, 2015. This increase in net loss was driven primarily by increases 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 $3,073,843 during the year ended December 31, 2016, and losses are expected to continue in the near term. The accumulated deficit is $23,385,979 at December 31, 2016. Refer to Note 5 for our discussion of stockholder deficit. We have been funding our operations through private loans and the sale of common stock in private placement transactions. Refer to Note 4 and Note 5 in the condensed financial statements for our discussion of notes payable and shares issued, respectively. Our cash resources are insufficient to meet our planned business objectives without additional financing. These and other factors raise substantial doubt about our ability to continue as a going concern. 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, 2016, we had $298,859 of cash on hand. These funds are insufficient to complete our business plan and as a consequence, we will need to seek additional funds, primarily through the issuance of debt or equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or 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, 2016 as compared to December 31, 2015, were as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 298,859 | $ 238,188 |
| Accounts receivable | $ 31,858 | $ - |
| Prepaid Expenses | $ 1,324 | $ 645 |
| Total current assets | $ 332,041 | $ 238,833 |
| Total assets | $ 383,659 | $ 304,937 |
| Total current liabilities | $ 2,744,472 | $ 2,201,873 |
| Total liabilities | $ 2,744,472 | $ 2,201,873 |

At December 31, 2016, we had a working capital deficit of $2,412,431, compared to a working capital deficit of $1,963,040 at December 31, 2015. Current liabilities increased to $2,744,472 at December 31, 2016 from $2,201,873 at December 31, 2015, primarily as a result of accounts payable and accrued compensation.

For the year ended December 31, 2016, net cash used in operations of $1,011,841 was the result of a net loss of $3,073,843 offset by depreciation expense of $16,974, gain on forgiveness of debt of $11,191, warrants issued to related parties of $193,654, increase in prepaid expenses of $679, an increase of accrued expenses and other payables-related party of $498,640 and a decrease in accounts payable of $16,425. For the year ended December 31, 2015, net cash used in operations of $967,563 was the result of a net loss of $2,133,793 offset by depreciation expense of $15,419, gain on forgiveness of debt of $23,245, loss on disposal of fixed assets of $953, warrants issued to related parties of $121,448, warrants issued to consultants of $590,335, decrease in prepaid expenses of $355 an increase of accrued expenses and other payables-related party of $489,719 and a decrease in accounts payable of $28,753.

Net cash used in our investing activities were $2,488 and $39,285 for the year ended December 31, 2016 and December 31, 2015, respectively. Our investing activities for the years ended December 31, 2016 and 2015 are attributable to purchases of fixed assets.

Our financing activities resulted in a cash inflow of $1,075,000 for the years ended December 31, 2016, which is represented by $1,025,000 proceeds from issuance of common stock and $50,000 proceeds from shareholder note payable. Our financing activities resulted in cash inflow of $750,000 for the year ended December 31, 2015, which is represented by $750,000 proceeds from issuance of common stock.

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

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

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

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

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

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

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

In September, 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) (“ASU 2015-16”). Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning December 15, 2015. The adoption of ASU 2015-016 is not expected to have a material effect on the Company’s consolidated financial statements.

In August, 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). The amendment in this ASU defers the effective date of ASU No. 2014-09 for all entities for one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods with that reporting period.

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) (“ASU 2015-03”), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**Kraig Biocraft Laboratories, Inc.**

**CONTENTS**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Kraig Biocraft Laboratories, Inc. as of December 31, 2016, and 2015, and the related statements of operations, changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2016. Kraig Biocraft Laboratories, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kraig Biocraft Laboratories, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company 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

Houston, Texas

March 22, 2017

**Kraig Biocraft Laboratories, Inc.**
**Balance Sheets**

**ASSETS**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Current Assets** | | |
| Cash | **$ 298,859** | **$ 238,188** |
| Accounts receivable, net | 31,858 | - |
| Prepaid expenses | 1,324 | 645 |
| Total Current Assets | 332,041 | 238,833 |
| | | |
| Property and Equipment, net | 51,618 | 66,104 |
| | | |
| **Total Assets** | **$ 383,659** | **$ 304,937** |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | **$ 513,562** | **$ 469,833** |
| Note payable - related party | 50,000 | - |
| Royalty agreement payable - related party | 65,292 | 65,292 |
| Accounts payable and accrued expenses - related party | 2,115,618 | 1,666,748 |
| **Total Current Liabilities** | **2,744,472** | **2,201,873** |
| | | |
| **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, | | |
| 773,627,964 and 708,068,385 shares issued and outstanding, respectively | 12,958,757 | 10,801,942 |
| Common stock Class B, no par value; unlimited shares authorized, | | |
| no shares issued and outstanding | - | - |
| Common Stock Issuable, 5,778,633 and 1,122,311 shares, respectively | 279,754 | 22,000 |
| Additional paid-in capital | 2,568,855 | 2,373,458 |
| Accumulated Deficit | (23,385,979) | (20,312,136) |
| | | |
| **Total Stockholders' Deficit** | **(2,360,813)** | **(1,896,936)** |
| | | |
| **Total Liabilities and Stockholders' Deficit** | **$ 383,659** | **$ 304,937** |

**Kraig Biocraft Laboratories, Inc.**
**Statements of Operations**

| | For the Years Ended | |
|---|---|---|
| | **December 31, 2016** | **December 31, 2015** |
| **Revenue** | $ 31,858 | $ - |
| | | |
| **Operating Expenses** | | |
| General and Administrative | 1,736,918 | 920,919 |
| Professional Fees | 396,125 | 260,716 |
| Officer's Salary | 447,283 | 440,896 |
| Research and Development | 397,136 | 432,008 |
| **Total Operating Expenses** | 2,977,462 | 2,054,539 |
| | | |
| **Loss from Operations** | (2,945,604) | (2,054,539) |
| | | |
| **Other Income/(Expenses)** | | |
| Gain on forgiveness of debt | 11,191 | 23,245 |
| Loss on disposal of fixed asset | - | (953) |
| Interest expense | (139,430) | (101,546) |
| **Total Other Income/(Expenses)** | (128,239) | (79,254) |
| | | |
| **Net (Loss) before Provision for Income Taxes** | (3,073,843) | (2,133,793) |
| | | |
| **Provision for Income Taxes** | - | - |
| | | |
| **Net (Loss)** | **$ (3,073,843)** | **$ (2,133,793)** |
| | | |
| **Net Income (Loss) Per Share - Basic and Diluted** | **$ (0.00)** | **$ (0.00)** |
| | | |
| **Weighted average number of shares outstanding during the period - Basic and Diluted** | **744,284,497** | **685,836,581** |

**Kraig Biocraft Laboratories, Inc.**
**Statements of Cash Flows**

| | For the years ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| **Cash Flows From Operating Activities:** | | |
| Net Loss | $ (3,073,843) | $ (2,133,793) |
| Adjustments to reconcile net loss to net cash used in operations | | |
| Depreciation expense | 16,974 | 15,419 |
| Gain on forgiveness of debt | 11,191 | (23,245) |
| Loss on disposal of fixed asset | - | 953 |
| Imputed interest | 1,425 | - |
| Stock issuable for services | 32,850 | - |
| Warrants issued to consultants | 1,356,230 | 590,335 |
| Warrants issued to related party | 193,654 | 121,448 |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in prepaid expenses | (679) | 355 |
| Increase in accounts receivables, net | (31,858) | - |
| (Decrease) in accrued expenses and other payables - related party | 498,640 | 489,718 |
| (Decrease) Increase in accounts payable | (16,425) | (28,753) |
| **Net Cash Used In Operating Activities** | **(1,011,841)** | **(967,563)** |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Purchase of Fixed Assets and Domain Name | (2,488) | (39,285) |
| **Net Cash Used In Investing Activities** | **(2,488)** | **(39,285)** |
| | | |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from Notes Payable - related party | 50,000 | - |
| Proceeds from issuance of common stock | 1,025,000 | 750,000 |
| **Net Cash Provided by Financing Activities** | **1,075,000** | **750,000** |
| | | |
| **Net Increase in Cash** | 60,671 | (256,848) |
| | | |
| Cash at Beginning of Period | 238,188 | 495,036 |
| | | |
| **Cash at End of Period** | **$ 298,859** | **$ 238,188** |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for taxes | $ - | $ - |
| | | |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| **Shares issued in connection with cashless warrants exercise** | $ 1,131,007 | $ 238,342 |
| **Shares issuable in connection with cashless warrant exercise** | $ 224,904 | $ - |
| **Settlement of accounts payable with stock issuance** | $ 808 | $ 755 |

**Kraig Biocraft Laboratories, Inc.**
**Statement of Changes in Stockholders Deficit**
**For the years ended December 31, 2016 and 2015**

| Preferred Stock - Series A | Common Stock - Class A | | Common Stock - Class B | | | | Common Stock - Class A Shares | | | Accumulated Deficit | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par | Shares | Par | Shares | Par | Shares | Par | APIC | | Total |
| **Balance, December 31 ,2014** | **2** | **5,217,800** | **673,974,429** | **9,812,845** | **-** | **-** | **1,122,311** | **22,000** | **1,900,018** | **(18,178,345)** | **(1,225,682)** |
| Grant 5,000,000 warrants for services to related party | - | - | - | - | - | - | - | - | 121,448 | - | 121,448 |
| Grant 15,000,000 warrants for services to consultants | - | - | - | - | - | - | - | - | 590,335 | - | 590,335 |
| Exercise of 4,200,000 warrants in exchange for stock | - | - | 4,095,841 | 238,342 | - | - | - | - | (238,342) | - | - |
| Settlement of accounts payable with stock issuance ($0.03/share) | - | - | 24,000 | 755 | - | - | - | - | - | - | 755 |
| Stock issued for cash ($0.01/share) | - | - | 29,974,115 | 750,000 | - | - | - | - | - | - | 750,000 |
| Net loss for the year ended December 31, 2015 | - | - | - | - | - | - | - | - | - | (2,133,793) | (2,133,793) |
| **Balance, December 31, 2015** | **2** | **$ 5,217,800** | **708,068,385** | **$ 10,801,942** | **-** | **$ -** | **1,122,311** | **$ 22,000** | **$ 2,373,458** | **$ (20,312,136)** | **$ (1,896,936)** |
| Stock issued for cash ($0.0246/share) | - | - | 41,626,276 | 1,025,000 | - | - | - | - | - | - | 1,025,000 |
| Stock issued for services ($0.04380/share) | - | - | - | - | - | - | 750,000 | 32,850 | - | - | 32,850 |
| Imputed Interest | - | - | - | - | - | - | - | - | 1,425 | - | 1,425 |
| Grant 6,000,000 warrants for services to related party | - | - | - | - | - | - | - | - | 125,053 | - | 125,053 |
| Warrants issued for services - related party | | | - | | | | | | 68,600 | - | 68,600 |
| Warrants issued for services | - | - | - | - | - | - | - | - | 1,356,230 | - | 1,356,230 |
| Exercise of 27,500,000 warrants in exchange for stock | - | - | 23,909,303 | 1,131,007 | - | - | 3,906,322 | 224,904 | (1,355,911) | - | - |
| Settlement of accounts payable with stock issuance ($0.03367/share) | - | - | 24,000 | 808 | - | - | - | - | - | - | 808 |
| Net loss for the year ended December 31, 2016 | - | - | - | - | - | - | - | - | - | (3,073,843) | (3,073,843) |
| **Balance, December 31, 2016** | **2** | **$ 5,217,800** | **773,627,964** | **$ 12,958,757** | **-** | **$ -** | **5,778,633** | **$ 279,754** | **$ 2,568,855** | **$ (23,385,979)** | **$ (2,360,813)** |

## 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.

### *(B) Use of Estimates*

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

### *(C) Cash*

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents as of December 31, 2016 or December 31, 2015.

### *(D) Loss Per Share*

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by FASB Accounting Standards Codification No. 260, “Earnings per Share.” During the years ended December 31, 2016 and 2015, 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 during the years ended December 31, 2016 and 2015 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Stock Warrants (Exercise price - $0.001/share) | 47,800,000 | 34,000,000 |
| Convertible Preferred Stock | 2 | 2 |
| Total | 47,800,002 | 345,000,002 |

### *(E) Research and Development Costs*

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

### (F) Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (“ASC 740-10-25”). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

| | 2016 | 2015 |
|---|---|---|
| Expected income tax recovery (expense) at the statutory rate of 34% | (1,045,001) | $ (724,717) |
| Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes) | 534,325 | 229,561 |
| Change in valuation allowance | 510,677 | 495,156 |
| Provision for income taxes | $ - | $ - |

The components of deferred income taxes are as follows :

| | Years Ended December, 2016 | 2015 |
|---|---|---|
| Deferred tax liability: | $ - | $ - |
| Deferred tax asset | | |
| Net Operating Loss Carryforward | 2,813,989 | 3,324,665 |
| Valuation allowance | (2,813,989 | (3,324,665) |
| 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 2035.

The net change in the valuation allowance for the year ended December 31, 2016 and 2015 was an increase of $510,677 and $495,156 respectively.

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, 2016 and December 31, 2015 there were no amounts that had been accrued in respect to uncertain tax positions.

The Company's U.S. federal income tax return for the fiscal year ended December 31, 2013 was audited by the Internal Revenue Service ("IRS"). The IRS made certain adjustments to the Company's prior year tax returns; however, the adjustments did not result in any tax liability or required payments.

***(G) Derivative Financial Instruments***

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

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

***(H) Stock-Based Compensation***

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

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

***(I) Business Segments***

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

***(J) Recent Accounting Pronouncements***

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

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

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

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

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

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

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

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) ("ASU 2015-16"). Topic 805 requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the Update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning December 15, 2015. The adoption of ASU 2015-016 is not expected to have a material effect on the Company's consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"). The amendment in this ASU defers the effective date of ASU No. 2014-09 for all entities for one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods with that reporting period.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

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

***(K) Reclassification***

The 2015 financial statements have been reclassified to conform to the 2016 presentation.

***(L) Equipment***

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

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

There were no impairment losses recorded during the years ended December 31, 2016 and 2015.

***(M) Fair Value of Financial Instruments***

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

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access. We believe our carrying value of level 1 instruments approximate their fair value at December 31, 2016 and December 31, 2015.

- 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, 2016 | December 31, 2015 |
|---|---|---|
| Level 1 | $ - | $ - |
| Level 2 | - | - |
| Level 3 | - | - |
| **Total** | $ - | $ - |

***(N) Revenue Recognition***

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

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

For the year ended December 31, 2016, the Company recognized $31,858 in revenue from the Government contract.

***(O) Concentration of Credit Risk***

The Company at times has cash in banks in excess of FDIC insurance limits. At December 31, 2016 and December 31, 2015, the Company had approximately $48,859 and $0, respectively in excess of FDIC insurance limits.

At December 31, 2016 and December 31, 2015, the Company had a concentration of accounts receivable of:

| **Customer** | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Customer A | 100% | 0% |
| Customer A | $ 31,858 | $ - |

For the years ended December 31, 2016 and December 31, 2015, the Company had a concentration of sales of:

| **Customer** | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Customer A | 100% | 0% |
| Customer A | $ 31,858 | $ - |

For the years ended December 31, 2016 and December 31, 2015, 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 $2,412,431 and stockholders' deficiency of $2,360,813 and used $1,011,841 of cash in operations for the year ended December 31, 2016. 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, 2016 and December 31, 2015, property and equipment, net, is as follows:

| | As of December 31, 2016 | As of December 31, 2015 |
|---|---|---|
| **Automobile** | $ 41,805 | $ 41,805 |
| **Laboratory Equipment** | 39,310 | 36,822 |
| **Office Equipment** | 6,466 | 6,466 |
| **Less: Accumulated Depreciation** | (35,963) | (18,989) |
| **Total Property and Equipment, net** | $ 51,618 | $ 66,104 |

Depreciation expense for the year ended December 31, 2016 and 2015 was $16,974 and $15,419 respectively.

**NOTE 4 ACRRUED INTEREST – RELATED PARTY**

On June 6, 2016, the Company received $50,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

On February 25, 2013, the Company received $150,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. At December 31, 2013 the loan balance was repaid. For the Company's fiscal years ended December 31, 2016 and 2015, the Company recorded $0 and $2,001 in accrued interest payable respectively.

**NOTE 5 STOCKHOLDERS' DEFICIT**

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

On June 16, 2015, the Company issued 4,675,811 share of common stock for $150,000 ($0.03/share).

On July 9, 2015, the Company issued 3,731,343 share of common stock for $100,000 ($0.026/share).

On August 3, 2015, the Company issued 4,152,824 share of common stock for $100,000 ($0.024/share).

On September 28, 2015, the Company issued 4,166,667 share of common stock for $100,000 ($0.024/share).

On October 19, 2015, the Company issued 3,894,081 shares of common stock for $100,000 ($0.026/share).

On November 16, 2015, the Company issued 4,166,667 shares of common stock for $100,000 ($0.024/share).

On December 21, 2015, the Company issued 5,186,722 shares of common stock for $100,000 ($0.019/share).

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

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

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

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

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

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

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

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

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

***(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 March 5, 2015, the Company issued 10,000 shares with a fair value of $321 ($0.0321/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through February 28, 2015 of $10,000. The issuance of shares resulted in gain on settlement of accounts payable of $9,679.

On November 9, 2015, the Company issued 14,000 shares with a fair value of $434 ($0.031/share) to a consultant as consideration for consulting fees owed from March 1, 2015 through September 30, 2015 of $14,000. The issuance of shares resulted in gain on settlement of accounts payable of $13,566.

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

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

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

***(C) Common Stock Warrants***

On January 21, 2015, the Company issued 2,918,919 shares in connection with the cashless exercise of the 3,000,000 warrants.

On January 23, 2015, the Company issued 3-year warrant to purchase 2,000,000 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 $72,317, based upon the Black-Scholes option-pricing model on the date of grant and were fully vested upon issuance and will be exercisable on February 2, 2016, and for a period expiring on January 19, 2018.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 88.13% |
| Expected term | 3 years |
| Risk free interest rate | 1.33% |
| Expected forfeitures | 0% |

On May 28, 2015, the Company issued 3-year warrant to purchase 3,000,000 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 $117,503, based upon the Black-Scholes option-pricing model on the date of grant and vested on October 28, 2016, and will be exercisable commencing on May 28, 2018, and for a period expiring on May 28, 2022. During the years ended December 31, 2016 and 2015, the Company recorded $68,600 and $28,300 as an expense for such warrants issued to related party.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 77.49% |
| Expected term | 4 years |
| Risk free interest rate | 1.24% |
| Expected forfeitures | 0% |

On June 22, 2015, the Company issued 3-year warrant to purchase 15,000,000 shares of common stock at a price of $0.001 per share to a consultant for services to be rendered. The warrants had a fair value of $590,335, based upon the Black-Scholes option-pricing model on the date of grant and were fully vested upon issuance and will be exercisable commencing on December 28, 2015, and for a period expiring on September 22, 2018 (See Note 6( C)).

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 78.85% |
| Expected term | 3 years |
| Risk free interest rate | 1.06% |
| Expected forfeitures | 0% |

On July 2, 2015, the Company issued 1,176,922 shares in connection with the cashless exercise of the 1,200,000 warrants

On January 1, 2016, the Company issued 3-year warrant to purchase 6,000,000 shares of common stock at $0.001 per share to a related party for services to be rendered. The warrants had a fair value of $142,526, based upon the Black-Scholes option-pricing model on the date of grant and vested on February 20, 2017, and will be exercisable commencing on February 20, 2018, and for a period expiring on February 20, 2021. During the years ended December 31, 2016, the Company recorded $125,053 as an expense for such warrants issued to this related party.

| **Grant Date** | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 78.58% |
| Expected term | 3 years |
| Risk free interest rate | 1.32% |
| Expected forfeitures | 0% |

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

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

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

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

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

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

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

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

| | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 93.6% |
| 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 will become exercisable on July 26, 2018, and for a period of 4 years expiring on July 26, 2022. During the years ended December 31, 2016, the Company recorded $292,126 as an expense for such warrants issued.

| | |
|---|---|
| Expected dividends | 0% |
| Expected volatility | 93.60% |
| 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 years ended December 31, 2016, the Company recorded $68,686 as an expense for such warrants issued (See Note 6(C)).

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

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

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

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years |
|---|---|---|---|
| Balance, December 31, 2014 | 18,200,000 | $ 0.001 | 2.1 |
| Granted | 20,000,000 | | |
| Exercised | (4,200,000) | | |
| Cancelled/Forfeited | - | | |
| Balance, December 31, 2015 | 34,000,000 | $ 0.001 | 1.7 |
| Granted | 41,300,000 | | |
| Exercised | (27,500,000) | | |
| Cancelled/Forfeited | - | | |
| Balance, December 31, 2016 | 47,800,000 | $ 0.001 | 3.8 |
| | | | |
| Intrinsic Value | $ 2,557,300 | | |

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

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

**For the year ended December 31, 2015, the following warrants were outstanding:**

| Exercise Price Warrants Outstanding | Warrants Exercisable | Weighted Average Remaining Contractual Life | A ggregate Intrinsic Value |
|---|---|---|---|
| $ 0.001 | 34,000,000 | 1.7 | $ 842,000 |

***(D) Amendment to Articles of Incorporation***

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

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

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

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

- Calm Seas has purchased an aggregate of $7,500,000 of our Class A common stock; or

- The second anniversary from the Effective Date.

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

***(A)License Agreement***

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

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

***(B)Royalty and Research Agreements***

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

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr Thompson, its CEO. In consideration of the Company issuing either 200,000 preferred shares with the following preferences; no dividends and voting rights equal to 100 common shares per share of preferred stock or the payment of $120,000, the officer agreed to terminate the royalty payments due under the agreement and give title to the exclusive license for the non-protective apparel use of the intellectual property to the Company. On the date of the agreement, the Company did not have any preferred stock authorized with the required preferences. In accordance with FASB Accounting Standards Codification No 480, *Distinguishing Liabilities from Equity*, the Company determined that the present value of the payment of $120,000 that was due on December 26, 2007, the one year anniversary of the addendum, should be recorded as an accrued expense until such time as the Company has the ability to assert that it has preferred shares authorized. As of March 31, 2010, the Company has recorded $120,000 in accrued expenses- related party. On December 21, 2007 the officer extended the due date to July 30, 2008. On May 30, 2008 the officer extended the due date to December 31, 2008. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. The due date was extended to March 31, 2011. On September 8, 2009, a payment of $15,000 was paid to the officer. An additional payment of $10,000 was made on October 19, 2009 and December 1, 2009, respectfully. Additionally, the accrued expenses are accruing 7% interest per year. On January 15, 2010 an additional payment of $10,000 was made. During the quarter ending September 30, 2010 an additional payment of $8,000 was made. During the quarter ending September 30, 2012 an additional payment of $1,000 was made. During the year ended December 31, 2013, an additional payment of $1,280 was made. During the year ended December 31, 2014, an additional loan of $572 was made. As of December 31, 2016 and December 31, 2015, the outstanding balance is $65,292. As of December 31, 2016 the Company recorded interest expense and related accrued interest payable of $1,959.

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

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

***(C) Consulting Agreement***

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

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

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

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

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

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

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

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

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

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

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

***(D) Operating Lease Agreement***

On April 1, 2012, the Company executed a one-year non-cancelable operating lease for its Laboratory space. The lease was subsequently extended through March 31, 2014. On February 25, 2015, the Company renewed its lease of a Laboratory. The lease is on a month to month basis at an annual rate of $13,200. On June 30, 2015, the Company terminated this lease.

The Company rented office space at 120 N. Washington Square, Suite 805, Lansing, Michigan 48950, which was its principal place of business. The lease was on a month to month basis. The Company paid an annual rent of $600 for conference facilities, mail, fax, and reception services located at our principal place of business. On September 1, 2015, the Company ended the lease of this office.

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

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

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

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

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

Rent expense for the year ended December 31, 2016 and 2015 was $9,845 and $12,832, respectively.

**NOTE 7 RELATED PARTY TRANSACTIONS**

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr. Thompson, its CEO. Pursuant to the addendum, the Company agreed to issue either 200,000 preferred shares with the following preferences; no dividends and voting rights equal to 100 common shares per share of preferred stock or the payment of $120,000, the officer agreed to terminate the royalty payments due under the agreement and give title to the exclusive license for the non-protective apparel use of the intellectual property to the Company. On the date of the agreement, the Company did not have any preferred stock authorized with the required preferences. In accordance with FASB Accounting Standards Codification No. 480, *Distinguishing Liabilities from Equity*, the Company determined that the present value of the payment of $120,000 that was due on December 26, 2007, one year anniversary of the addendum, should be recorded as an accrued expense until such time as the Company has the ability to assert that it has preferred shares authorized. As of March 31, 2010, the Company has recorded $120,000 in royalty agreement payable- related party. On December 21, 2007 the officer extended the due date to July 30, 2008. On May 30, 2008, the officer extended the due date to March 31, 2009. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On March 30, 2010, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On September 8, 2009, a payment of $15,000 was paid to the officer. On October 19, 2009 and December 1, 2009, $10,000 was paid to the officer respectfully. An additional payment of $10,000 was made on January 15, 2010. During the quarter ending September 30, 2010 an additional payment of $8,000 was made. During the year ended December 31, 2012 an additional payment of $1,000 was made. During the year ended December 31, 2013 an additional payment of $1,280 was made. During the year ended December 31, 2014, an additional loan of $572 was made. As of December 31, 2016 the outstanding balance is $65,292. Additionally, the accrued expenses are accruing 7% interest per year. As of December 31, 2016, the Company recorded interest expense and related accrued interest payable of $1,959.

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

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

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

On June 6, 2016, the Company borrowed $50,000 from a principal stockholder. Pursuant to the terms of the loan, the loan is unsecured carrying an annual interest at 3% and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

As of December 31, 2016 and December 31, 2015, there was $187,756 and $148,019, respectively, included in accounts payable and accrued expenses - related party, which is owed to the Company's Chief Executive Officer.

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

As of December 31, 2015, there was $426,054 of accrued interest- related party and $12,718 in shareholder loan interest – related party included in accounts payable and accrued expenses – related party, which his owed to the Company's Chief Executive officer.

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

As of December 31, 2015, the Company owes $1,094,153 in accrued salary to principal stockholder and $1,748 to the Company's COO.

The Company owes $65,292 in royalty payable to related party for the year ended December 31, 2016 and December 31, 2015.

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

On January 1, 2016, the Company issued 3-year warrant for 6,000,000 shares to a related party, with an exercise price of $0.001 per share. The warrants were granted for services to be rendered. The warrants had a fair value of $142,526, based upon the Black-Scholes option-pricing model on the date of grant and vesting on February 20, 2017, and will be exercisable on February 20, 2018, and for a period expiring on February 20, 2021. During the year ended December 31, 2016, the Company recorded $125,053 as an expense for warrants issued to related party.

**NOTE 8 SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 22, 2017, the date the financial statements were available to be issued.

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

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

## 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, 2016. 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, 2016, 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 2016, 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, 2016, 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.

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, 2016 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 | 55 | President, Chief Executive Officer, Chief Financial Officer and Director | April 25, 2006 |
| Jonathan R. Rice | 37 | 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 is currently studying for his Masters of Business Administration at Michigan State University and expects to graduate 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 officers and director have not filed any bankruptcy petition, been convicted of or been the subject of any criminal proceedings or the subject of any order, judgment or decree involving the violation of any state or federal securities laws within the past ten (10) years.

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 were appointed by our board of directors and holds office until removed by the board.

**Committees**

Because our Board of Directors currently consists of only one member, no board committees have been formed as of the filing of this Annual Report. All audit committee functions are performed by Mr. Kim Thompson, as the sole member of our Board of Directors and he is the largest shareholder of the Company and the Company's Chief Executive Officer and President. Mr. Thompson does not qualify as an "audit committee financial expert" within the applicable definition of the Securities and Exchange Commission.

**Meetings of the Board of Directors**

During its fiscal year ended December 31, 2016, 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.

**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, 2016 and 2015 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 | 2016 | $ 297,889 | $ 59,578 | $ 0 | $ 0 | $ 0 | $ 0 | $ 44,609 | (1) | $ 402,076 |
| | 2015 | $ 281,027 | $ 56,205 | $ 0 | $ 0 | $ 0 | $ 0 | $ 37,580 | (2) | $ 374,812 |
| Jonathan R. Rice COO | 2016 | $ 125,393 | $ 24,000 | $ 0 | $ 125,053 | $ 0 | $ 0 | $ 17,215 | (3) | $ 291,661 |
| | 2015 | $ 97,915 | $ 4,000 | $ 0 | $ 121,448 | $ 0 | $ 0 | $ 13,814 | (4) | $ 237,117 |

1) In 2016, Kim Thompson received $29,613 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us. In 2016, Kim Thompons received $14,996 in reimbursement for office and travel related expenses.
2) In 2015, Kim Thompson received $37,580 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us.
3) In 2016, Jonathan Rice received $10,925 in medical insurance and medical reimbursement, $1,040 in phone service expenses, and $ 5,250 in tuition reimbursements pursuant to an employment agreement entered into with us.

4) In 2015, Jonathan Rice received $7,604 in medical insurance and medical reimbursement, $960 in phone service expenses, and $ 5,250 in tuition reimbursements 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 is five years. 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. On April 26, 2006, the Company entered into its first a five-year employment agreement with the Company's Chairman, Chief Executive Officer and Chief Financial Officer. The agreement renewed annually so that at all times, the term of the agreement was five years. Pursuant to this agreement, the Company agreed to pay an annual base salary of $185,000 for the period May 1, 2006 through December 31, 2006. Base pay will be increased each January 1st, for the subsequent twelve month periods by six percent. The officer will also be entitled to life, disability, health and dental insurance. In addition, the officer received five year warrants to purchase 700,000 shares of common stock at an exercise price of $0.21 per share, eight year warrants to purchase 1,500,000 shares of common stock at an exercise price of $0.33 per share, and nine year warrants to purchase 2,000,000 shares of common stock at an exercise price of $0.40 per share. The warrants fully vested on the date of grant. The agreement also calls for the issuance of warrants and increase in the officer's base compensation upon the Company reaching certain milestones. The Chief executive subsequently 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. Additionally, on May 28, 2015, the Company issued a three-year warrant to purchase 3,000,000 shares of common stock of the Company at an exercise price of $0.001 per share. The warrant fully vests on October 28, 2016. For the twelve months ended the Company recorded $121,448 for the warrants issued to related party.

On January 1, 2016, 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 $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 COO Employment Agreement. Additionally, on August 4, 2016, the Company issued a performance retention bonus to Mr. Rice of $20,000 which is payable on March 31, 2018. For the twelve months ended the Company recorded $125,053 for the warrants issued to related party.

**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 Owner | Amount and Nature of Beneficial | | Percent of Class (1) |
|---|---|---|---|---|
| Class A Common Stock | Kim Thompson<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 233,991,767 | (2) | 29.96% |
| Class A Common Stock | Jonathan R. Rice<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 11,000,000 | (3) | 1.41% |
| Class A Common Stock | All executive officers and directors as a group (2 Person) | 244,991,767 | | 31.37% |
| Series A Preferred Stock | Kim Thompson<br>2723 South State St Suite 150<br>Ann Arbor, MI 48104 | 2 | | 100% |
| Series A Preferred Stock | All executive officers and directors as a group (1 Person) | 2 | | 100% |

_____

(1) The percent of class is based on 780,962,857 shares of our Class A common stock issued and outstanding as of the date of this report.
(2) Such shares are shares of common stock owned and may be issued upon exercise of warrants that are owned by Mr. Thompson, including 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**

**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.

As of December 31, 2016 and December 31, 2015, the Company owed $1,392,041 and $1,094,153, respectively, in accrued salary and accrued payroll taxes to principal stockholder. As of December 31, 2016, no accrued salary has been converted to Class A Common Stock.

As of December 31, 2016 and December 31, 2015, there was $187,756 and $148,019, respectively, included in accounts payable and accrued expenses - related party, which was owed to the Company's Chief Executive Officer.

As of December 31, 2015, there was $426,054 of accrued interest- related party and $12,718 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, 2016, there was $561,245 of accrued interest- related party and $15,531 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, 2016 and December 31, 2015.

On June 6, 2016 the Company received $50,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. The Company recorded accrued interest payable of $855 as of December 31, 2016. In addition, the Company recorded $1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

Other than the above transactions or as otherwise set forth in this report or in any reports filed by the Company with the SEC, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K. 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**

| | 2016 | 2015 |
|---|---|---|
| Audit Fees | $ 18,800 | $ 13,000 |
| Audit-Related Fees | - | - |
| Tax Fees | - | 8,500 |
| All Other Fees | - | - |
| Total | $ 18,800 | $ 21,500 |

**Audit Fees**

For the Company's fiscal years ended December 31, 2016 and 2015, we were billed approximately $18,800 and $13,000 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, 2016 and 2015.

**Tax Fees**

For the Company's fiscal year ended December 31, 2015, we were billed approximately $8,500 for professional services rendered for tax compliance, tax advice, and tax planning. For the Company's fiscal year ended December 31, 2016, we have not been billed for professional services rendered for tax compliance, tax advice, and tax planning.

**All Other Fees**

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2016 and 2015.

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 / Collaborative Research Agreement, dated March 4, 2015, between the Company and University of Notre Dame du Lac. |
| 14.1 | Code of Business Conduct and Ethics (13) |
| 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 22, 2017

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 ACT OF 1933, THIS ANNUAL REPORT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

| Signature | Title | Date |
|---|---|---|
| /S/ Kim Thompson<br>Kim Thompson | President, Chief Executive Officer, Chief Financial Officer and Sole Director | March 22, 2017 |



**EXHIBIT 31.1**

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

I, Kim Thompson, as President, Chief Executive Officer and Chief Financial Officer of Kraig Biocraft Laboratories, Inc. (the “registrant”), hereby certify that:

1. I have reviewed this Annual Report on Form 10-K of the registrant for the year ended December 31, 2016;

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 present in this report;

4. I am 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 my 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 my supervision, to provide reasonable assurance regarding their 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 my 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 financing 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. I have disclosed, based on my 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 involved management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 22, 2017

*/s/ Kim Thompson*

Kim Thompson
President, Chief Executive Officer and Chief Financial Officer
(principal executive officer, principal financial officer and principal accounting officer)

**EXHIBIT 32.1**

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

In connection with the accompanying Annual Report on Form 10-K of Kraig Biocraft Laboratories, Inc. for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kim Thompson, President, Chief Executive Officer and Chief Financial Officer of Kraig Biocraft Laboratories, Inc. hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

Date: March 22, 2017

*/s/ Kim Thompson*
Kim Thompson
President, Chief Executive Officer and Chief Financial Officer
(principal executive officer, principal financial officer and principal accounting officer)

A signed original of this written statement required by Section 906 has been provided to Kraig Biocraft Laboratories, Inc. and will be retained by Kraig Biocraft Laboratories, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 31.1**

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

I, Kim Thompson, as President, Chief Executive Officer and Chief Financial Officer of Kraig Biocraft Laboratories, Inc. (the "registrant"), hereby certify that:

1. I have reviewed this Annual Report on Form 10-K of the registrant for the year ended December 31, 2016;

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 present in this report;

4. I am 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 my 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 my supervision, to provide reasonable assurance regarding their 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 my 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 financing 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. I have disclosed, based on my 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2017

*/s/ Kim Thompson*

Kim Thompson
President, Chief Executive Officer and Chief Financial Officer
(principal executive officer, principal financial officer and principal accounting officer)

**EXHIBIT 32.1**

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

In connection with the accompanying Annual Report on Form 10-K of Kraig Biocraft Laboratories, Inc. for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kim Thompson, President, Chief Executive Officer and Chief Financial Officer of Kraig Biocraft Laboratories, Inc. hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

Date: March 22, 2017

*/s/ Kim Thompson*
Kim Thompson
President, Chief Executive Officer and Chief Financial Officer
(principal executive officer, principal financial officer and principal accounting officer)

A signed original of this written statement required by Section 906 has been provided to Kraig Biocraft Laboratories, Inc. and will be retained by Kraig Biocraft Laboratories, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.