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ProtoKinetix, Inc.  
Form 10-Q  
August 15, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016  
OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number:

PROTOKINETIX, INCORPORATED  
(Exact name of registrant as specified in its charter)

Nevada 94-3355026  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

9176 South Pleasants Highway  
St. Marys, West Virginia 26170  
(Address of principal executive offices)

304-299-5070  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" 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

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

As of August 15, 2016, there were 222,702,433 shares of ProtoKinetix, Incorporated that were issued and outstanding.

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FINANCIAL INFORMATION

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PROTOKINETIX, INC.  
(A Development Stage Company)  
BALANCE SHEETS  
(Unaudited)

|  | June 30,<br>2016 | December<br>31, 2015 |
|--|------------------|----------------------|
| <b>ASSETS</b>  |                  |                      |
| Current Assets   |                  |                      |
| Cash   | \$108,513        | \$371,072            |
| Accounts receivable (Note 3)   | 8,023            | 8,023                |
| Prepaid expenses and deposits (Note 11)  | 154,595          | 397                  |
| Total current assets   | 271,131          | 379,492              |
| Intangible assets (Note 4)   | 75,298           | 70,260               |
| Total assets   | \$346,429        | \$449,752            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                  |                      |
| Current Liabilities  |                  |                      |
| Accounts payable and accrued liabilities (Note 10)   | \$112,110        | \$45,388             |
| Total current liabilities  | 112,110          | 45,388               |
| Stockholders' Equity   |                  |                      |
| Common stock, \$0.0000053 par value; 400,000,000 common shares authorized;<br>220,852,433 and 216,602,433 shares issued and outstanding as at June 30, 2016 and<br>December 31, 2015 respectively (Note 9) | 1,182            | 1,159                |
| Additional paid-in capital   | 28,046,576       | 27,498,836           |
| Accumulated deficit  | (27,813,439)     | (27,095,631)         |
| Total stockholders' equity   | 234,319          | 404,364              |
| Total liabilities and stockholders' equity   | \$346,429        | \$449,752            |
| Basis of Presentation – Going Concern Uncertainties (Note 1)   |                  |                      |
| Commitments and Contingency (Note 11)  |                  |                      |
| Subsequent Event (Note 12)   |                  |                      |

See Notes to Financial Statements

PROTOKINETIX, INC.  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS  
(Unaudited)  
For the Six Months Ended June 30, 2016 and 2015

|   | Three months<br>ended<br>June 30, 2016 | Three months<br>ended<br>June 30, 2015 | Six months<br>ended<br>June 30, 2016 | Six months<br>ended<br>June 30, 2015 |
|---|--|--|--------------------------------------|--------------------------------------|
| <b>EXPENSES</b>   |  |  |                                      |                                      |
| Amortization – intangible assets (Note 4)                                   | \$750                                  | \$-                                    | \$1,500                              | \$-                                  |
| Consulting fees (Note 10)   | -                                      | -                                      | -                                    | 50,000                               |
| General and administrative  | 29,503                                 | 42,691                                 | 50,934                               | 81,550                               |
| Interest  | -                                      | 1,996                                  | -                                    | 3,969                                |
| Professional fees (Note 10)   | 41,806                                 | 96,199                                 | 108,313                              | 170,523                              |
| Research and development  | 108,481                                | 19,120                                 | 180,132                              | 72,120                               |
| Share-based compensation (Note 10)  | 190,244                                | 132,117                                | 374,763                              | 173,243                              |
|   | (370,784 )                             | (292,123 )                             | (715,642 )                           | (551,405 )                           |
| <b>OTHER EXPENSE</b>  |  |  |                                      |                                      |
| Foreign exchange gain (loss)  | (2,169 )                               | 5,043                                  | (2,166 )                             | (799 )                               |
| Net loss for the period   | \$(372,953 )                           | \$(287,080 )                           | \$(717,808 )                         | \$(552,204 )                         |
| Net loss per common share (basic and diluted)                               | \$(0.00 )                              | \$(0.00 )                              | \$(0.00 )                            | \$(0.00 )                            |
| Weighted average number of common shares<br>outstanding (basic and diluted) | 217,340,895                            | 199,308,477                            | 216,988,147                          | 190,840,057                          |

See Notes to Financial Statements

PROTOKINETIX, INC.  
(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY  
(Unaudited)

For the Period from December 31, 2015 to June 30, 2016

|   | Common Stock |          | Issuable<br>shares | Amount | Additional<br>paid-in<br>capital | Accumulated<br>deficit | Total     |
|---|--------------|----------|--------------------|--------|----------------------------------|------------------------|-----------|
|   | Shares       | Amount   |                    |        |                                  |                        |           |
| Balance, December 31, 2015                                      | 216,602,433  | \$ 1,159 | -                  | \$ -   | \$ 27,498,836                    | \$(27,095,631)         | \$404,364 |
| Issuance of common stock for services                           | 100,000      | 1        | -                  | -      | 6,999                            | -                      | 7,000     |
| Fair value of compensatory options issued                       | -            | -        | -                  | -      | 374,763                          | -                      | 374,763   |
| Issuance of common stock pursuant to private placement offering | 4,150,000    | 22       | -                  | -      | 165,978                          | -                      | 166,000   |
| Net loss for the period   | -            | -        | -                  | -      | -                                | (717,808 )             | (717,808) |
| Balance, June 30, 2016  | 220,852,433  | \$ 1,182 | -                  | \$ -   | \$ 28,046,576                    | \$(27,813,439)         | \$234,319 |

See Notes to Financial Statements

## PROTOKINETIX, INC.

(A Development Stage Company)

## STATEMENTS OF CASH FLOWS

(Unaudited)

For the Six Months Ended June 30, 2016 and 2015

|   | Six<br>Months<br>ended<br>June 30,<br>2016 | Six<br>Months<br>ended<br>June 30,<br>2015 |
|---|--|--|
| <b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>                          |  |  |
| Net loss for the period   | \$(717,808)                                | \$(552,204)                                |
| Adjustments to reconcile net loss to cash used in operating activities: |  |  |
| Amortization – intangible assets  | 1,500                                      | -  |
| Issuance and amortization of common stock for services                  | 7,000                                      | 47,000                                     |
| Fair value of compensatory options granted                              | 374,763                                    | 173,243                                    |
| Contribution of services  | -  | 6,000                                      |
| Changes in operating assets and liabilities:                            |  |  |
| Accounts receivable   | -  | (2,398 )                                   |
| Prepaid expenses and deposits   | (154,198)                                  | (880 )                                     |
| Accounts payable and accrued liabilities                                | 66,722                                     | 61,574                                     |
| Net cash used in operating activities                                   | (422,021)                                  | (267,665)                                  |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                          |  |  |
| Purchase of intangible assets   | (6,538 )                                   | (40,000 )                                  |
| Net cash used in investing activities                                   | (6,538 )                                   | (40,000 )                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |  |  |
| Short-term loan proceeds (repayments)                                   | -  | (63,250 )                                  |
| Issuance of common stock for cash                                       | 166,000                                    | 485,000                                    |
| Net cash from financing activities                                      | 166,000                                    | 421,750                                    |
| Net change in cash  | (262,559)                                  | 114,085                                    |
| Cash, beginning of period   | 371,072                                    | 317  |
| Cash, end of period   | \$108,513                                  | \$114,402                                  |
| Cash paid for interest  | \$-  | \$-  |
| Cash paid for income taxes  | \$-  | \$-  |
| Supplementary information – non-cash transactions:                      |  |  |
| Common stock issued for consulting services                             | \$7,000                                    | \$47,000                                   |



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|  |   |        |
|--|---|--------|
| Common stock returned to treasury                  | - | 25,000 |
| Common stock issued for past subscriptions         | - | 25,000 |
| Fair value of warrants issued for intangible asset | - | 25,000 |

See Notes to Financial Statements

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PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Basis of Presentation – Going Concern Uncertainties

ProtoKinetix, Inc. (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.

The Company is currently researching the benefits and feasibility of synthesized Antifreeze Glycoproteins ("AFGP") or anti-aging glycoproteins, trademarked AAGP. During the year ended December 31, 2015, the Company acquired certain patents and rights for cash consideration of \$30,000 (25,000 Euros), as well as additional patent applications for cash consideration of \$10,000 and 6,000,000 share purchase warrants with a fair value of \$25,000 (Note 4).

A Cease Trade Order ("CTO") was issued in respect of the Company's securities by the British Columbia Securities Commission ("BCSC") on May 9, 2013 based on the Company's failure to file annual financial statements for the year ended December 31, 2012 by the deadline of April 1, 2013. The Company has since completed all of the required filings for annual and interim periods and received a full Revocation Order from the BCSC during the year ended December 31, 2015.

During the six month period ended June 30, 2016, the Company filed Form 51-105F1 – Notice – OTC Issuer Ceases to be an OTC Reporting Issuer with the BCSC.

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

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 June 30, 2016. 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 through equity financing or related party loans.

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 unaudited financial statements have been prepared by the Company in conformity with accounting principles generally accepted in the United States of America ("US GAAP") applicable to interim financial information

and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2015, included in the Company's Annual Report on Form 10-K, filed March 30, 2016, with the Securities and Exchange Commission. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 2. Summary of Significant Accounting Policies (cont'd)

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP 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 and deferred income taxes.

Cash

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

Fair Value of Financial Instruments

Financial instruments, which includes cash and accounts payable and accrued liabilities, 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 pursuant to ASC 820 "Fair Value Measurements and Disclosures" which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 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. The policy 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)

Level 1 inputs are used to measure cash. At June 30, 2016 there were no other assets or liabilities subject to additional disclosure.

Income Taxes

The Company accounts for income taxed following the assets and liability method in accordance with the ASC 740 "Income Taxes." Under such method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company applies the accounting guidance issued to address the accounting for uncertain tax positions. This guidance clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements as well as provides guidance on

derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years that the asset is expected to be recovered or the liability settled.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 2. Summary of Significant Accounting Policies (cont'd)

Intangible assets – patent and patent application costs

The Company owns intangible assets consisting of certain patents and patent applications. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

As at June 30, 2016, the Company does not hold any intangible assets with indefinite lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the Company's patents, whereas no amortization has been recognized on the patent application costs as at June 30, 2016.

Research and Development Costs

Research and development costs are expensed as incurred.

Loss 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. Diluted loss per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive securities. The effect of 28,600,000 stock options (June 30, 2015 – 13,000,000) and 6,500,000 warrants (June 30, 2015 – 8,700,000) were 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.

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 compensation with persons classified as employees for accounting purposes in accordance with ASC 718 “Compensation – Stock Compensation”, which recognizes 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. The fair value of common shares issued for services is determined based on the Company’s stock price on the date of issuance.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 2. Summary of Significant Accounting Policies (cont'd)

Share-Based Compensation (cont'd)

The Company accounts for stock compensation arrangements with persons classified as non-employees for accounting purposes in accordance with ASC 505-50 "Stock-Based Transactions with Nonemployees", which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of share-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes Option Pricing Model and the compensation charges are amortized over the vesting period.

Common stock

Common stock issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issuance of common stock, units and stock options are recognized as a deduction from equity, net of any tax effects.

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 August 2014, the FASB issued Accounting Standards Update 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessment of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements (or within one year after the date on which the financial statements are available to be issued, when applicable). Further, an entity must provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern. The requirement is effective for annual periods ending after December 15, 2016, and interim periods thereafter, early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.





PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 3. Accounts Receivable

Accounts receivable consists of refundable sales tax paid on purchases made in Canada.

Note 4. Intangible Assets

During the year ended December 31, 2015, the Company entered into an Assignment of Patents and Patent Application (effective January 1, 2015) (the "Patent Assignment") with the Institut National des Sciences Appliquees de Rouen ("INSA") for the assignment of certain patents and all rights associated therewith (the "Patents"). The Company and INSA had previously entered into a licensing agreement for the Patents in August 2004. The Patent Assignment transfers all of the Patents and rights associated therewith to the Company upon payment to INSA in the sum of \$30,000 (25,000 Euros) (paid). During the six month period ended June 30, 2016, the Company recorded \$1,500 (June 30, 2015 - \$nil) in amortization expense associated with the Patents.

During the year ended December 31, 2015, the Company entered into a Technology Transfer Agreement with Grant Young for the assignment of his 50% ownership of certain patents and all rights associated therewith (the "Patent Application Rights"). In exchange for the Patent Application Rights, the Company agreed to pay \$10,000 (paid) and to issue 6,000,000 warrants (issued) to purchase shares of the Company's common stock at an exercise price of \$0.10 per share for a period of five years. The Patent Application Rights had a total fair value of \$35,000, which was allocated as \$10,000 to the cash consideration paid, with the remaining \$25,000 being allocated to the warrant component of the overall consideration. The Company incurred an additional \$10,882 in direct costs relating to the Patent Application Rights.

The remaining 50% ownership of the Patent Application Rights was acquired from the Governors of the University of Alberta in exchange for a future gross revenue royalty.

During the quarter ended June 30, 2015, the Company entered into a Universal Assignment with Grant Young for the assignment of his ownership of certain new and useful improvements in an invention entitled "Use of Anti-Aging Glycoprotein for Enhancing Survival of Neurosensory Precursor Cells" (the "New Patent Application Rights"). In exchange for the New Patent Application Rights, the Company agreed to pay \$1.00 (paid). The Company incurred \$2,416 in direct costs relating to the New Patent Application Rights.

No amortization was recorded on the Patent Application Rights to June 30, 2016.

Note 5. Convertible Note Payable and Credit Facility

Convertible Note Payable

On July 1, 2011, 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 note holder had the right to demand payment of outstanding principal and interest at any time with a 30-day grace period. The note was due and payable no later than

June 30, 2016, and was convertible into shares of the Company's common stock at \$0.025 per share. No beneficial conversion feature was applicable to this convertible note.

During the year ended December 31, 2014, the Company and the corporation commenced discussions in regards to the settlement of the convertible note through extinguishment. A settlement agreement was finalized during the year ended December 31, 2015, but the Company has accounted for the transaction as at December 31, 2014. The settlement agreement stipulated that the convertible note plus accrued interest of \$84,000 (included in accounts payable and accrued liabilities as at December 31, 2014) was to be settled through the issuance of 3,840,000 shares of the Company's common stock. The fair value of the shares was determined to be \$192,000 (\$0.05 per share) and the Company recognized a gain on settlement in the amount of \$192,000 as at December 31, 2014.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 5. Convertible Note Payable (cont'd)

The settlement agreement also stipulated the payment of \$161,750 to the corporation to settle other amounts included in accounts payable and accrued liabilities and short-term loans, all of which had been paid as at December 31, 2015.

On June 17, 2014, the Company executed a loan agreement under which the Company issued an 8% convertible promissory note in exchange for an initial amount of \$10,000, with the ability to be increased to \$100,000, to the Company's President and CEO. During the year ended December 31, 2014, additional amounts totaling \$90,000 were advanced, \$23,500 of which was paid directly to settle certain short-term loans outstanding. The note holder had the right to demand payment of outstanding principal and interest at any time with a 30-day grace period. The note was due and payable no later than December 31, 2015, and was convertible into shares of the Company's common stock at \$0.25 per share. No beneficial conversion feature was applicable to this convertible note. On July 1, 2015, the Company's board of directors approved an adjustment to the conversion price from \$0.25 to \$0.08. During the year ended December 31, 2015, the Company issued 1,250,000 shares of the Company's common stock at the adjusted conversion price of \$0.08 per share to settle the promissory note. A gain of \$7,272 was recognized associated with interest forgiven on the note.

Credit Facility

On June 16, 2016, the Company executed a line of credit arrangement for an amount of up to \$250,000 with Pleasants County Bank, West Virginia. Pursuant to the terms of the line of credit, interest will accrue on the amount of credit outstanding at a rate of 1.5% above the prime rate adjusted monthly. The Company's President and CEO pledged personal assets to secure the line of credit and the Company pledged its patent rights in the provisional patent application numbered 62287857, dated January 21, 2016, "Use of Anti-Aging Glycoprotein for Enhancing Survival of Neurosensory Precursor Cells". As at June 30, 2016, the balance outstanding was \$nil.

Note 6. Common Shares Issued for Services

During the six month periods ended June 30, 2016 and 2015, the Company issued shares of common stock for services and other value rendered as follows:

|            | Number<br>of<br>Shares | Value<br>per<br>Share | Total   |
|------------|------------------------|-----------------------|---------|
| 2016       |                        |                       |         |
| March 2016 | 100,000                | \$ 0.07               | \$7,000 |
|            | 100,000                |                       | \$7,000 |

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|               |                     | Value        |          |
|---------------|---------------------|--------------|----------|
| 2015          | Number<br>of Shares | per<br>Share | Total    |
| February 2015 | 1,000,000           | \$0.04       | \$40,000 |
| June 2015     | 100,000             | \$0.07       | \$7,000  |
|               | 1,100,000           |              | \$47,000 |

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

#### Note 7. Stock Options

On July 1, 2015, the Board of Directors of the Company adopted the 2015 Stock Option and Stock Bonus Plan (the “Plan”). The Board of Directors adopted this plan as it anticipates utilizing equity compensation as part of its ongoing standard corporate operations and in connection with its contemplated activities going forward.

Under the Plan, the lesser of: (i) 20,000,000 shares; or (ii) 10% of the total number of the Company’s common shares outstanding are reserved to be issued upon the exercise of options or the grant of stock bonuses. As such, the Plan is subject to an absolute cap of 20,000,000 shares. The Plan includes two types of options; options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended are referred to as incentive options, and options which are not intended to qualify as incentive options are referred to as non-qualified options.

As of June 30, 2016, 16,600,000 options and 2,000,000 shares of common stock have been granted under the Plan.

The Plan is administered by the Board of Directors, or a committee appointed by the Board of Directors. In addition to determining who will be granted options or stock bonuses, the committee has the authority and discretion to determine when options and bonuses will be granted and the number of options and bonuses to be granted. The committee also may determine a vesting and/or forfeiture schedule for bonuses and/or options granted, the time or times when each option becomes exercisable, the duration of the exercise period for options and the form or forms of the agreements, certificates or other instruments evidencing grants made under the Plan. The committee may determine the purchase price of the shares of common stock covered by each option and determine the fair market value per share. The committee also may impose additional conditions or restrictions not inconsistent with the provisions of the Plan. The committee may adopt, amend and rescind such rules and regulations as in its opinion may be advisable for the administration of the Plan.

In the event that a change, such as a stock split, is made in the Company’s capitalization which results in an exchange or other adjustment of each share of common stock for or into a greater or lesser number of shares, appropriate adjustments will be made to unvested bonuses and in the exercise price and in the number of shares subject to each outstanding option. The committee also may make provisions for adjusting the number of bonuses or underlying outstanding options in the event the Company effects one or more reorganizations, recapitalizations, rights offerings, or other increases or reductions of shares of its outstanding common stock. Options and bonuses may provide that in the event of the dissolution or liquidation of the Company, a corporate separation or division or the merger or consolidation of the Company, the holder may exercise the option on such terms as it may have been exercised immediately prior to such dissolution, corporate separation or division or merger or consolidation; or in the alternative, the committee may provide that each option granted under the Plan shall terminate as of a date fixed by the committee.

The exercise price of any option granted under the Plan must be no less than 100% of the “fair market value” of the Company’s common stock on the date of grant. Any incentive stock option granted under the Plan to a person owning more than 10% of the total combined voting power of the common stock must be at a price of no less than 110% of the fair market value per share on the date of grant.

The exercise price of an option may be paid in cash, in shares of the Company's common stock or other property having a fair market value equal to the exercise price of the option, or in a combination of cash, shares, other securities and property. The committee determines whether or not property other than cash or common stock may be used to purchase the shares underlying an option and shall determine the value of the property received.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 7. Stock Options (cont'd)

Stock option transactions are summarized as follows:

|                                | Number of<br>Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>\$ | Weighted<br>Average<br>Fair<br>Value<br>\$ | Weighted Average Remaining Life<br>(Years) |
|--------------------------------|-------------------------------|--|--|--|
| Outstanding, December 31, 2015 | 14,600,000                    | 0.05   | 0.03                                       |  |
| Options granted                | 15,000,000                    | 0.08   | 0.05                                       |  |
| Options expired                | (1,000,000 )                  | 0.10   | 0.03                                       |  |
| Outstanding, June 30, 2016     | 28,600,000                    | 0.06   | 0.04                                       | 3.42                                       |

The fair values of the stock options granted during the six month periods ended June 30, 2016 and 2015 were estimated using the Black-Scholes Option Pricing Model. The weighted average assumptions used in the pricing model for these options are as follows:

|                                 | June<br>30,<br>2015 | June<br>30,<br>2016 |
|---------------------------------|---------------------|---------------------|
| Risk-free interest rate         | 0.81 %              | 0.56 %              |
| Dividend yield                  | 0.00 %              | 0.00 %              |
| Expected stock price volatility | 125.00%             | 125.00%             |
| Expected forfeiture rate        | 0.00 %              | 0.00 %              |
| Expected life                   | 4.81<br>years       | 3.94<br>years       |

The following non-qualified stock options were outstanding and exercisable at June 30, 2016:

| Expiry date       | Exercise<br>Price<br>\$ | Number of<br>Options<br>Outstanding | Number of<br>Options<br>Exercisable |
|-------------------|-------------------------|-------------------------------------|-------------------------------------|
| February 25, 2017 | 0.04                    | 2,000,000                           | -                                   |
| February 24, 2018 | 0.05                    | 1,000,000                           | 1,000,000                           |
| February 25, 2020 | 0.04                    | 4,000,000                           | 4,000,000                           |
| February 28, 2020 | 0.04                    | 5,000,000                           | 5,000,000                           |
| June 30, 2017     | 0.10                    | 1,000,000                           | 1,000,000                           |
| June 30, 2018     | 0.10                    | 600,000                             | 600,000                             |
| December 31, 2019 | 0.08                    | 15,000,000                          | 7,500,000                           |



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28,600,000 19,100,000

As at June 30, 2016, the aggregate intrinsic value of the Company's stock options is \$290,000 (December 31, 2015 – \$350,000). The weighted average fair value of stock options granted during the six month period ended June 30, 2016 is \$0.05 (2015 - \$0.03).

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 8. Warrants

Warrant transactions for the six month period ended June 30, 2016 are summarized as follows:

|                            | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price |
|----------------------------|-----------------------|--|
| Balance, December 31, 2015 | 8,700,000             | \$ 0.11                                  |
| Expired                    | (2,200,000)           | 0.10                                     |
| Balance, June 30, 2016     | 6,500,000             | \$ 0.11                                  |

The following warrants were outstanding and exercisable as at June 30, 2016:

| Number of<br>Warrants | Exercise<br>Price<br>(\$) | Expiry Date      |
|-----------------------|---------------------------|------------------|
| 500,000               | 0.25                      | November 8, 2018 |
| 6,000,000             | 0.10                      | April 22, 2020   |
| 6,500,000             |                           |                  |

Note 9. Stockholders' Equity

The Company is authorized to issue 400,000,000 (December 31, 2015 – 400,000,000) shares of \$0.0000053 par value common stock. Each holder of common stock has the right to one vote but does not have cumulative voting rights. Shares of common stock are not subject to any redemption or sinking fund provisions, nor do they have any preemptive, subscription or conversion rights. Holders of common stock are entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid as of June 30, 2016 (December 31, 2015 - \$nil).

During the six month period ended June 30, 2016, the Company:

- a) Issued 100,000 shares of common stock with a fair value of \$7,000 (\$0.07 per share) pursuant to a consulting agreement entered into on March 1, 2015.
- b) Issued 4,150,000 shares of common stock to investors (one of which was the President and CEO of the Company) at \$0.04 per share for gross proceeds of \$166,000.



PROTOKINETIX, INC.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 10. Related Party Transactions and Balances

During the six month period ended June 30, 2015, the Company:

Entered into a directorship agreement effective February 25, 2015 with a newly appointed director of the Company.  
a) Pursuant to the agreement, the director was issued 1,000,000 shares of common stock as an engagement fee and was entitled to a compensatory service fee. The director was also entitled to 1,000,000 stock options on signing exercisable into common shares of the Company for a period of 3 years at a price of \$0.05 per share.

During the six month period ended June 30, 2015, the director provided \$4,000 in contributed services, which were recorded as professional fees against additional paid-in capital.

Entered into a consulting agreement dated March 30, 2015 (effective January 1, 2015) with the Company's President and CEO whereby he was compensated at a nominal amount of \$1 for services through to December 31, 2015. The b) agreement also stipulates a termination fee that would pay the Company's President and CEO \$100,000 if terminated without cause or in the case of termination upon a change of control event, the termination fee would be equal to \$100,000 plus 2.5% of the aggregate transaction value of the change of control.

Entered into a consulting agreement dated March 30, 2015 (effective January 1, 2015) with the Company's CFO c) whereby she was compensated at a monthly fee of \$4,000 for services through to December 31, 2018 (\$4,000 per month for fiscal 2015, then increased by not less than 5% each year thereafter). A total of \$24,000 was paid or accrued to the Company's CFO during the six month period ended June 30, 2015.

She was also entitled (as of February 26, 2015) to 4,000,000 stock options exercisable into common shares of the Company for a period of 5 years at a price of \$0.04 per share. The options vested monthly in tranches of 400,000 over 10 months. She was also entitled to an additional 2,000,000 stock options exercisable for a period of 2 years at a price of \$0.04 per share that will vest only upon a change in control. If terminated without cause, the agreement also stipulates a termination fee that would pay the Company's CFO three times her monthly consulting fee in effect as of the date of termination or if terminated without cause after January 1, 2016, six times her monthly consulting fee in effect as of the date of termination. In the case of termination upon a change of control event, the termination fee would be equal to two times the amount that she would receive as if terminated without cause.

d) Recognized \$81,589 in share-based compensation associated with stock options granted to key management personnel.

PROTOKINETIX, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 10. Related Party Transactions and Balances (cont'd)

During the six month period ended June 30, 2016, the Company:

Entered into a consulting agreement with an effective date of January 1, 2016 with the Company's President and CEO whereby he will be compensated at a nominal amount of \$1 for services through to December 31, 2016. The agreement also stipulates a termination fee that would pay the Company's President and CEO \$100,000 per year of service if terminated without cause or in the case of termination upon a change of control event, the termination fee would be equal to \$100,000 per year of service plus 2.5% of the aggregate transaction value of the change of control. In addition, the agreement stipulates that he would be entitled to a bonus payment equal to 2.5% of the aggregate transaction value of an Application Sale or license of any Patent Rights, Patent Application Rights or products effected during the term of his agreement. Pursuant to the agreement, he was also granted 5,000,000 stock options exercisable into common shares of the Company until December 31, 2019 at a price of \$0.08 per share (Note 7). The options vest in equal instalments on a quarterly basis beginning March 31, 2016.

a)

Entered into a consulting agreement with an effective date of January 1, 2016 with the Company's CFO whereby she will be compensated at a monthly fee of \$6,000 for services through to December 31, 2016. The agreement also stipulates a termination fee that would pay the Company's CFO \$36,000 if terminated without cause or \$72,000 upon termination due to a change of control event. Pursuant to the agreement, she was also granted 4,000,000 stock options exercisable into common shares of the Company until December 31, 2019 at a price of \$0.08 per share (Note 7). The options vest in equal instalments on a quarterly basis beginning March 31, 2016. A total of \$36,000 was paid or accrued to the Company's CFO during the six month period ended June 30, 2016.

b)

Entered into a directorship agreement with an effective date of January 1, 2016 with a director of the Company. Pursuant to the agreement, the director was issued 1,000,000 stock options exercisable into common shares of the Company until December 31, 2019 at a price of \$0.08 per share (Note 7). The options vest in equal instalments on a quarterly basis beginning March 31, 2016.

c)

Recognized \$271,850 in share-based compensation associated with stock options granted to key management personnel.

d)

As at June 30, 2016 and December 31, 2015, the following amounts are due to related parties:

|   | June<br>30,<br>2016 | December<br>31,<br>2015 |
|---|---------------------|-------------------------|
| Clarence Smith (CEO) Accounts payable and accrued liabilities | \$ 344              | \$ 327                  |

Amounts included in accounts payable and accrued liabilities are non-interest bearing, unsecured and repayable on demand.



PROTOKINETIX, INC.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 11. Commitments and Contingency

As at June 30, 2016, the Company has the following commitments:

Entered into a consulting agreement with an effective date of January 1, 2016 whereby the Company would pay the consultant \$7,000 per month for providing research and development services. Pursuant to the agreement, the a) consultant was also granted 5,000,000 stock options exercisable into common shares of the Company until December 31, 2019 at a price of \$0.08 per share (Note 7). The options vest in equal instalments on a quarterly basis beginning March 31, 2016.

Entered into a consulting agreement effective March 1, 2015, whereby the Company would pay the consultant \$2,700 per month for an initial term of 1 year for providing public relations services. The consultant is also entitled to 400,000 shares of common stock, which will be issued at a rate of 25% (100,000 shares) every 3 months over the b) term of the agreement (100,000 shares issued during the three month period ended March 31, 2016 (Note 9)). The consultant was also issued 1,000,000 stock options on signing during the year ended December 31, 2015, with each stock option exercisable into a common share at a price of \$0.10 for a period of 5 years. The stock options will vest at the rate of 25% every 3 months over the term of the agreement.

Entered into a royalty agreement with the Governors of the University of Alberta (the "University") whereby the University had developed certain intellectual property (the "Additional Patent Rights") in conjunction with and by permission of the Company employing patented intellectual property of the Company. The agreement assigns the c) Additional Patent Rights to the Company in return for 5% of any future gross revenues (the "Royalty") derived from products arising from the Patent Rights. The Company will have the right and option for two years from the earlier of September 1, 2015 or the first date that the University publishes its research related to the Additional Patent Rights to buy out all of the University's Royalty for consideration of the aggregate sum of CDN \$5,000,000.

d) Entered into a consulting agreement effective May 1, 2015, whereby the Company would pay the consultant \$4,000 per month for an initial term of 1 year for providing research and development services.

Entered into a Collaborative Research Agreement (the "CREA") effective May 31, 2016 with The University of British Columbia ("UBC") for a term of 2 years. Pursuant to the CREA, the Company paid a total of CAD \$169,000 e) (\$131,448) in advance for services to be provided by UBC in the first year, and will be required to pay an additional CAD \$201,500 within 12 months from the effective date of the CREA in advance of services to be provided by UBC in the second year. The CREA can be terminated by either party with 30 days' written notice.

Entered into a series of Study Contracts (the "Contracts") with ITR Laboratories Canada ("ITR") effective April 19, 2016 whereby ITR will provide research services to the Company. Pursuant to the terms of the Contracts, 50% of f) the total cost of the Contracts was payable on authorization. The total fees associated with the Contracts is CAD \$60,600 and as at June 30, 2016, the Company had advanced CAD \$30,300 (\$23,147).

The Company was delinquent in filing certain income tax returns with the U.S. Internal Revenue Service and reports disclosing its interest in foreign bank accounts on form TDF 90-22.1, "Report of Foreign Bank and Financial Accounts" ("FBARs"). In September 2015, the Company filed the delinquent income tax returns and has sought waivers of any penalties under the IRS Offshore Voluntary Disclosure Program for late filing of the returns and FBARs. Under the program, the IRS has indicated that it will not impose a penalty for the failure to file delinquent income tax returns if there are no underreported tax liabilities. The Company may be liable for civil penalties for certain tax years in an indeterminate amount for not complying with the FBAR reporting and recordkeeping requirements. No claim has been asserted by the U.S. Internal Revenue Service; before any claim is expressly asserted the Company intends to cooperate with the Internal Revenue Service to minimize any liability. The Company is unable to determine the amount of any penalties that may be assessed at this time.



PROTOKINETIX, INC.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 12. Subsequent Event

Subsequent to the six month period ended June 30, 2016, the Company:

Issued 1,850,000 shares of common stock to the Company's President and CEO at \$0.04 for gross proceeds of \$74,000.

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

Unless the context requires otherwise, references in this document to "ProtoKinetix", "we", "our", "us" or the "Company" are ProtoKinetix, Incorporated.

The following discussion provides information regarding the results of operations for the six month periods ended June 30, 2016 and 2015, and our financial condition, liquidity and capital resources as of June 30, 2016, and December 31, 2015. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

### Cautionary Note Regarding Forward-Looking Statements

The information discussed in this Quarterly Report on Form 10-Q include "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All statements, other than statements of historical facts, included herein and therein concerning, among other things, planned capital expenditures, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward looking statements. These forward looking statements are identified by their use of terms and phrases such as "may," "expect," "estimate," "project," "plan," "believe," "intend," "achievable," "anticipate," "will," "continue," "potentially," "could," and similar terms and phrases. Although we believe that the expectations reflected in these forward looking statements are reasonable, they do involve certain assumptions, risks and uncertainties and are not (and should not be considered to be) guarantees of future performance. Our results could differ materially from those anticipated in these forward looking statements as a result of certain factors, including, among others:

- Our capital requirements and the uncertainty of being able to obtain additional funding on terms acceptable to us;
  - Our plans to develop and commercialize products from the AAGP™ molecule;
- Ongoing testing of the AAGP™ molecule;
- Our intellectual property position;
- Our commercialization, marketing and manufacturing capabilities and strategy;
- Our ability to retain key members of our senior management and key scientific consultants;
- The effects of competition;
- Our potential tax liabilities resulting from conducting business in the United States and Canada;
- The effect of further sales or issuances of our common stock and the price and volume volatility of our common stock; and
- Our common stock's limited trading history.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our filings with the SEC under the Exchange Act and the Securities Act, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. All forward looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Quarterly Report. Other than as required under securities laws, we do not assume a duty to update these forward looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

### Business Overview

ProtoKinetix, Incorporated is a research and development stage bio-technology company focused on scientific medical research of AFGPs (Anti-Freeze Glycoproteins) or anti-aging glycoproteins, trademarked as AAGPs™. 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 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.

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## Results of Operations

The following table shows selected financial data and operating results for the periods noted. Following the table, please see management's discussion of significant changes.

|                            | For the Six Months<br>Ended<br>June 30, |           |
|----------------------------|---|-----------|
|                            | 2016                                    | 2015      |
| Revenues                   | \$-                                     | \$-       |
| Cost of sales              | -                                       | -         |
| Gross (loss) profit        | -                                       | -         |
| Operating Expenses         |   |           |
| Amortization               | \$1,500                                 | \$-       |
| Consulting Fees            | -                                       | 50,000    |
| General and Administrative | 50,934                                  | 81,550    |
| Interest Expense           | -                                       | 3,969     |
| Professional Fees          | 108,313                                 | 170,523   |
| Research and Development   | 180,132                                 | 72,120    |
| Share-Based Compensation   | 374,763                                 | 173,243   |
| Total operating expenses   | 715,642                                 | 551,405   |
| Loss from Operations       | (715,642)                               | (551,405) |
| Other Expense              |   |           |
| Foreign Exchange Loss      | (2,166 )                                | (799 )    |
| Total other expenses       | (2,166 )                                | (799 )    |
| Other Income               |   |           |
| Foreign Exchange Gain      | -                                       | -         |
| Total other income         | -                                       | -         |
| Net Loss                   | \$(717,808)                             | (552,204) |

## Revenues

We had no revenues for the six month periods ended June 30, 2016 and 2015.

## Gross Profit and Expenses

The Company's net loss was \$717,808 for the six month period ended June 30, 2016 compared to \$552,204 for the six month period ended June 30, 2015. These expenses were primarily incurred for professional fees, share-based compensation recognized on stock options granted, research and development and other general and administrative expenses. Significant changes from the prior six month period ended June 30, 2015 include:

Consulting fees decreased by \$50,000 from \$50,000 to \$nil primarily as a result of a change in terms of consulting contracts entered into for the current year.

General and administrative expenses decreased by \$30,616 from \$81,550 to \$50,934 primarily as a result of a decrease in travel expenses associated with the office relocation, the lifting of the Cease Trade Order in British Columbia (the "CTO") and the changing of the management of the Company.

Interest expense decreased by \$3,969 from \$3,969 to \$nil as a result of a decrease in short-term loans and notes payable.

Professional fees decreased by \$62,210 from \$170,523 to \$108,313 primarily as a result of a decrease in legal fees associated with the CTO and company operations.

Research and development increased by \$108,012 from \$72,120 to \$180,132 primarily as a result of management's intention to move the Company forward in the development of the AAGP™ molecule.  
Share-based compensation increased by \$201,520 from \$173,243 to \$374,763 primarily as a result of stock options granted pursuant to consulting contracts being entered into for the current year.

## Liquidity and Capital Resources

The following summarizes our liquidity at June 30, 2016 and December 31, 2015:

|                 | June 30,<br>2016 | December<br>31, 2015 |
|-----------------|------------------|----------------------|
| Cash            | \$ 108,513       | \$ 371,072           |
| Working Capital | \$ 159,021       | \$ 334,104           |

At June 30, 2016, we had \$108,513 in cash and \$271,131 in total current assets. As of June 30, 2016 we had a working capital position of \$159,021. Based upon our working capital equity as of June 30, 2016, we require additional equity and/or debt financing in order to meet cash flow projections and carry forward our business objectives. There can be no assurance that in the future 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 effect on our plan of operation and results therefrom and a corresponding negative impact on stockholder liquidity.

## Sources and Uses of Cash

### Net Cash Used in Operating Activities

Net cash used in operating activities increased by \$154,356 from \$267,665 to \$422,021 for the six months ended June 30, 2015 and 2016, respectively. This increase was predominantly due to an increase in cash-based expenditures relating to the Company's current research contract with the University of British Columbia and study contracts with ITR Laboratories Canada as well as the Company's efforts to reduce historical accounts payable and accrued liabilities concurrent with the change in management completed in 2015.

### Net Cash Used in Investing Activities

Net cash used in investing activities was \$6,538 for the six month period ended June 30, 2016 while the Company had net cash used in investing activities of \$40,000 for the comparative period. The difference is attributable to a decrease in the purchase of intangible assets.

### Net Cash Provided by Financing Activities

Net cash provided by financing activities decreased by \$255,750 from \$421,750 to \$166,000 for the six months ended June 30, 2015 and 2016, respectively due to a decrease in private placements and short-term loan repayments.

## Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"), 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.

Off-Balance Sheet Arrangements

None.

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### Contractual Obligations

As a smaller reporting company, we are not required to provide the information required by paragraph (a)(5) of this Item.

### Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition. Our significant accounting policies are disclosed in Note 2 to the Financial Statements included in this Form 10-Q.

While all of the significant accounting policies are important to the Company's financial statements, the following accounting policies and the estimates derived there from have been identified as being critical.

### Share-Based Compensation

On July 1, 2015, the Board of Directors of the Company adopted the 2015 Stock Option and Stock Bonus Plan (the "Plan"). The Company has granted warrants and options to purchase shares of the Company's common stock to various parties for consulting services outside of the Plan, and beginning July 1, 2015 pursuant to the Plan. The fair values of the warrants and options issued have been estimated using the Black-Scholes Option Pricing Model.

The Company accounts for stock compensation with persons classified as employees for accounting purposes in accordance with ASC 718 "Compensation – Stock Compensation", which recognizes 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. The fair value of common shares issued for services is determined based on the Company's stock price on the date of issuance.

The Company accounts for stock compensation arrangements with persons classified as non-employees for accounting purposes in accordance with ASC 505-50 "Stock-Based Transactions with Nonemployees", which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of share-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes Option Pricing Model and the compensation charges are amortized over the vesting period.

### Sales and Marketing

The Company is currently not selling or marketing any products.

### 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 six months ended June 30, 2016.

#### Contractual Obligations

As a smaller reporting company as defined by Item 10 of Regulation S-K, we are not required to provide the information requested by paragraph (a)(5) of this Item.

### Item 3. Quantitative and Qualitative Disclosure about Market Risk

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

### Item 4: Controls and Procedures

#### Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the “1934 Act”) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the 1934 Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the direction of our Chief Executive Officer (who is our principal executive officer), and Chief Financial Officer (who is our principal accounting officer) has evaluated the effectiveness of our disclosure controls and procedures as required by 1934 Act Rule 13a-15(b) as of June 30, 2016 (the end of the period covered by this report). Based on that evaluation, our principal executive officer and our principal accounting officer concluded that these disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

The Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated by the SEC under the 1934 Act) during the six months ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Other than reported in the Company's Quarterly Report on Form 10-Q for the six month period ended June 30, 2016, the Company and its management are not aware of any regulatory or legal proceedings or investigations pending involving the Company, any of its subsidiaries or affiliates, or any of their respective officers, directors or employees.

### Item 1A. Risk Factors

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC on March 30, 2016, and such risk factors are incorporated herein by this reference.

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

On June 16, 2016 the Company issued 4,150,000 shares of its common stock at a price of \$0.04 per share to accredited investors in a private placement transaction for gross proceeds of \$166,000, of which, Clarence E. Smith, the Company's President and Chief Executive Officer, personally participated in the offering for the purchase of 650,000 shares. On July 1, 2016, Mr. Smith invested \$74,000 for the purchase of 1,850,000 shares at \$0.04 per share in the same offering. The Company relied on the exemptions under Section 4(a)(2) of the Securities Act of 1933, as amended and/or Rule 506(b) of Regulation D promulgated thereunder for the issuance of common stock. There was no general solicitation in connection with this offer and sale and no commission or other remuneration was paid on the issuance of the common stock. A Form D was filed on June 27, 2016.

Other than previously reported, there have been no unregistered sales of equity securities during the six month period ended June 30, 2016.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosure

Not applicable.

### Item 5. Other Information

On April 19, 2016, the Company entered into the ITR Master Contract with ITR Laboratories Canada Inc. ("ITR") so that ITR will provide the facilities and personnel to conduct preclinical studies on AAGP™. All intellectual property created as a result of the studies will be owned by the Company. ITR will have the right to terminate any study with ten days' written notice to the Company if applicable law requires it to do so. In addition, ITR may terminate a study for non-payment by the Company. The Company may terminate any study upon 10 days' written notice to ITR. As of the date of this Quarterly Report, the Company has advanced CDN \$30,300 to ITR.

Item 5. Other Information Cont'd

On May 2, 2016 the Company notified the British Columbia Securities Commission that it has ceased to be an Over-the-Counter reporting issuer under Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets by filing a Form 51-105F1 Notice. Until such time, the Company was deemed to be a “reporting issuer” under the laws of British Columbia and was therefore subject to Multilateral Instrument 51-105, which prescribes certain disclosure requirements for the Company and conditions that must be met in order for holders of the Company’s securities who acquired their securities under an exemption from the prospectus requirement to resell their securities in or from any jurisdiction of Canada (excluding sales resulting from a take-over bid or issuer bid in a jurisdiction of Canada; an amalgamation, merger, reorganization or arrangement under a statutory procedure or court order; or, the dissolution or winding up of the issuer under a statutory procedure or court order). The Company’s common stock could not be sold in or from a jurisdiction of Canada by any stockholder unless certain conditions were met. Because (i) ProtoKinetix’s business has not been directed or administered for at least one year in or from British Columbia; (ii) no promotional activities have been carried on for at least one year in or from British Columbia; and (iii) more than one year has passed since the ticker-symbol date, ProtoKinetix is no longer a reporting issuer in British Columbia, and those restrictions on the sale of the Company’s common stock in or from a jurisdiction in Canada no longer apply. Further, the Company no longer has disclosure requirements under Multilateral Instrument 51-105.

On or about May 20, 2015, Grant Young assigned his intellectual property rights associated with US provisional patent application no. 62/287,657, and future applications to be derived therefrom (the “Patent Rights”) to ProtoKinetix, thus gaining Mr. Young’s rights to inventions related to the use of anti-aging glycopeptides to enhance survival of neurosensory precursor cells, and all patents issuing from and claiming priority to such application. The Patent Rights secure, amongst other things, key intellectual property rights to the Company’s use of the AAGP™ lead compound in regenerative medicine.

On or about May 31, 2016, the Company entered into a Collaborative Research Agreement (the “Agreement”) between the Company and the University of British Columbia (“UBC”) and Vancouver Coastal Health Authority in which UBC will conduct research using the Company’s AAGP™ molecule. The Company will provide AAGP to UBC for the purpose of, among other things, determining the anti-inflammatory properties of the molecule and conducting studies relating to the long-term survival and preservation of neural stem cells.

The Company has paid its first installment of CDN \$169,000 within 30 days of execution of the Agreement. A second installment of CDN \$201,500 is due twelve months after execution of the Agreement. The term of the Agreement is 24 months from the date of execution, subject to early termination or extension with consent of all the parties. The parties may terminate the Agreement upon 30 calendar days’ prior written notice to the other. If any party is in breach of the Agreement and fails to remedy such breach within 30 days after written notice from the other party, the other party may terminate the agreement effective upon the breaching party’s receipt of such termination notice.

Effective June 16, 2016, the Company entered into a secured line of credit agreement for up to \$250,000 with Pleasants County Bank of St. Marys, West Virginia as approved by the Company’s Board of Directors. The Company may draw down on the line of credit with approval of the lender.

The line of credit bears an interest rate of 5.0% yearly until August 1, 2016, at which time the interest rate changes to 1.5% above The Wall Street Journal U.S. Prime Rate on corporate loans. The interest rate may change as often as every month beginning on August 1, 2016, with a minimum interest rate of 5.0% per year and a maximum of 11.0%

per year. The expiration date of the line of credit is June 16, 2020. Accrued interest must be paid monthly beginning August 1, 2016 with principal due on the maturity date of June 17, 2020.

The note is secured by ProtoKinetix's patent rights in the provisional patent application numbered 62287857, dated January 21, 2016, "Use of Anti-Aging Glycoprotein for Enhancing Survival of Neurosensory Precursor Cells"; personal assets of the Company's President and Chief Executive Officer, Clarence E. Smith; and certain real property held by Mr. Smith. As of the date of this Quarterly Report, no funds have been drawn on the line of credit.

Item 6. Exhibits

The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this Quarterly Report on Form 10-Q.

| Exhibit | Description  |
|---------|--|
| 3.1     | Certificate of Incorporation <sup>1</sup>  |
| 3.2     | Bylaws <sup>1</sup>  |
| 4.1     | 2015 Stock Option and Stock Bonus Plan <sup>2</sup>  |
| 10.1    | Assignment of Patents and Patent Application between the Company and Institut National des Sciences Appliquées de Rouen dated January 5, 2015 <sup>3</sup>   |
| 10.2    | Settlement and Indemnity Agreement by and between the Company and Standard Bankcorp Inc. and Mark Ralston dated March 2, 2015 <sup>3</sup>                   |
| 10.3    | Royalty Agreement between the Company and The Governors of the University of Alberta, dated April 8, 2015 <sup>3</sup>                                       |
| 10.4    | Technology Transfer Agreement between the Company and Grant Young, dated April 22, 2015 <sup>4</sup>   |
| 10.5    | Consulting Agreement between the Company and Clarence E. Smith, dated December 21, 2015 <sup>5</sup>   |
| 10.6    | Consulting Agreement between the Company and Susan M. Woodward, dated December 21, 2015 <sup>5</sup>   |
| 10.7    | Director Consulting Agreement between the Company and Edward P. McDonough, dated December 23, 2015 <sup>5</sup>  |
| 10.8    | ITR Master Contract between the Company and ITR Laboratories Canada Inc., dated April 19, 2016 <sup>6</sup>  |
| 10.9    | Universal Assignment between the Company and Grant Young, dated May 20, 2016 <sup>*</sup>  |
| 10.10   | Collaborative Research Agreement between the Company and the University of British Columbia, dated May 31, 2016 <sup>*</sup>                                 |
| 10.11   | Secured Line of Credit between the Company and Pleasants County Bank, dated June 16, 2016 <sup>*</sup>   |
| 31.1    | Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 <sup>*</sup>                                      |
| 31.2    | Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 <sup>*</sup>     |
| 32.1    | Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>**</sup> |
| 101.INS | XBRL Instance Document   |
| 101.SCH | XBRL Schema Document   |
| 101.CAL | XBRL Calculation Linkbase Document   |
| 101.DEF | XBRL Definition Linkbase Document  |
| 101.LAB | XBRL Label Linkbase Document   |
| 101.PRE | XBRL Presentation Linkbase Document  |

1. Incorporated by reference from the Company's registration statement on Form 10-SB filed on June 22, 2001 with the SEC.
2. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on August 14, 2015 with the SEC.
3. Incorporated by reference from the Company's Annual Report on Form 10-K filed on April 14, 2015 with the SEC.
4. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on May 20, 2015 with the SEC.
5. Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 30, 2016 with the SEC.

6. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on May 16, 2016 with the SEC.
- \*. Filed herewith.
- \*\*Furnished, not filed herewith.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 15, 2016    PROTOKINETIX, INCORPORATED

By:        /s/ Clarence E. Smith  
Clarence E. Smith  
Chief Executive Officer

By:        /s/ Susan M. Woodward  
Susan M. Woodward  
Chief Financial Officer



