

ProtoKinetix, Inc.
Form 10-K
May 15, 2009

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

TANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

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

For the transition period from _____ to _____

Commission File Number: 000-32917

PROTOKINETIX, INC.

(Name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

94-3355026

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

Suite 1500-885 West Georgia Street
Vancouver, British Columbia Canada V6C 3E8

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 604-687-9887

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: \$.001 par value common stock

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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

Check whether the issuer has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was require to submit and post such files Yes No

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined 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 issuer's revenues for the most recent fiscal year were \$0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$ 5,828,193 based upon the closing price of our common stock which was \$0.10 on May 4, 2008. Shares of common stock held by each officer and director and by each person or group who owns 10% or more of them outstanding common stock amounting to 620,000 shares have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of May, 2009, there were 58,281,933 shares of our common stock were issued and outstanding.

Documents Incorporated by Reference: None.

Transitional Small Business Disclosure Format: No.

INTRODUCTION

The following discussion should be read in conjunction with our audited financial statements and notes thereto. Because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or our behalf. We disclaim any obligation to update forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "expects,"

"plan," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements.

WE ARE A DEVELOPMENT STAGE BUSINESS AND AN INVESTMENT IN OUR COMPANY IS EXTREMELY RISKY.

TABLE OF CONTENTS
FORM 10-K ANNUAL REPORT

PROTOKINETIX, INC.

Section	Heading
Part I	
Item 1	<u>Business</u>
Item 2	<u>Properties</u>
Item 3	<u>Legal Proceedings</u>
Item 4	<u>Submission of Matters to a Vote of Security Holders</u>
Part II	
Item 5	<u>Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities</u>
Item 6	<u>Selected Financial Data</u>
Item 7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
Item 7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
Item 8	<u>Financial Statements and Supplementary Data</u>
Item 9	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>
Item 9A	<u>Controls and Procedures</u>
Item 9B	<u>Other Information</u>
Part III	
Item 10	<u>Directors, Executive Officers, and Corporate Governance</u>
Item 11	<u>Executive Compensation</u>
Item 12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>
Item 13	<u>Certain Relationships and Related Transactions, and Director Independence</u>
Item 14	<u>Principal Accounting Fees and Services</u>
Part IV	
Item 15	<u>Exhibits, Financial Statement Schedules</u>

Table of Contents

PART I

ITEM 1. BUSINESS

Important Disclosures and Disclaimers.

Please note that ProtoKinetix, Inc. (the "Company") is a research and product development stage company that has not yet sold any products. The Company had \$0 in revenues for the year ended December 31, 2008.

It is important to understand that although the Company (as is discussed below) is focused on various promising scientific and business development efforts, to date, we have not yet marketed a product. Ongoing testing of the AAGP™ molecule with three amino acids joined to a monosaccharide by a gemdifluoride bond continues to show that there is significant promise in the field of medicine of preserving cells, tissue and organs from various stresses. The antiaging properties and the protective effect of AAGP™ also is of significant interest to the cosmetic and skin care industries. Tests have confirmed that the AAGP™ molecule improves the harvest of cells from cryopreservation by 30% to 120%. We believe there is a market for AAGP™ to preserve cells, particularly various stem cells, and we will continue testing with potential customers. At the same time we are taking steps to improve the manufacturing process to reduce costs and improve purity and biochemical activity.

Our progress to date has been achieved notwithstanding the inherent risks relating to the science, applications, market opportunities and commercial relationships. The progress of the business has and will continue to be dependant on having appropriate human and sufficient financial resources which have and will be uncertain.

About ProtoKinetix

ProtoKinetix owns the world-wide rights to a family of anti-aging glycoproteins, trademarked as AAGPs™. In scientific tests AAGPs™ have demonstrated the ability to enhance the health and extend the life of biologically sensitive cells which have been subjected to severe stress conditions under laboratory controlled test conditions. AAGPs™ are stable and non-toxic.

Since 2005, ProtoKinetix has primarily focused on scientific research, but the company has recently been in the process of directing major efforts to the practical side of commercial validation. The commercial applications for AAGPs™ in large markets such as skincare/cosmetic products and targeted health care solutions are numerous, and ProtoKinetix is currently working with researchers, business leaders and advisors and commercial entities to bring AAGP™ to market.

Table of Contents

Background

Native AFGP Compound

AFGP (Anti-Freeze Glycoprotein) is found in nature as a compound produced by some fish, insects, reptiles, bacteria and plants that enable survival in freezing temperatures.

One of the many accomplishments from pioneering research of the U.S. Antarctic Program was the discovery, in the early sixties, that fish living year-long in subzero temperature are extremely resistant to freezing. The substances that prevent these fish from freezing were isolated, characterized and designated as antifreeze glycoproteins or AFGP. Various kinds of AFGP were isolated from many species of fishes, and in some amphibians, plants and insects. All of the AFGPs share a common characteristic that prevents ice crystals from growing and connecting to each other. Research has also confirmed a cell membrane stabilizing characteristics of native AFGP.

There has been much scientific research done in an attempt to synthetically replicate AFGPs in research institutions because the protective properties of AFGPs could have commercial applications, primarily in food and crop preservation at freezing temperatures. The native antifreeze glycoproteins are very large molecules that are often made up of a repeating series of smaller molecules, glycoproteins. Glycoproteins are often very biologically active, but they are inherently quite unstable. The oxygen-glycosidic link is readily cleaved by glycosidases, resulting in a low bio-availability of these glycoconjugate based molecules.

Scientific research prior to AAGP has focused on building a stable and more efficient compound with a strong bond.

AAGP™ – The Core Technology of ProtoKinetix

AAGP™ Invention

Dr. Geraldine Castelot-Deliencourt, along with Dr. Jean-Charles Quirion at the Research Institute of Organic Chemistry in Rouen, France, developed a patented process to stabilize the oxygen-glycosidic bond in these sugar based molecules. This patented process replaces the weaker oxygen bond with a C-F2 mimetic. The resultant molecules are biologically active and stable over a pH range of 2 to 13. They are not broken down by glycosidases.

AAGP™ Toxicity Tests

Tests have shown cells that have been exposed to AAGP™ at low and high concentrations have remained viable. A common viability test used on cell cultures using trypan blue dye exclusion method has been used to show AAGP™ non-toxicity.

AAGP™ Stability Tests

AAGP™ molecules have remained stable when subjected to three tests:

1. pH ranging from a strong acid level of 1.8 (stronger than stomach acid) to a strong alkali level of 13.8. (the pH scale is calibrated from 1, highly acidic, to 14, highly alkali);
2. Enzymatic action using protease, which targets the amino acid bonds, and glycosidase, which targets the amino acid bonds, and glycosidase, which targets the sugar molecules; and
3. Temperatures ranging from -196°C (cryopreservation) to +37°C (body temperature).

Stress Tests on 12 Different Cell Lines

Cell lines are selected for their high level of sensitivity. Cell lines are also selected for their potential role in adding value in medical applications, enhancing health and extending life. All tests are designed to explore how cells from different cell lines act biologically in the presence of AAGP™ when subjected to health and life threatening inflammatory stress conditions and agents.

Table of Contents

Cells Lines Tested

§ Stem cells (human)	§ Adult skin fibroblast cells
§ Whole blood cells	§ Heart cells (cardiac myocytes)
§ Blood Platelet cells	§ Liver cells (hepatocytes)
§ Heart tissue	§ Embryonic skin fibroblast cells
§ Hela (cancer) cells	§ Islet cells (pancreatic)
§ Kidney (KB and vero) cells	§ Stem cells (mouse)

Stress Conditions and Agents

Temperature

§ temperatures ranging from -80° C to +37°

UV-C Radiation

§ harsh sterilizing radiation
 § 254 nanometer wavelength

Oxidation

§ hydrogen peroxide (H₂O₂)
 § powerful oxidant

Starvation

§ serum free culture media
 § food/growth/nutrients factors (fetal bovine serum) withheld

Inflammation

§ Interleukin 1 Beta, a standard agent for stimulating inflammation in cell testing
 § All of the above tests are also considered to cause inflammation

Bio-Screening Control Lab Testing

AAGP™ testing is conducted to international standards in outsourced research laboratories in North America and Europe. All tests are designed to explore both the safety and effectiveness of AAGP™ when challenged to enhance the health and extend the life of cells.

Test Results Summary

Cells that were tested in the presence of AAGP™ had a higher survival and viability rate than the controls. The overall effect of AAGP™ is to protect, preserve and in some cases to repair. Anti-inflammatory effects appear to be at work, although the mechanism and pathways of action are not yet determined. AAGP™ appears to enhance health and extend cell life.

The test results are considered preliminary. The limited number of samples and extent of the tests are designed to investigate the potential attributes of AAGP™ and should not be considered as statistically or scientifically conclusive. Notwithstanding, we feel the results are sufficient to justify further tests by commercial entities in health care.

AAGP™ Commercial Applications

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

The extent of the value of the ProtoKinetix family of AAGPs™ is being investigated by companies and the Company is targeting commercial entities specializing in regenerative medicine, cellular and tissue therapies, organ transplantation, trauma, blood product banking, anti- inflammation and cosmetics/skin care.

Table of Contents

Skincare and Cosmetics

Industry sources estimate that the skincare market in the USA, including both mass and prestige, will reach \$7.2 billion by 2010, driven in part by expected double-digit growth of anti-aging products, which is likely to become the second largest category behind hand & body lotions in the industry.

According to the Johnson and Johnson 2003 Annual Report, the global skin care and cosmetics market is already running easily in the tens of billions at some \$43 billion dollars per year.

In the skin care business it's about healthier, younger looking skin. The two major causes of dry, wrinkled, less elastic or even diseased skin are inflammation and oxidation. The main culprits are the sun (UV rays and free radicals) and other environmental and physiological stresses that also cause inflammation and oxidation.

When AAGP™ is combined with Coenzyme Q10 a powerful anti-oxidant effect is achieved that not only protects but also seems to help the cells repair previously existing damage. In vitro laboratory tests have shown the AAGP™ molecules can protect in vitro skin cells from damage and death that would otherwise occur from UV rays and free radicals. To the extent of the laboratory tests conducted, AAGP™ appears to protect in vitro skin cells from cold temperatures, oxidation, UV irradiation and pH variations.

Health Care

Acute medical problems are increasingly reliant on, and benefit from, solutions that can deal with the fundamental factors of inflammation and oxidation. Both are well-known causes of life-threatening conditions and diseases, and accelerated aging. In addition many acute medical problems are benefiting from cell therapies and transplantation of cells, tissues and time sensitive organs.

Health Care Applications of AAGP™ fall into two main categories: (i) harvesting, storage and transplanting cells, tissues and organs; and (ii) treatments for conditions and disease caused by stress factors, including UV radiation, oxidation and inflammation. These are all areas that expand into many sub-categories of existing and future health care solutions.

Intellectual Property

Because it is difficult and costly to protect our proprietary rights, we may not be able to ensure their protection. Our commercial success will depend in part on maintaining patent protection and trade secret protection for our products, as well as successfully defending these patents against third-party challenges. We will only be able to protect our technologies from unauthorized use by third parties to the extent that valid and enforceable patents or trade secrets cover them.

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in pharmaceutical or biotechnology patents has emerged to date in the United States. The patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

Patents

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

As of the date of this Report, our development agents, including the parties we have licensed AAGP™ technologies from, have applied to receive patents for technologies we have licensed and continue to primarily base our research efforts on. At present, we have engaged the patent law firm of Cabinet-Moutard of Versailles, France, and have filed a number of international patent applications. These patent applications include:

WO 2004/014928 A2 (19 February 2004)

PCT Int. Appl. (2006), 87 pp. WO2006059227 A1 20060608 AN 2006:538719

Patent application: Fr 03 May 2006, 06 03952

Consistent with our agreements with the licensors of various technologies we license, we have no finished commercial product or products, and have received no final patents awards or FDA approvals for any product or diagnostic procedures. We are focused on the research and development of one primary compound known as AAGP™, which we have filed a trademark application for.

Table of Contents

Subject to our available financial resources, our intellectual property strategy is: (1) to pursue licenses, trade secrets, and know-how within our primary research areas, and (2) to develop and acquire proprietary positions to reagents and new platforms for the development of products related to these technologies.

Trade Secrets and Know-How

The Company has developed a substantial body of trade secrets and know-how relating to the development, use and manufacture of AAGP™, including but not limited to the optimization of materials for efforts, and how to maximize sensitivity, speed-to-result, specificity, stability, purity and reproducibility.

Super Antibody and Catalytic Antibody Platform Technologies

The Company continues to own the rights to both the Super Antibody and the Catalytic Antibody platform technologies. The Company plans to, as a secondary priority and subject to available resources, search for a patentable receptor sites that exist on cancer cells.

Competition

The markets that the Company is focusing on are multi-billion dollar international industries. They are intensely competitive. Many of the Company’s competitors are substantially larger and have greater financial, research, manufacturing, and marketing resources.

Industry competition in general is based on the following:

- § Scientific and technological capability;
- § Proprietary know-how;
- § The ability to develop and market products and processes;
- § The ability to obtain FDA or other required regulatory approvals;
- § The ability to manufacture products that meet applicable FDA requirements, (i.e. FDA’s Quality System Regulations) see Governmental Regulation section;
- § Access to adequate capital;
- § The ability to attract and retain qualified personnel; and
- § The availability of patent protection.

The Company believes its scientific and technological capabilities are significant.

The Company’s ability to develop its research is in large measure dependent on having sufficient and additional resources and/or collaborative relationships.

The Company’s access to capital is more challenging, relative to most of its competitors. This is a competitive disadvantage. The Company believes however that its access to capital may increase as it gets closer to the development of a commercially viable product.

The Company believes that its research has enabled it to attract and retain qualified consultants. Because of the greater financial resources of many of its competitors, the Company may not be able to complete effectively for the same individuals to the extent that a competitor uses its substantial resources to attract any such individuals.

Governmental Regulation

The Company's AAGPs™ have commercial applications in markets and circumstances that fall under government regulations ranging from none to limited to extensive.

Table of Contents

Although there is no such immediate need to make any regulatory filing in the United States or other jurisdictions, the Company has limited or no experience with regard to obtaining FDA or other required regulatory approvals. The Company intends to retain the services of appropriately experienced consultants. For this reason, should our research efforts continue to show promise, we will need to hire consultants to assist the Company with such governmental regulations.

As the Company continues to conduct research and testing programs, in collaboration with commercial entities, to expand and confirm the potential medical applications of AAGP™ in a number of fields, including regenerative medicine, cell therapy, blood products, transplants and skin care/cosmetics, the Company intends to utilize the regulatory expertise of others, whether they are consultants or commercial entities involved on collaborative development programs with the Company.

The following discussion relates to factors that may come into play when and if the Company has a commercially viable product in an area which requires regulatory approval. These products may be regulated by the European regulatory agencies, FDA, U.S. Department of Agriculture, certain state and local agencies, and/or comparable regulatory bodies in other countries (collectively, these agencies shall be referred to as the "Agencies"). Government regulation affects almost all aspects of development, production, and marketing, including product testing, authorizations to market, labeling, promotion, manufacturing, and record keeping. The FDA and U.S. Department of Agriculture regulated products require some form of action by that agency before they can be marketed in the United States, and, after approval or clearance, the products must continue to comply with other FDA requirements applicable to marketed products. Both before and after approval or clearance, failure to comply with the FDA's requirements can lead to significant penalties. The Company's proposed AAGP™ products will require government regulatory approval as a biologic agent. Such regulatory approval will be granted only after the appropriate preclinical and clinical studies are conducted to confirm efficacy and safety.

Every company that manufactures biologic products or medical devices distributed in the United States must comply with the FDA's Quality System Regulations. These regulations govern the manufacturing process, including design, manufacture, testing, release, packaging, distribution, documentation, and purchasing. Compliance with the Quality System Regulations is required before the FDA will approve an application. These requirements also apply to marketed products. Companies are also subject to other post-market and general requirements, including compliance with restrictions imposed on marketed products, compliance with promotional standards, record keeping, and reporting of certain adverse reactions or events. The FDA regularly inspects companies to determine compliance with the Quality System Regulations and other post-approval requirements. Failure to comply with statutory requirements and the FDA's regulations can lead to substantial penalties, including monetary penalties, injunctions, product recalls, seizure of products, and criminal prosecution.

The Clinical Laboratory Improvement Act of 1988 prohibits laboratories from performing in vitro tests for the purpose of providing information for the diagnosis, prevention or treatment of any disease or impairment of, or the assessment of, the health of human beings unless there is in effect for such laboratories a certificate issued by the U.S. Department of Health and Human Services applicable to the category of examination or procedure performed. Although a certificate is not required for ProtoKinetix, ProtoKinetix considers the applicability of the requirements of the Clinical Laboratory Improvement Act in the potential design and development of its products.

The Company is also subject to regulations in foreign countries governing products, human clinical trials and marketing, and may need to obtain approval or evaluations by international public health agencies, such as the World Health Organization, in order to sell products in certain countries. Approval processes vary from country to country, and the length of time required for approval or to obtain other clearances may in some cases be longer than that required for U.S. governmental approvals. The extent of potentially adverse governmental regulation affecting ProtoKinetix that might arise from future legislative or administrative action cannot be predicted.

Environmental Laws

To date, the Company has not encountered any costs relating to compliance with any environmental laws.

ITEM 2.

PROPERTIES

The Company does not own any real property. The Company is currently paying a rental fee where it is located.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

There are currently no legal matters pending.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was vote by shareholders without a meeting and no shareholder meetings were held during the year ended December 31, 2008.

PART II

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

Trades of our common stock are subject to Rule 15c-9 of the Securities and Exchange Commission, known as the Penny Stock Rule. This rule imposes requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, brokers/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser's written agreement to the transaction prior to sale. The Securities and Exchange Commission also has rules that regulate broker/dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in that security is provided by the exchange or system). The Penny Stock Rules requires a broker/ dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. These disclosure requirements have the effect of reducing the level of trading activity in the secondary market for our common stock. As a result of these rules, investors may find it difficult to sell their shares.

The Company's Common Stock is quoted on the over-the-counter market and quoted on the National Association of Securities Dealers Electronic Bulletin Board ("OTC Bulletin Board") under the symbol "PKTX". The high and low bid prices for the Common Stock, as reported by the National Quotation Bureau, Inc., are indicated for the periods described below. Such prices are inter-dealer prices without retail markups, markdowns or commissions, and may not necessarily represent actual transactions.

	2008	Low	High
First Quarter		\$.14	\$.52
Second Quarter		.30	.40
Third Quarter		.20	.33
Fourth Quarter		.12	.23

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

	2007	Low	High
First Quarter		\$.36	\$.50
Second Quarter		.32	.45
Third Quarter		.24	.42
Fourth Quarter		.10	.26

Holders

As of April 29, 2009, there were approximately 63 shareholders of record of the company's Common Stock.

Table of Contents

Dividends

We have never paid cash dividends and have no plans to do so in the foreseeable future. Our future dividend policy will be determined by our board of directors and will depend upon a number of factors, including our financial condition and performance, our cash needs and expansion plans, income tax consequences, and the restrictions that applicable laws, our current preferred stock instruments, and our future credit arrangements may then impose.

Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities

There have been no sales of unregistered securities during calendar 2008 which would be required to be disclosed pursuant to Item 701 of Regulation S-B, except for the following:

On February 8, 2008, we issued 278,846 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On March 20, 2008, we issued a total of 1,700,000 common shares to several investors in connection with a private placement for a total sales price of \$255,000. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On March 26, 2008, we issued 90,500 common shares to two consultants in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On May 6, 2008, we issued 308,500 common shares to two consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S .

On May 21, 2008, we issued 86,670 common shares to two consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On May 21, 2008, we issued 173,000 common shares in connection with a settlement agreement. This issuance was considered an exempt transaction under Regulation S.

On June 30, 2008, our Board of Directors' authorized the issuance of 2,850,000 common shares to several consultants in connection to consulting agreements provide by directors, officers and consultants. Those shares are in lieu of cash payments for services rendered.. We issued 2,250,000 of those common shares during the quarter ending September 30, 2008 and were considered exempt transactions under Regulation S.

On July 15, 2008, we issued 155,170 common shares to a consultant in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On September 15, 2008, we issued 186,430 common shares to a consultant in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

On September 16, 2008, we issued 170,000 common shares pursuant to the exercise of prior issued warrants. This issuance is considered an exempt transaction under Regulation S.

On October 8, 2008, we issued 250,000 common shares to a consultant in connection with a consulting agreement. This issuance was made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On November 3, 2008, we issued 100,000 common shares pursuant to the exercise of prior issued warrants. This issuance is considered an exempt transaction under Regulation S.

Table of Contents

On November 17, 2008, we issued 18,375 common shares to a consultant in connection with a consulting agreement. This issuance was made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On November 26, 2008, we issued 1,000,000 common shares to a consultant in connection with a consulting agreement. This issuance was made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

Disclosure Related to Form S-8 Issuances

Prior to issuing any common shares under Form S-8, the Company requests and receives an executed verification from all issuees stating that the issuee is a natural person and that: (a) the shares being issued are not being provided to create or sustain a market for the Company's securities, and (b) that the shares are not being issued as a part of a capital raising transaction. All consultants to the Company are required to provide work product as a part of and condition to their relationship with the Company. Consultant work product is delivered in accordance with the terms and conditions of each respective Consultant's agreement.

ITEM 6

The following selected financial information as of and for the dates and periods indicated have been derived from our audited financial statements. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" in Part II, Item 7 of this report and our financial statements and related notes included elsewhere in this report.

Year Ended December 31,	2004	2005	2006	2007	2008
Statement of Operations Data:					
Revenue	\$-	\$-	\$2,000	\$-	\$-
Operating expenses:					
Research and licensing	1,189,288	410,650	180,709	996,538	405,281
Consulting and Professional	5,034,546	4,248,862	1,582,219	1,553,000	843,080
General and Administrative	144,196	169,028	204,705	178,731	302,457
Total operating expenses	6,368,030	4,826,540	1,967,633	2,728,269	1,550,818
Net loss	(6,368,030)	(4,826,540)	(1,965,633)	(2,728,269)	(1,550,818)
Net loss per share:					
Basic and diluted	(0.21)	(0.13)	(0.05)	(0.06)	(0.03)
Weighted average number of shares	29,941,359	38,598,215	43,233,617	45,749,464	53,004,810

Year Ended December 31,	2004	2005	2006	2007	2008
Balance Sheet Data:					
Cash	\$283,556	\$96,571	\$166,115	\$37,350	\$15,216
Total assets	284,986	111,771	613,950	147,776	257,222
Convertible note payable	-	123,323	-	300,000	300,000
	9,924,738	14,503,305	16,997,354	19,323,983	20,997,995

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

Common stock and additional paid-in
capital

Total stockholders' equity	(467,852)	(385,825)	199,249	(261,049)	(137,627)
----------------------------	------------	------------	---------	------------	------------

Table of Contents

Quarterly Results of Operations

The following table presents unaudited quarterly results of operations for the eight quarters ended December 31, 2008. This information has been derived from our unaudited financial statements and has been prepared by us on a basis consistent with our audited annual financial statements and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the information for the periods presented.

Quarter Ended	Mar. 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	Mar. 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008
Statements of Operations Data:								
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses:								
Research and licensing	60,000	81,503	30,000	825,035	95,202	207,024	87,275	15,780
Consulting and Professional	192,000	140,132	926,419	294,449	190,148	299,456	265,906	87,570
General and Administrative	34,365	38,585	51,413	54,368	53,424	108,841	76,332	63,860
Total operating expenses	286,365	260,220	1,007,832	1,173,852	338,774	615,321	429,513	167,210
Net loss	(286,365)	(260,220)	(1,007,832)	(1,173,852)	(338,774)	(615,321)	(429,513)	(167,210)
Net loss per share:								
Basic and diluted	0.01	0.01	0.02	0.03	0.01	0.01	0.01	0.01
Weighted average number of shares (in thousands)	44,889	45,169	46,158	45,749	49,573	52,521	55,822	53,005

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

This discussion and analysis should be read in conjunction with the accompanying Financial Statements and related notes. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates were based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical

accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below in "Critical Accounting Policies," and have not changed significantly.

In addition, certain statements made in this report may constitute "forward-looking statements." These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Specifically, 1) our ability to obtain necessary regulatory approvals for our products; and 2) our ability to increase revenues and operating income, is dependent upon our ability to develop and sell our products, general economic conditions, and other factors. You can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Critical Accounting Policies

Our critical and significant accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition and depreciation methods. The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The accounting treatment of a particular transaction is specifically dictated by accounting principles, generally accepted in the United States of America, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any viable alternative would not produce a materially different result. See our audited financial statements and notes thereto which contain accounting policies and other disclosures required by accounting principles, generally accepted in the United States of America.

Table of Contents

Expenses

Our expenses in 2008 were \$1,550,818 which consisted of \$130,052 in professional legal and accounting expenses. We operate the company by hiring outside consultants to assist us with management, strategic planning, organization and daily operations. These professional consulting fees amounted to \$713,028. These professional consulting services related to marketing and investment banking services including financing, capitalization and merger opportunities. Additional professional consulting fees have been included in product research and development totaling \$405,281.

Plan of Operation

Our current operations are centered around the Company's relationships with various research and development consultants who are conducting research on behalf of the company at discrete and established laboratories in various parts of the world. The Company intends to continue these efforts throughout 2009.

Sales and Marketing

The Company is currently not selling or marketing any products.

Liquidity and Capital Resources

At December 31, 2008, we had \$15,216 in cash and \$257,222 in total current assets. As of the date of this report, we require additional capital investments or borrowed funds to meet cash flow projections and carry forward our business objectives. There can be no assurance that we will be able to raise capital from outside sources in sufficient amounts to fund our new business.

The failure to secure adequate outside funding would have an adverse affect on our plan of operation and results therefrom and a corresponding negative impact on shareholder liquidity.

Inflation

Although management expects that our operations will be influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the year ending December 31, 2008.

Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The history of losses and the inability for the Company to make a profit from selling a good or service has raised substantial doubt about our ability to continue as a going concern. In spite of the fact that the current cash obligations of the Company are relatively minimal, given the cash position of the Company, we have very little cash to operate. We intend to fund the Company and attempt to meet corporate obligations by selling common stock. However the Company's common stock is at a low price and is not actively traded.

Table of Contents

Results of Operations for the Year Ended December 31, 2008.

We had \$0 in net revenues.

We had a \$1,550,818 net loss from operations for 2008.

Our expenses in 2008 were \$1,550,818 which consisted of \$130,032 in professional legal and accounting expenses. We operate the company by hiring outside consultants to assist us with management, strategic planning, organization and daily operations. These professional consulting fees amounted to \$713,028. These professional consulting services related to marketing and investment banking services including financing, capitalization and merger opportunities. Additional professional consulting fees have been included in product research and development totaling \$405,281.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We face exposure to fluctuations in the price of our common stock due to the very limited cash resources we have. For example, the Company has very limited resources to pay legal and accounting professionals. If we are unable to pay a legal or accounting professional in order to perform various professional services for the company, it may be difficult, if not impossible, for the Company to maintain its reporting status under the '34 Exchange Act. If the Company felt that it was likely that it would not be able to maintain its reporting status, it would make a disclosure by filing a Form 8-K with the SEC. In any case, if the Company was not able to maintain its reporting status, it would become "delisted" and this would potentially cause an investor or an existing shareholder to lose all or part of his investment.

ITEM 8. FINANCIAL STATEMENTS

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

FINANCIAL REPORT

DECEMBER 31, 2008

Table of Contents

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FINANCIAL STATEMENTS

BALANCE SHEETS

STATEMENTS OF OPERATIONS

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

Table of Contents

DAVIDSON & COMPANY LLP

Chartered Accountants A Partnership of Incorporated Professionals

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Protokinetix, Inc.

We have audited the accompanying balance sheet of Protokinetix, Inc. (a development stage company ("the Company")) as of December 31, 2008, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2008 and for the period from December 23, 1999 (date of inception) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Protokinetix, Inc. (a development stage company) as of December 31, 2008, and the results of its operations and its cash flows for the year ended December 31, 2008 and for the period from December 23, 1999 (date of inception) to December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has experienced recurring losses from operations since inception, has a working capital deficit, and has a deficit accumulated during the development stage. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

May 8, 2009

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
ProtoKinetix, Incorporated

We have audited the accompanying balance sheet of ProtoKinetix, Incorporated (a development stage company) ("the Company") as of December 31, 2007, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProtoKinetix, Incorporated (a development stage company) as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in the notes to the financial statements, the Company has experienced recurring losses from operations since inception, has a working capital deficit, and has a deficit accumulated during the development stage. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in the notes to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ PETERSON SULLIVAN LLP

April 10, 2008
Seattle, Washington

Table of Contents

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

BALANCE SHEETS

As at December 31,

ASSETS	2008	2007
Current Assets		
Cash	\$ 15,216	\$ 37,350
Prepaid expenses	242,006	110,000
Total current assets	257,222	147,350
Computer equipment, net of accumulated depreciation of \$3,388 and \$2,963 respectively	-	426
Total assets	\$ 257,222	\$ 147,776
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 78,349	\$ 108,825
Short-term loan (Note 3.)	16,500	-
Convertible note payable (Note 4.)	300,000	300,000
Total current liabilities	394,849	408,825
Stockholders' Equity (Deficit)		
Common stock, \$0.0000053 par value; 100,000,000 common shares authorized; 57,081,933 and 48,444,442 shares issued and outstanding for 2008 and 2007 respectively	308	262
Common stock issuable; 600,000 and 1,190,000 shares for 2008 and 2007 respectively	3	6
Additional paid-in capital	20,997,912	19,323,715
Deficit accumulated during the development stage	(21,135,850)	(19,585,032)
Total shareholders' equity (deficit)	(137,627)	(261,049)
Total liabilities and stockholders' equity (deficit)	\$ 257,222	\$ 147,776

Table of Contents

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2008 and 2007, and for the Period from
December 23, 1999 (Date of Inception) to December 31, 2008

	2008	2007	Cumulative During the Development Stage
Revenues	\$-	\$-	\$2,000
Expenses			
Licenses	-	-	3,379,756
Professional fees	130,052	418,724	3,361,564
Consulting fees	713,028	1,134,276	11,081,107
Research and development	405,281	996,538	2,202,710
General and administrative	278,457	166,731	985,085
Interest	24,000	12,000	84,162
	1,550,818	2,728,269	21,094,384
Loss from continuing operations	(1,550,818)	(2,728,269)	(21,092,384)
Discontinued Operations			
Loss from operations of the discontinued segment	-	-	(43,466)
Net loss	\$(1,550,818)	\$(2,728,269)	\$(21,135,850)
Net Loss per Common Share (basic and diluted)	\$(0.03)	\$(0.06)	
Weighted average number of common shares outstanding	53,004,810	45,749,464	

Table of Contents

PROTOKINETIX, INCORPORATED
 STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
 (Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2008

	Common Stock		Common Stock		Additional	Stock	Deficit	
	Shares	Amount	Issuable	Amount	Paid-in	Subscriptions	Accumulated	Total
			Shares		Capital	Receivable	During the	
							Development	
							Stage	
Issuance of common stock, December 1999	9,375,000	\$50	-	\$-	\$4,950	\$-	\$-	\$5,000
Net loss for period	-	-	-	-	-	-	(35)	(35)
Balance, December 31, 2000	9,375,000	50	-	-	4,950	-	(35)	4,965
Issuance of common stock, April 2001	5,718,750	30	-	-	15,220	-	-	15,250
Net loss for year	-	-	-	-	-	-	(16,902)	(16,902)
Balance, December 31, 2001	15,093,750	80	-	-	20,170	-	(16,937)	3,313
Net loss for year	-	-	-	-	-	-	(14,878)	(14,878)
Balance, December 31, 2002	15,093,750	80	-	-	20,170	-	(31,815)	(11,565)
Issuance of common stock for services:								
July 2003	2,125,000	11	-	-	424,989	-	-	425,000
August 2003	300,000	2	-	-	14,998	-	-	15,000
September 2003	1,000,000	5	-	-	49,995	-	-	50,000
October 2003	1,550,000	8	-	-	619,992	-	-	620,000
Issuance of common stock for licensing rights	14,000,000	74	-	-	2,099,926	-	-	2,100,000
Common stock issuable for licensing rights	-	-	2,000,000	11	299,989	-	-	300,000
Shares cancelled on September 30, 2003	(9,325,000)	(49)	-	-	49	-	-	-
Net loss for year	-	-	-	-	-	-	(3,662,745)	(3,662,745)
	24,743,750	131	2,000,000	11	3,530,108		(3,694,560)	(164,310)

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

Balance, December 31, 2003								
Issuance of common stock for services:								
March 2004	1,652,300	9	-	-	991,371	-	-	991,380
May 2004	500,000	3	-	-	514,997	-	-	515,000
July 2004	159,756	1	-	-	119,694	-	-	119,695
August 2004	100,000	1	-	-	70,999	-	-	71,000
October 2004	732,400	4	-	-	479,996	-	-	480,000
November 2004	650,000	4	-	-	454,996	-	-	455,000
December 2004	255,000	1	-	-	164,425	-	-	164,426
Common stock issuable for AFGP license	-	-	1,000,000	5	709,995	-	-	710,000
Common stock issuable for Recaf License	-	-	400,000	2	223,998	-	-	224,000
Warrants granted (for 3,450,000 shares) for services, October 2004	-	-	-	-	1,716,253	-	-	1,716,253
Options granted for services, October 2004	-	-	-	-	212,734	-	-	212,734
Stock subscriptions receivable	-	-	1,800,000	10	329,990	(330,000)		-
Warrants exercised:								
August 2004	-	-	50,000	-	15,000	-	-	15,000
October 2004	-	-	600,000	3	134,997	-	-	135,000
December 2004	-	-	1,000,000	5	224,995	-	-	225,000
Options exercised, December 2004	-	-	100,000	1	29,999	-	-	30,000
Net loss for the year	-	-	-	-	-	-	(6,368,030)	(6,368,030)
Balance, December 31, 2004	28,793,206	\$ 154	6,950,000	\$ 37	\$ 9,924,547	\$ (330,000)	\$(10,062,590)	\$(467,852)

Table of Contents

PROTOKINETIX, INCORPORATED

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2008

	Common Stock		Common Stock			Stock	Deficit	
	Shares	Amount	Issuable Shares	Amount	Additional Paid-in Capital	Subscription Receivable	Accumulated During the Development Stage	Total
Issuance of stock subscriptions receivable	-	\$-	-	\$-	\$-	\$ 240,000	\$-	\$240,000
Issuance of common stock for licensing rights	2,000,000	11	(2,000,000)	(11)	-	-	-	-
Issuance of stock for warrants exercised	2,050,000	10	(2,050,000)	(10)	-	-	-	-
Options exercised:								
February 2005	-	-	35,000	1	10,499	-	-	10,500
May 2005	200,000	1	-	-	59,999	-	-	60,000
Note payable conversion, February 2005	-	-	285,832	1	85,749	-	-	85,750
Issuance of common stock for Note payable conversion:								
April 2005	285,832	1	(285,832)	(1)	-	-	-	-
May 2005	353,090	2	-	-	105,925	-	-	105,927
Issuance of common stock for AFGP license	1,000,000	5	(1,000,000)	(5)	-	-	-	-
Issuance of common stock for stock subscriptions received	1,400,000	6	(1,400,000)	(6)	-	90,000	-	90,000
Issuance of stock for options	135,000	2	(135,000)	(2)	-	-	-	-

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

exercised								
Issuance of common stock for services:								
April 2005	30,000	1	-	-	14,999	-	-	15,000
May 2005	3,075,000	15	-	-	3,320,985	-	-	3,321,000
June 2005	50,000	1	-	-	50,499	-	-	50,500
August 2005	(250,000)	(1)	-	-	(257,499)	-	-	(257,500)
August 2005	111,111	1	(92,593)	(1)	15,000	-	-	15,000
October 2005	36,233	1	(36,233)	(1)	-	-	-	-
November 2005	311,725	2	(245,000)	(1)	36,249	-	-	36,250
December 2005	1,220,000	8	-	-	756,392	-	-	756,400
Common stock issuable for services rendered:								
June 2005	-	-	200,000	1	149,999	-	-	150,000
August 2005	-	-	36,233	1	21,739	-	-	21,740
September 2005	-	-	125,000	1	74,999	-	-	75,000
September 2005 (Proteocell)	-	-	100,000	1	57,999	-	-	58,000
December 2005	-	-	120,968	1	74,999	-	-	75,000
Net loss for the year	-	-	-	-	-	-	(4,826,540)	(4,826,540)
Balance, December 31, 2005								
2005	40,801,197	\$220	608,375	\$6	\$ 14,503,079	\$ -	\$(14,889,130)	\$(385,825)

Table of Contents

PROTOKINETIX, INCORPORATED
 STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
 (Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2008

	Common Stock		Common Stock		Deficit			
	Shares	Amount	Issuable Shares	Amount	Additional Paid-in Capital	Stock During the Subscription Period	Accumulated Deficit During the Development Stage	Total
February 2006 private placement (issued June 2006)	900,000	\$ 5	-	\$ -	\$ 352,142	\$ -	\$ -	\$ 352,147
Warrants granted from private placement (450,000)	-	-	-	-	97,853	-	-	97,853
Issuance of common stock for Note payable conversion	529,279	3	-	-	158,780	-	-	158,783
Issuance of common stock for services:								
February/March 2006 services	-	-	20,000	1	10,499	-	-	10,500
March 2006	166,359	1	(108,375)	(1)	36,750	-	-	36,750
April 2006	(1,200,000)	(6)	-	-	6	-	-	-
May 2006	1,266,278	7	(70,000)	(1)	792,750	-	-	792,756
June 2006	27,056	-	1,200,000	6	718,244	-	-	718,250
July 2006	1,200,000	6	(1,200,000)	(6)	-	-	-	-
August 2006	100,000	1	-	-	64,999	-	-	65,000
September 2006	369,984	2	(50,000)	-	209,998	-	-	210,000
November 2006	100,000	1	-	-	48,999	-	-	49,000
December 2006	7,000	-	-	-	3,010	-	-	3,010
Warrants issued (for 700,000 shares) for services	-	-	-	-	58,658	-	-	58,658
Net loss for the year	-	-	-	-	-	-	(1,967,633)	(1,967,633)
Balance, December 31, 2006	44,267,153	240	400,000	5	17,055,767	-	(16,856,763)	199,249

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

Issuance of common stock for services:								
January 2007	218,834	1	-	-	119,999	-	-	120,000
March 2007	104,652	1	-	-	44,999	-	-	45,000
April 2007	187,500	1	-	-	74,999	-	-	75,000
June 2007	112,500	1	-	-	44,999	-	-	45,000
July 2007	291,812	2	-	-	112,998	-	-	113,000
August 2007	860,000	5	-	-	257,995	-	-	258,000
September 2007	1,516,275	8	-	-	457,492	-	-	457,500
October 2007	250,000	1	-	-	37,499	-	-	37,500
December 2007	535,716	1	-	-	74,999	-	-	75,000
Warrants issued for services	-	-	-	-	825,476	-	-	825,476
Cancellation of issuable stock for Recaf License	-	-	(400,000)	(5)	-	-	-	(5)
Warrant exercised –								
December 2007	100,000	1	-	-	43,999	-	-	44,000
Issuable common stock from Private Placement	-	-	1,190,000	6	172,494	-	-	172,500
Net loss for the year	-	-	-	-	-	-	(2,728,269)	(2,728,269)
Balance, December 31, 2007	48,444,442	\$ 262	1,190,000	\$ 6	\$ 19,323,715	\$ -	\$ (19,585,032)	\$ (261,049)

Table of Contents

PROTOKINETIX, INCORPORATED
 STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
 (Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2008

	Common Stock		Common Stock		Additional Subscription		Deficit	
	Shares	Amount	Issuable	Shares	Paid-in	Receivable	Accumulated	Total
					Capital		During the	
							Development	
							Stage	
Issuance of common stock for services:								
March 2008	369,346	\$2	-	\$-	\$ 133,867	\$ -	\$-	\$ 133,869
May 2008	395,170	2	-	-	137,723	-	-	137,725
July 2008	2,405,170	13	-	-	577,226	-	-	577,239
September 2008	186,430	1	-	-	42,878	-	-	42,879
October 2008	250,000	1	-	-	49,999	-	-	50,000
November 2008	1,018,375	5	-	-	153,495	-	-	153,500
Issuance of common stock for proceeds of \$50,000 received in 2007	173,000	1	-	-	(1)	-	-	-
Stock-based compensation expense related to non-employee stock options	-	-	-	-	82,214	-	-	82,214
Warrants exercised:								
September 2008	170,000	1	-	-	25,499	-	-	25,500
November 2008	100,000	1	-	-	12,313	-	-	12,314
December 2008	170,000	1	-	-	25,499	-	-	25,500
Issuance of common stock from Private Placement	3,400,000	18	(1,190,000)	(6)	337,488	-	-	337,500
Issuable common stock to Directors	-	-	600,000	3	95,997	-	-	96,000
Net loss for the year	-	-	-	-	-	-	(1,550,818)	(1,550,818)

Balance, December 31, 2008	57,081,933	\$ 308	600,000	\$ 3	\$ 20,997,912	\$ -	\$(21,135,850)	\$(137,627)
----------------------------------	------------	--------	---------	------	---------------	------	----------------	--------------

Table of Contents

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007, and for the Period from
December 23, 1999 (Date of Inception) to December 31, 2008

	2008	2007	Cumulative During the Development Stage
Cash Flows from Operating Activities			
Net loss for year	\$(1,550,818)	\$(2,728,269)	\$(21,135,850)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation expense	426	1,018	3,388
Issuance of common stock for services and expenses	1,128,891	1,225,979	16,037,503
Warrants issued for consulting services	2,446	825,476	2,602,833
Stock options issued for consulting services	10,083	-	222,817
Changes in operating assets and liabilities			
Accounts receivable	-	6,391	-
Prepaid expenses	-	330,000	-
Accounts payable	(30,476)	(305,860)	78,349
Net cash used in operating activities	(439,448)	(645,265)	(2,190,960)
Cash Flows from Investing Activities			
Purchase of computer equipment	-	-	(3,388)
Net cash used in investing activities	-	-	(3,388)
Cash Flows from Financing Activities			
Short term loan	16,500	-	16,500
Warrants exercised	63,314	44,000	812,314
Stock options exercised	-	-	100,500
Issuance of common stock for cash	337,500	172,500	980,250
Loan proceeds	-	300,000	300,000
Net cash provided by financing activities	417,314	516,500	2,209,564
Net change in cash	(22,134)	(128,765)	15,216
Cash, beginning of period	37,350	166,115	-
Cash, end of period	\$15,216	\$37,350	\$15,216
Cash paid for interest	\$18,000	\$12,000	\$42,703
Cash paid for income taxes	\$-	\$-	\$-
Supplementary information - Non-cash Transactions:			
Note payable converted to common stock	\$-	\$-	\$350,457
Common stock issued for prepaid consulting services	172,321	-	172,321
Warrants issued for prepaid consulting services	56,240	-	56,240
Options issued for prepaid consulting services	13,445	-	13,445

Table of Contents

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1. Basis of Presentation – Going Concern Uncertainties

ProtoKinetix, Incorporated (the "Company"), a development stage company, was incorporated under the laws of the State of Nevada on December 23, 1999. The Company is a medical research company whose mission is the advancement of human health care.

In 2003, the Company entered into an assignment of license agreement (the "Agreement") with BioKinetix, Inc., an Alberta, Canada, corporation. The Agreement provided the Company with an exclusive assignment of all of the rights (the "Rights") that BioKinetix possessed relating to proprietary technologies that are being developed for the creation and commercialization of "superantibodies," an enhancement of antibody technology that makes ordinary antibodies much more lethal. In consideration, the Company's Board of Directors authorized the Company to issue 16,000,000 shares of its common stock to the shareholders of BioKinetix.

The Company is also currently researching the benefits and feasibility of proprietary synthesized Antifreeze Glycoproteins ("AFGP"). In preliminary studies, AFGP has demonstrated an ability to protect and preserve human cells at temperatures below freezing.

The Company's financial statements are prepared consistent with accounting principles generally accepted in the United States applicable to a going concern.

As shown in the financial statements, the Company has not developed a commercially viable product, has not generated any significant revenue to date, and has incurred losses since inception, resulting in a net accumulated deficit at December 31, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company needs additional working capital to continue its medical research or to be successful in any future business activities and continue to pay its liabilities. Therefore, continuation of the Company as a going concern is dependent upon obtaining the additional working capital necessary to accomplish its objective. Management is presently engaged in seeking additional working capital.

The accompanying financial statements do not include any adjustments to the recorded assets or liabilities that might be necessary should the Company fail in any of the above objectives and is unable to operate for the coming year.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are expressed in U.S. dollars. The financial statements have been prepared under the guidelines of Statement of Financial Accounting Standard ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises". A development stage enterprise is one in which planned principal operations have not commenced, or if its operations have commenced, there have been no significant revenues

therefrom. As of December 31, 2008, we had not commenced our planned principal operations.

Certain amounts for prior periods have been reclassified to conform to current period presentation.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The more significant accounting estimates inherent in the preparation of the Company's financial statements include estimates as to valuation of equity related instruments issued.

Table of Contents

Reclassification

Certain prior period amounts have been reclassified to conform to current year presentation.

Cash

Cash consists of funds held in checking accounts. Cash balances may exceed federally insured limits from time to time.

Computer Equipment

Computer equipment is stated at cost and is depreciated using straight-line methods over their estimated useful lives of three years.

Fair Value of Financial Instruments

Financial instruments, including cash, accounts payable, short-term loan and convertible note payable are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments.

The Company measures the fair value of financial assets and liabilities based on the guidance of Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("Statement No. 157") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Effective January 1, 2008, the Company adopted the provisions of Statement No. 157 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The adoption of the provisions of Statement No. 157 did not materially impact the Company's financial position and results of operations.

Statement No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Statement No. 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Statement No. 157 describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

At December 31, 2008 there were no assets or liabilities subject to additional disclosure under Statement No. 157.

Revenue Recognition

The Company recognizes revenue when a sale is made, the fee is fixed or determinable, collectability is probable, and no significant company obligations remain.

Income Taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax laws or rates.

Table of Contents

Research and Development Costs

Research and development costs are expensed as incurred.

Earnings per Share and Potentially Dilutive Securities

Basic loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding in the period. The Company's stock split 1:75 on August 24, 2001. In April 2002, the Board of Directors approved a 2.5 for 1 split of the Company's stock. The accompanying financial statements are presented on a post-split basis. Diluted loss per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive securities. The effect of debt convertible into 1,200,000 common shares was not included in the computation of diluted earnings per share for all periods presented because it was anti-dilutive due to the Company's losses. Common stock issuable is considered outstanding as of the original approval date for purposes of earnings per share computations.

Share-Based Compensation

The Company has granted warrants and options to purchase shares of the Company's common stock to various parties for consulting services. The fair values of the warrants and options issued have been estimated using the Black-Scholes option-pricing model.

The Company accounts for stock-based compensation under SFAS No. 123(R) "Share-Based Payment," which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes option-pricing model.

Related Party Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 141(R) to have an impact on its financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also

establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 160 to have an impact on its financial statements.

Table of Contents

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities". SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and how derivative instruments and related hedged items affect an entity's operating results, financial position, and cash flows.

SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. Early adoption is permitted. We are currently reviewing the provisions of SFAS No. 161 and have not yet adopted the statement. However, as the provisions of SFAS No. 161 are only related to disclosure of derivative and hedging activities, we do not believe the adoption of SFAS No. 161 will have a material impact on our operating results, financial position, or cash flows.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles or SFAS No. 162. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. We do not believe that implementation of this standard will have a material impact on our financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP EITF 03-6-1 will not have an impact on the Financial Statements.

In June 2008, the FASB issued FSP No. APB 14-1, "Accounting for convertible debt instruments that may be cash settled upon conversion," (FSP APB 14-1). FSP APB 14-1 clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion. FSP APB 14-1 also specifies that issuers of such instruments should separately account for the liability and equity components of those instruments by allocating the proceeds from issuance between the liability component and the embedded conversion option. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008. Management is currently assessing the impact of this APB to our financial statements.

Note 3. Short Term Loan

The short term loan is unsecured, non-interest bearing and is payable on demand.

Note 4. Convertible Note Payable

On July 1, 2007, the Company executed a loan agreement under which the Company issued to a corporation an 8% convertible promissory note in exchange for \$300,000. The noteholder has the right to demand payment of outstanding principal and interest at any time with a 30-day grace period. The note bears interest at 8% per annum and is due and payable no later than June 30, 2012. The noteholder has the right to convert the note into shares of the Company's common stock at \$0.25 per share. No beneficial conversion feature was applicable to this convertible note.

Note 5. Income Taxes

The Company is liable for taxes in the United States. As of December 31, 2008, the Company did not have any income for tax purposes and therefore, no tax liability or expense has been recorded in these financial statements.

The Company has tax losses of approximately \$21,000,000 available to reduce future taxable income. The tax loss expires in years between 2022 and 2028.

Table of Contents

The deferred tax asset associated with the tax loss carry forward is approximately \$7,350,000. The Company has provided a full valuation allowance against the deferred tax asset since it is more likely than not that the asset will not be realized. The valuation allowance increased by \$750,000 and \$900,000 for 2008 and 2007, respectively.

The difference between the Company's statutory income tax rate of (34%) and its effective rate of zero is primarily attributable to the valuation allowance provided on deferred taxes arising from net operating loss carryforwards.

Note 6. Share-Based Compensation

In 2003, the Company adopted its 2003 and 2004 Stock Incentive Plans. Each plan provides for the issuance of incentive and non-qualified shares of the Company's stock to officers, directors, employees, and non-employees. The Board of Directors determines the terms of the shares or options to be granted, including the number of shares or options, the exercise price, and the vesting schedule, if applicable. In 2007 and 2008, the Company issued common shares from both plans to non-employee consultants for services rendered as follows:

	2007	Number of Shares	Value per Share
January		84,906	\$0.47
January		133,928	0.45
March		104,652	0.36
April		187,500	0.35
June		112,500	0.43
July		100,000	0.38
July		191,812	0.39
August		860,000	0.30
September		1,516,275	0.30
October		250,000	0.15
December		635,716	0.15
Total 2007		4,177,289	

	2008	Number of Shares	Value per Share
March		369,346	0.36
May		395,170	0.35
July		2,405,170	0.24
September		186,430	0.23
October		250,000	0.20
November		1,018,375	0.15
Total 2008		4,624,491	

Note 7. Stock Options

Stock option transactions are summarized as follows:

	Number of Options	WeightedAverage ExercisePrice	Aggregate Intrinsic Value
--	----------------------	----------------------------------	---------------------------------

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

Balance, December 31, 2006 and 2007	-		
Granted	250,000	\$ 0.20	
Balance, December 31, 2008	250,000	\$ 0.20	\$-
Exercisable at December 31, 2008	250,000	\$ 0.20	\$-
Weighted average fair value of options granted during the year	\$0.09 (2007 - nil)		

At December 31, 2008, the following stock options were outstanding:

	Number of Options	Exercise price	Expiry Date
	250,000	\$ 0.20	April 30, 2012

During the year, the Company granted 250,000 stock options pursuant to a service agreement. The Company recognizes as expense the estimated fair value of the stock option granted. The fair value of each stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions.

	2008	2007
Risk-free interest rate	2.51 %	-
Expected life of options	3	-
Annualized volatility	91.61 %	-
Dividend rate	Nil	Nil

Note 8. Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	WeightedAverage ExercisePrice
Balance, December 31, 2006	-	\$ -
Issued	7,800,000	0.47
Balance, December 31, 2007	7,800,000	0.47
Issued	4,400,000	0.20
Exercised	(440,000)	0.15
Balance, December 31, 2008	11,760,000	\$ 0.38
Exercisable at December 31, 2008	11,760,000	\$ 0.38

Table of Contents

At December 31, 2008, the following warrants were outstanding:

	Number of Warrants	Exercise price	Expiry Date
	250,000	\$ 0.20	December 1, 2009
	250,000	0.12	December 4, 2009
	250,000	0.24	December 4, 2009
	250,000	0.36	December 4, 2009
	250,000	0.50	December 4, 2009
	1,000,000	0.35	December 1, 2010
	1,430,000	0.15	August 24, 2010
	950,000	0.50	June 1, 2012
	500,000	0.50	July 12, 2012
	5,100,000	0.50	August 1, 2012
	1,530,000	0.15	February 9, 2013

During 2008, the company issued 3,400,000 warrants to purchase common stock at an exercise price of \$0.15 per share pursuant to the terms of private placements closed during the year. The company issued 1,000,000 warrants at an exercise price of \$0.35 for services valued at \$58,685.

During 2007, the Company issued 7,800,000 warrants to purchase common stock at exercise prices from \$0.12 to \$0.50 per share for services. The cost of the warrants has been expensed in 2007 as compensation. The fair value of the warrants was \$825,476.

The warrants were valued using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007
Risk-free interest rate	1.58	3.11% to 4.96%
Expected life of options	2	1 to 2.5
Annualized volatility	111.69 %	64.43% to 84.89 %
Dividend rate	Nil	Nil

Note 9. Related Party Transactions

As at December 31, 2008, the Company has 600,000 shares issuable to the directors for services performed in 2008.

Note 10. Subsequent Events

The company agreed to issue 1,700,000 common shares (1,200,000 issued) pursuant to two service contracts executed subsequent to year end.

Table of Contents

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

There have been no changes disagreements with our accountants since our formation that are required to be disclosed pursuant to Item 304(b) of Regulation S-K. We did, however, change accountants during the year ended December 31, 2008.

(a) Dismissal of Independent Accountant.

On March 31, 2009, we dismissed Peterson Sullivan LLP as our independent auditors. We have no disagreements with Peterson Sullivan LLP that resulted in its dismissal. The dismissal of Peterson Sullivan LLP was approved by our Board of Directors. We dismissed Peterson Sullivan LLP as our independent auditors because rules and regulations of the British Columbia Securities Commission, which require that our financial statements be audited by auditors that are Canadian accredited.

The reports of Peterson Sullivan LLP regarding our financial statements for the fiscal years ended December 31, 2007, and December 31, 2006, do not contain any adverse opinion or disclaimer of opinion and are not qualified or modified as to uncertainty, audit scope or accounting principles, except that such reports regarding our financial statements each contained an explanatory paragraph in respect to uncertainty as to our ability to continue as a going concern. Specifically, we have experienced recurring losses from operations since inception, have a working capital deficit, and have accumulated deficit during our development stage. These conditions raise substantial doubt about our ability to continue as a going concern. During the years ended December 31, 2007, and December 31, 2006, and during the period from the end of the most recently completed fiscal year through March 31, 2009 the date of the change in auditors, there were no disagreements with Peterson Sullivan LLP regarding any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Peterson Sullivan LLP would have caused it to make reference to such disagreements in its reports.

On April 16, 2009, we provided Peterson Sullivan LLP with a copy of the disclosures it is making in response to Item 9(a) of this report and requested that Peterson Sullivan LLP furnish us with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. Included with this report, as Exhibit 16, is a copy of that letter.

(b) Engagement of Independent Accountant.

Concurrent with the dismissal of Peterson Sullivan LLP, March 31, 2009, we engaged Davidson & Company LLP as our independent auditors. Prior to engaging Davidson & Company LLP we did not consult with it regarding the application of accounting principles to a specified transaction, either completed or proposed or regarding the type of audit opinion that might be rendered by Davidson & Company LLP regarding our financial statements, and Davidson & Company LLP did not provide any written report was provided to the Registrant or oral advice was provided that was an important factor considered by us in reaching a decision as to any such accounting, auditing or financial reporting issue. The engagement of Davidson & Company LLP as our independent auditors was approved by our Board of Directors.

ITEM 9A. CONTROLS AND PROCEDURES

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Disclosure controls and procedures are designed to ensure

that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, our President and Chief Executive Officer, after evaluating the effectiveness of our “disclosure controls and procedures” has concluded that, as of December 31, 2008, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Table of Contents

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2008, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including,

Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the year ended December 31, 2008, the company used outside services to perform all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.

Insufficient corporate governance policies. Although we have a code of ethics which provides broad guidelines for corporate governance, our corporate governance activities and processes are not always formally documented. Specifically, decisions made by the board to be carried out by management should be documented and communicated on a timely basis to reduce the likelihood of any misunderstandings regarding key decisions affecting our operations and management.

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies.

We intend to consider the results of our remediation efforts and related testing as part of our year-end 2009 assessment of the effectiveness of our internal control over financial reporting.

ITEM 9B.

OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CORPORATE GOVERNANCE

As of April 10, 2008, the Company's current officers and directors consist of the following persons:

Name	Age	Office	Since
Ross L. Senior, LLB	59	Chairman of the Board, President, CEO and CFO	2007
Mr. C. Fred Whittaker	67	Director	2005
Dr. Maximilien Arella, PhD	54	Director	2007

Ross L. Senior, LLB

Mr. Senior is our President and Chief Executive Officer. In 2005, Mr. Senior co-founded Rowan All Natural Skin Care, Inc., a Canadian-based provider of skin care products. In 1988, Mr. Senior founded Ross L. Senior and Associates, a business consulting firm, where he maintained his position as principal of the firm from 1988 to 2005. Mr. Senior brings to ProtoKinetix a combination of business, organizational and legal experience through consultation roles in technology research and development institutions and a wide range of businesses including health care, property development, electronics distribution, manufacturing, natural resources, educational institutions and social enterprises.

Table of Contents

C. Fred Whittaker

Mr. C. Fred Whittaker is one of our directors. Mr. Whittaker has been in the accounting profession for over 40 years. Mr. Whittaker received his Chartered Accounting designation in 1967, and has worked for various accounting firms, including KPMG, as well as for himself at different times in the past. For the last 15 years, he has worked exclusively for Whittaker & Associates, a regional accounting firm which he founded located in Vancouver, British Columbia. Currently, Mr. Whittaker is a senior partner at the accounting firm of Whittaker & Associates and has been for the past 30 years.

Dr. Maximilien Arella, PhD

Dr. Arella is one of our Directors. He is not a full time employee and has other outside commitments. For the past twenty years, Dr. Arella has acted as a private consultant advising clients and businesses with technological and scientific development, innovative technology transfer and commercial development from university bench top to commercial developments.

Since 1993, Dr. Arella has carried out two mandates as chairman of the Virology Research Center of the Armand-Frappier Institute/University of Quebec (the "IAF") during which he held the responsibility of managing both the research and the teaching programs (M.Sc. and Ph.D.) consisting of a team of 20 researchers combined with approximately 100 students and support employees. From 1984 to 1993 Dr. Arella was scholar, assistant professor and professor of Virology at IAF as well as adjunct professor at the School of Graduate Studies of the University of Montreal. He also served as president of the professor association from 1989 to 1992. His academic research is mainly based in the fields of molecular biology, fundamental aspects and applications of the double-stranded RNA virus, as well as amplification systems for the analysis of human and animal viruses, and cancer markers. Throughout his career, he has written 76 scientific publications, 24 scientific reports for research contracts as well as 28 chapters in books and summaries of techniques. He has been invited to give 49 conferences, has presented 198 scientific communications and has submitted 3 patents. Mr. Arella is fluent in English, French and Italian. In addition to his position with ProtoKinetix, Dr. Arella sits on the scientific advisory boards of two addition publicly traded companies, Biophage, Inc. and Viropro, Inc.

Section 16(a) Beneficial Ownership Reporting Compliances

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, executive officers and holders of more than 10% of the Company's common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. The Company believes that during the year ended December 31, 2007, its officers, directors and holders of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements.

Code of Ethics

Effective March 31, 2006, our board of directors adopted the ProtoKinetix, Inc. Code of Business Conduct and Ethics. The board of directors believes that our Code of Business Conduct and Ethics provides standards that are reasonably designed to deter wrongdoing and to promote the following: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submits to, the Securities and Exchange Commission; (3) compliance with applicable governmental laws, rules and regulations; the prompt internal reporting of violations of the Code of Business Conduct and Ethics to an appropriate person or persons; and (4) accountability for adherence to the Code of Business Conduct and Ethics.

Identification of Audit Committee; Audit Committee Financial Expert

The Company currently does not have an audit committee and has not made a determination of whether there is a financial expert. The Company plans to establish an audit committee during the third quarter of the current fiscal year.

Table of Contents

ITEM 11.

EXECUTIVE COMPENSATION

The following table summarizes the annual compensation paid to ProtoKinetix's named executive officers for the two years ended December 31, 2008, and 2007:

Name and Position	Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards (# of Shares)	Common Shares Underlying Options Granted (# Shares)	All Other Compensation
Dr. John Todd Former President, Chief Executive Officer and Director	2007	\$0	-0-	-0-	100,000	-----	-0-
Mark L. Baum Former Interim President and Director	2007	\$0	-0-	-0-	400,000	-----	-0-
Ross L. Senior, LLB President, Chief Executive Officer and Chief Financial Officer	2008	\$0	-0-	-0-		-----	-0-
	2007	0	-0-	-0-	60,000	-----	-0-
Mr. C. Fred Whittaker Director	2008	\$0	-0-	-0-		-----	-0-
	2007	0	-0-	-0-	200,000	-----	-0-
Dr. Maximilien Arella Director	2008	\$0	-0-	-0-		-----	-0-
	2007	0	-0-	-0-	200,000	-----	-0-

Options/SAR Grants in the Last Fiscal Year

N/A

Employment Agreements

Pursuant to the terms of his employment agreement with the Company, our Chief Executive Officer Ross L. Senior receives a quarterly payment of \$20,000 payable in shares of the Company's restricted Common Stock. The calculation of the number of shares issued to Mr. Senior for each quarterly payment is based upon the closing price of the Company's Common Stock on each payment date.

Chief Executives Officer's compensation

During fiscal year 2008, no compensation was issued to our Chief Executive Officer.

Compensation of Directors

Directors receive no remuneration for their services as directors at this time. The Company has adopted no retirement, pension, profit sharing or other similar programs.

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

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of December 31, 2008 based on information available to the Company by (i) each person who is known by the Company to own more than 5% of the outstanding Common Stock based upon reports filed by such persons within the Securities and Exchange Commission; (ii) each of the Company's directors; (iii) each of the Named Executive Officers; and (iv) all officers and directors of the Company as a group.

Table of Contents

Name and Address	Shares Beneficially Owned	Percent of Class
Ross L. Senior (1)	60,000	Less than 1%
Mr. C. Fred Whittaker (2)	320,000	Less than 1%
Dr. Maximilien Arella(3)	300,000	Less than 1%
TOTAL	680,000	1.3%

(1) The address is 1500-885 Georgia Street, Vancouver, BC V6C 3E8 Canada

(2) The address is 1500-885 Georgia Street, Vancouver, BC V6C 3E8 Canada

(3) The address is 1500-885 Georgia Street, Vancouver, BC V6C 3E8 Canada

A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date of the registration statement upon the exercise of options or warrants. Each beneficial owner's percentage ownership is determined by assuming that options or warrants that are held by such person and which are exercisable within 60 days of the date of this registration statement have been exercised. Unless otherwise indicated, the company believes that all persons named in the table have voting and investment power with respect to all shares of common stock beneficially owned by them.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

N/A

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees(CHANGES REQUIRED)

For the year ended December 31, 2008, Davidson & Company LLP, the Company's principal accountants billed the Company \$15,000 for fees for the audit of the Company's annual financial statements.

For the year ended December 31, 2007, Peterson Sullivan PLLC, the Company's previous accountants, billed the Company \$39,700, , for fees for the audit of the Company's annual 2007 financial statements and review of financial statements included in the Company's 2007 and 2008 Forms 10-QSB.

Audit-Related Fees

For the years ended December 31, 2008 and December 31, 2007, neither Davidson & Company LLP nor Peterson Sullivan PLLC provided the Company with any assurances or related services reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above under "Audit Fees."

Tax Fees

For the years ended December 31, 2008 and December 31, 2007, neither Davidson and Company LLP nor Peterson Sullivan PLLC bill for professional services for tax compliance, tax advice, and tax planning.

All Other Fees

Edgar Filing: ProtoKinetix, Inc. - Form 10-K

For the years ended December 31, 2008 and December 31, 2007, neither Davidson & Company LLP nor Peterson Sullivan PLLC bill the Company for fees associated with the preparation and filing of the Company's registration statements, the creation of pro forma financial statements and other related matters.

Table of Contents

Audit Committee Pre-Approval Policies

The Company currently does not have an audit committee. The Company's Board of Directors currently approves in advance all audit and non-audit related services performed by the Company's principal accountants.

PART IV

ITEM 15. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit # Description

3.1(i) Certificate of Incorporation filed as an exhibit to the Company's registration statement on Form 10-SB/A filed on July 24, 2001 and incorporated herein by reference.

3.1(ii) By-Laws filed as an exhibit to the Company's registration statement on Form 10-SB/A filed on July 24, 2001 and incorporated herein by reference.

14.1 ProtoKinetix, Inc. Code of Ethics filed as an exhibit to the Company's Form 10-K filed on April 13, 2006 and incorporated herein by reference.

31.1 Rule 13a-12(a)/15d-14(a) Certification

32.1 Section 1350 Certification attached.

Table of Contents

Signatures

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

PROTOKINETIX, INC.

/s/ Ross L. Senior
By: Ross L. Senior, LLP
Its: Chief Executive Officer and Chief
Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of the date of this report.

/s/ Ross L. Senior
By: Ross L. Senior, LLP
Its: Chief Executive Officer and Chief
Financial Officer

/s/ C. Fred Whittaker
By: C. Fred Whittaker
Its: Director

/s/ Maximilien Arella
By: Dr. Maximilien Arella, PhD
Its: Director
