ProtoKinetix, Inc.
Form 10-K
February 21, 2017

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

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

For the transition period from _____ to _____

Commission File Number: 000-32917

PROTOKINETIX, INCORPORATED
(Name of small business issuer 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, including zip code)

Registrant's telephone number, including area code:	304-299-5070
Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	$.0000053 par value common stock

_____

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). þ Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $11,543,043 based upon the closing price of our common stock which was $0.065 as of June 30, 2016, the last business day of the Company's most recently completed second fiscal quarter. Shares of common stock held by each officer and director and by each person or group who owns 10% or more of the outstanding common stock amounting to 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 February 21, 2017, there were 245,952,433 shares of our common stock that were issued and outstanding.

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PROTOKINETIX, INCORPORATED

PART I

ITEM 1. BUSINESS

ProtoKinetix, Incorporated ("ProtoKinetix," "we," "us," "our," or the "Company") 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.

ProtoKinetix was incorporated as RJV Network, Inc. under the laws of the State of Nevada on December 23, 1999 for the primary purpose of developing an internet-based listing site that would provide detailed commercial real estate property listings and related data. In July 2003, the Company entered into an assignment of license agreement with BioKinetix Research, Incorporated for the assignment of rights relating to proprietary technologies of BioKinetix Research, Incorporated for the creation and commercialization of "superantibodies." On July 8, 2003, the Company changed its name to "ProtoKinetix, Incorporated."

The Company's executive (or corporate) offices are located at 9176 South Pleasants Highway, St. Marys, West Virginia 26170. Our telephone number is (304) 299-5070 and our website is www.protokinetix.com.

Cautionary Note Regarding Forward-Looking Statements

The information discussed in this Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as well as some statements in press releases and some oral statements of the Company's officers during presentations about the Company 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," "potential," "should," "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 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 the section entitled "Risk Factors" included elsewhere in this Annual Report. 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 section and elsewhere in this Annual 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.

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 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 characteristic 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 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 $C\text{-}F_2$ 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 that cells 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.

Cell Lines Tested

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

Stress Conditions and Agents

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

UV-C Radiation
§ harsh sterilizing radiation
§ 254 nanometer wavelength

Oxidation
§ hydrogen peroxide (H_2O_2)
§ 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

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Nonclinical Efficacy Testing (Human Islets)

For the last four years, AAGP™ testing has been conducted pursuant to a comprehensive transplantation testing program in conjunction with the University of Alberta transplant research team. The Company entered into a consulting agreement in May 2015 with Dr. James Shapiro to collaborate with the James Shapiro Laboratory at the University of Alberta in Edmonton, Alberta, Canada. Dr. Shapiro directs the largest clinical islet transplantation program in the world. Dr. Shapiro and his team have conducted extensive testing with our AAGP™ molecule using human islet cells in transplantation, investigating its effect on engraftment, insulin production, protective effect against anti-rejection drugs and investigation of the mechanism of action. The results provided consistent encouragement to continue testing to develop protocols that can be applied to transplantation medicine. Due to such results achieved over the last four years of testing, the Governors of the University of Alberta, at the end of December, 2016, submitted an Investigational Testing Authorization Application To Health Canada to evaluate the safety and efficacy of transplantation of AAGP™ treated human islets as an addition to the already established Edmonton Protocol for the treatment of Type 1 Diabetes. Additional studies will be expanded to include whole organ transplantation and other cell therapies used in regenerative medicine.

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.

Allogeneic transplantation is the transplanting of cells, tissues or organs from the same species, but from a donor different than the recipient. Serious issues that have to be addressed are the engraftment of the transplanted organ or cells and the subsequent protection against the immune rejection of the foreign organ or cells. The protection, in the form of anti-rejection drugs, is toxic and causes damage to the graft. AAGP™ has been shown in these nonclinical studies to increase engraftment and reduce the toxicity damage.
Dr. Shapiro and his team are developing further testing based on three primary activities:

1. The ongoing testing and refinement of cellular transplantation using human islet cells as the demonstrated model. In particular, AAGP™ may provide powerful protection against hostile agents that severely inhibit engraftment success. Cell therapies are currently being developed in the industry around the world for the treatment of spinal cord injury, damaged heart tissue, stroke, diabetes as well as many other conditions.
2. Human organ preservation. The program will assess the effect of AAGP™ in extending the transplant viability of donor organs. The Canadian National Transplant Research Program is a major national initiative involving the Federal Institutes of Health, all Provinces and the private sector (see http://www.cntrp.ca/). The first testing will be conducted on livers to determine whether AAGP™ can extend the ex-vivo functionality of the organ.
3. Auto immune disease. This class of diseases occur where the body's immune system starts to attack healthy cells and organs. Diseases in this category include, rheumatoid arthritis, multiple sclerosis and Type 1 diabetes. Using the Non Obese Diabetic (NOD) mice as a model, the Edmonton team will be specifically assessing the potentially protective effect of AAGP™ against the immune system attacks against the islet cells in the pancreas.

The Governors of the University of Alberta submitted an Investigator Sponsored Clinical Trial Application to Health Canada. This trial will be conducted by Dr. Shapiro and his team at the University of Alberta on the well-established, Edmonton Protocol used for treatment of Type 1 Diabetes through islet cell transplants. Subsequent to December 31, 2016, the Investigator Sponsored Clinical Trial Application was approved by Health Canada. In preparation for the Phase 1 / 2 clinical trials as well as for the Clinical Trial Application, ProtoKinetix has:

- Completed the production of AAGP™ under strict GMP (Good Manufacturing Practice) standards as required by Health Canada and US FDA (United States Food and Drug Administration) for human use;
- Completed the validated sterilization and vialing of AAGP™ to become the drug product, designated PKX-001, that will be used in the clinical trials at the University of Alberta.
- Completed stability tests on AAGP™ at different temperature ranges.
- Completed genotoxicity studies under GLP (Good Laboratory Practice) at ITR Laboratories Canada, Inc.
- Completed carryover studies, to comply with the clinical test protocols, at BRI Pharmaceutical Research, Inc.
- Competed PK (Pharmacokinetics) studies at BRI Pharmaceutical Research, Inc. in Vancouver.

Nonclinical Efficacy Testing (Neuronal Retinal Cells)

During the year ended December 31, 2016, ProtoKinetix entered into a Collaborative Research Agreement with the University of British Columbia, under the guidance of Dr. Gregory-Evans, to commence testing of neuronal retinal cells in living tissue for the treatment of Macular Degeneration. AAGP™ has been tested previously in tissue culture in the lab and was found to improve the survival of cells. Dr. Gregory-Evans is taking those results and applying them to living tissue. He has established a new type of model for retinal degeneration in rabbits and is currently working on injecting neuronal stem cells plus AAGP™ to test for long term improvements in cell survival and integration into the retina that should ultimately lead to vision restoration in the animals.

AAGP™ Commercial Applications

The extent of the value of the ProtoKinetix family of AAGPs™ is subject to investigation by commercial entities specializing in regenerative medicine, cellular and tissue therapies, organ transplantation, trauma, blood product banking, and anti-inflammation. The Company is targeting these entities in furtherance of product development.

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 diseases 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.

AAGP™ continues to receive exposure in the industry; it was presented at the Congress of the International Pancreas and Islet Transplant Association in Melbourne, Australia in November, 2015. Currently, researchers from the University of Alberta's Faculty have completed a peer review and have been published in the prestigious, American Diabetes Association's Journal: Diabetes.

Intellectual Property

On March 4, 2014, the Company entered into an agreement with Intrepid Innovations Corporation ("Intrepid") to sell the exclusive rights for the application of the AAGP™ molecule. The total purchase price for the exclusive rights to the application was $2,500,000 and was to be paid as follows:

- $25,000 cash deposit (received);
- $25,000 paid by cash on or before April 22, 2014 as a balance of the transaction deposit (received);
- Six monthly payments of $25,000 on or before May 22, June 22, July 22, August 22, September 22 and October 22, 2014 ($5,000 received); and
- $2,300,000 paid by the issuance of 3,500,000 restricted shares of the buyer as payment of the outstanding balance. These shares can be redeemed by a cash payment at any time within the first 6 months of the effective date of this agreement.

Once the Company had received $2,500,000 in total through payment, sale of the shares and through the redemption of the shares, any surplus shares would have been returned to Intrepid. In the event that the total payment had not totaled $2,500,000, Intrepid would pay the difference to the Company no later than 13 months after the effective date of the agreement.

The agreement was terminated on October 27, 2014 due to non-payment of the agreed to amounts. The amounts advanced were non-refundable in accordance with the agreement and as at December 31, 2014, the Company recognized a gain on deposit on sale in the amount of $55,000 to the statement of operations.

Patents

On or about January 5, 2015, the Company entered into an Assignment of Patents and Patent Application (the "Patent Assignment") between the Company and Institut National des Sciences Appliquées 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 transferred all of the Patents and rights associated therewith to the Company upon payment to INSA of the sum of 25,000 Euros.

Through this assignment, ProtoKinetix is now the sole owner of all issued patents of the "Gem difluorinated C-glycopeptides, their preparation and their use for the preservation of biological materials and/or in cryosurgery" family, and all the rights associated therewith. Importantly, this family includes issued patents in Canada (Patent No. CA2,558,801), England, France, and Germany (Patent No. EP1,817,329) and the United States (Patent No. US8,394,362).

On or about April 8, 2015, ProtoKinetix entered into a Royalty Agreement (the "Agreement") between the Company and the Governors of the University of Alberta ("UAB") for the assignment of UAB's portion of certain patent applications and all rights associated therewith (the "Patent Rights"). The Agreement also grants UAB a royalty of 5% of the gross revenue from the assignment, manufacturing, sale, distribution, or licensing of the Patent Rights and any commercial products generated from the Patent Rights. The Company has the irrevocable option to purchase the royalty for CAD $5,000,000 (approximately US $4,000,000) for two years from the earlier of September 1, 2015 or the first date UAB publishes its research related to the Patent Rights. UAB published its research related to the Patent Rights on November 18, 2015.

Through this assignment, the Company has gained UAB's portion of US provisional patent application no. 62/007,626, and International Patent Application no. PCT/CA2015/050509, and corresponding patent applications filed in Australia, Canada, China, Europe, India, Japan, Korea and New Zealand, as well as U.S. Patent Application no. US 14/728,535, all of which claim priority from said provisional patent application related to the use of anti-aging glycopeptides to enhance beta cell health, survival and improve transplant outcomes.

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On or about April 22, 2015, ProtoKinetix entered into a Technology Transfer Agreement with Grant Young for the assignment of Mr. Young's portion of certain patent applications and all rights associated therewith. In exchange for these rights, Mr. Young was paid $10,000 in cash and a five-year warrant to purchase 6,000,000 shares of the Company's common stock at an exercise price of $0.10 per share.

Through this assignment, the Company has gained Mr. Young's portion of US provisional patent application no. 62/007,626 and applications claiming priority therefrom as well as patent issuing therefrom, related to the use of anti-aging glycopeptides to enhance beta cell health, survival and improve transplant outcomes.

On or about May 20, 2016, Grant Young assigned his intellectual property rights associated with US provisional patent application no. 62/287,657, and future applications to be derived therefrom 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. These patent rights secure, amongst other things, key intellectual property rights to the Company's use of the AAGP™ lead compound in regenerative medicine.

The patents from INSA and patent rights from UAB and Mr. Young secure, amongst other things, key intellectual property rights to the Company's use of the AAGP™ lead compound in regenerative medicine.

Consistent with our agreements with the licensors of various technologies we license, we have no finished commercial product or products, and have received no FDA approvals for any product or diagnostic procedures. We are focused on the research and development of one lead compound known as AAGP™. We filed a trademark application with the United States Patent & Trademark Office on September 15, 2005 with a registration date of August 7, 2007. The application was subsequently cancelled on March 14, 2014 because we did not file a renewal declaration. We are in the process of filing a new application for registration of the mark.

Subject to our available financial resources, our intellectual property strategy is to continue testing of the AAGP™ lead compound and develop marketable applications of the compound.

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.

Competition

The markets that the Company is focusing on are multi-billion dollar international industries which 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 also Governmental Regulation section;

§ Access to adequate capital;
§ The ability to attract and retain qualified personnel; and
§ The availability of patent protection.

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.

Although there is no such immediate need to make any regulatory filing in the United States, the Company has limited or no experience with regard to obtaining FDA or other required regulatory approvals. In February 2015, the Company appointed Dr. Julia Levy to its Business and Scientific Advisory Board and intends to retain the services of additional 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, and transplants, 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 products regulated by FDA and U.S. Department of Agriculture require some form of action by such 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, the Company 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.

Research and Development

Our business depends on our ability to sponsor research and development activities. For the year ended December 31, 2015, the Company incurred total research and development expenses of $158,890. For the year ended December 31, 2016, the Company incurred total research and development expenses of $450,899. In order to reach the Company's goals of developing a marketable product, we will need to increase the funding of our research and development activities which at this time is limited by our ability to raise money to fund the Company.

Environmental Laws

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

Employees

To date, the Company does not have any employees. The Company's President and Chief Executive Officer and the Chief Financial Officer are both engaged as consultants to the Company.

ITEM 1A. RISK FACTORS

The Company's securities are highly speculative and involve a high degree of risk, including among other items the risk factors described below. The below risk factors are intended to generally describe certain risks that could materially affect the Company and its current business operations and activities.

You should carefully consider the risks described below and elsewhere herein in connection with any decision whether to acquire, hold or sell the Company's securities. If any of the contingencies discussed in the following paragraphs or other materially adverse events actually occur, the business, financial condition and results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you could lose all or a significant part of your investment.

Our Company has a lack of operating history and lack of revenues from operations. Our Company has no revenues and very limited operating history. As of the date of this Annual Report, our most significant assets are cash and our intellectual property. Our ability to successfully generate revenues from our intellectual property is dependent on a number of factors, including availability of funds to complete development efforts, to adequately test and refine our products, and to commercialize our products. There can be no assurance that we will not encounter setbacks with our products, or that funding will be sufficient to bring our products to the point of commercialization.

We are dependent on our key personnel, and the loss of any could adversely affect our business. We depend on the continued performance of the members of our management team and our Business and Scientific Advisory Board who have contributed significantly to the expertise of our team and the position of our business. If we lose the services of members of our management teams, and are unable to locate a suitable replacement in a timely manner, it could have a material adverse effect on our business. We do not expect to obtain key man life insurance for any members of management in the foreseeable future.

We may experience difficulty implementing our business plan. Our business plan is to continue with the development of the Company's intellectual property and to develop a product for sale commercially. We may require additional capital in order to develop our products for sale commercially. There can be no assurance that we would be able to obtain additional capital on reasonable terms, or at all.

We have been and expect to be significantly dependent on our collaborative agreements for the research, development and testing of AAGP™, which exposes us to the risk of reliance on the performance of third parties. In conducting our research and development activities, we currently rely, and expect to continue to rely, on numerous collaborative agreements with third parties such as contract research organizations, commercial partners, universities, governmental agencies and not-for-profit organizations for both strategic and financial resources. The loss of, or failure to perform by us or our partners (who are subject to regulatory, competitive and other risks) under any applicable agreements or arrangements, or our failure to secure additional agreements for our product candidates, would substantially disrupt or delay our research and development and commercialization activities. Any such loss would likely increase our expenses and materially harm our business, financial condition and results of operations.

We may have difficulty raising any needed additional capital. We may have difficulty raising needed capital in the future as a result of, among other factors, our lack of revenues from operations, as well as the inherent business risks associated with our Company and present and future market conditions. Our business currently generates no revenue from operations. We will likely require additional funds to conduct research and development, establish and conduct non-clinical and clinical trials, secure clinical and commercial-scale manufacturing arrangements and provide for marketing and distribution. If adequate funds are unavailable, we may be required to delay, reduce the scope of or eliminate one or more of our research, development or commercialization programs, product launches or marketing efforts, any of which may materially harm our business, financial condition and results of operations.

We are a research and product development stage company that has not yet developed or sold any products. To date, we have not yet developed nor marketed a product. Ongoing testing of the AAGP™ molecule with three amino acids joined to a monosaccharide by a gemdiflouride bond continues to show that there is significant promise in the field of medicine of preserving cells, tissue and organs from various stresses. 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.

Even if we develop product candidates which obtain regulatory approval they may never achieve market acceptance or commercial success. Even if we develop products and obtain FDA or other regulatory approvals, our products may not achieve market acceptance among physicians, patients and third party payors and, ultimately, may not be commercially successful. Market acceptance of our product candidates for which we receive approval depends on a number of factors. Any failure by our product candidates that obtain regulatory approval to achieve market acceptance or commercial success would adversely affect our financial results.

The potential widespread acceptance of therapies that are alternatives to ours may limit market acceptance of our formulations or products, even if commercialized. Many of our targeted diseases and conditions can also be treated by other medication or technologies. These treatments may be widely accepted in medical communities and have a longer history of use. The established use of these competitive drugs may limit the potential for our technologies, formulations and products to receive widespread acceptance if commercialized.

The market for our product candidates is rapidly changing and competitive, and new technologies treatments which may be developed by others could impair our ability to maintain and grow our business and remain competitive. The pharmaceutical and biotechnology industries are subject to rapid and substantial technological change. Developments by others may render our technologies and our product candidates noncompetitive or obsolete, or we may be unable to keep pace with technological developments or other market factors. Technological competition from pharmaceutical and biotechnology companies, universities, governmental entities and others now existing or diversifying into the field is intense and is expected to increase. Many of these entities have significantly greater research and development capabilities, human resources and budgets than we do, as well as substantially more marketing, manufacturing, financial and managerial resources. These entities represent significant competition for us.

Risks Related to Product Development and Regulation

Our ability to generate revenues will be dependent on our ability to develop a product that complies with legal requirements. Although the laws and regulations of the various jurisdictions in which we may operate vary in their technical requirements and are subject to amendment from time to time, virtually all of these jurisdictions require licenses, permits, and other forms of approval. We will have to apply for, and obtain, all requisite government licenses, registrations, findings of suitability, permits and approvals necessary for us to do business in these new markets. We cannot offer any assurance that we will be able to obtain all necessary licenses, registrations, findings of suitability, permits, or approvals.

Our failure to obtain costly government approvals, including required FDA approvals, or to comply with ongoing governmental regulations relating to our technologies and product candidates could delay or limit introduction of our products and result in failure to achieve revenues or maintain our ongoing business. Our research and development activities and the manufacture and marketing of our product candidates are subject to extensive regulation for safety, efficacy and quality by numerous government authorities in the United States and abroad. Before receiving FDA or foreign regulatory clearance to market our proposed formulations and products, we will have to demonstrate that our formulations and products are safe and effective in the population. Clinical trials, manufacturing and marketing of drugs are subject to the rigorous testing and approval process of the FDA and equivalent foreign regulatory authorities. The Federal Food, Drug and Cosmetic Act and other federal, state and foreign statutes and regulations govern and influence the testing, manufacture, labeling, advertising, distribution and promotion of drugs and medical devices. As a result, regulatory approvals can take a number of years or longer to accomplish and require the expenditure of substantial financial, managerial and other resources.

Conducting and completing the clinical trials necessary for FDA and/or Health Canada approval is costly and subject to intense regulatory scrutiny as well as the risk of failing to meet the primary endpoint of such trials. We will not be able to commercialize and sell our proposed products and formulations without completing such trials. In order to conduct clinical trials that are necessary to obtain approval by the FDA and/or Health Canada to market a formulation or product, it is necessary to receive clearance from the FDA and/or Health Canada to conduct such clinical trials. The FDA and/or Health Canada can halt clinical trials at any time for safety reasons or because we or our clinical investigators did not follow the FDA's and/or Health Canada requirements for conducting clinical trials. If we are unable to receive clearance to conduct clinical trials or the trials are permanently halted by the FDA and/or Health Canada, we would not be able to achieve any revenue from such product as it is illegal to sell any drug or medical device for human consumption or use without FDA and/or Health Canada approval.

We could be exposed to significant drug product liability claims which could be time consuming and costly to defend, divert management attention and adversely impact our ability to obtain and maintain insurance coverage. The testing, manufacturing, marketing and sale of our proposed products involve an inherent risk that product liability claims will be asserted against us. Product liability insurance may prove inadequate to cover claims and/or litigation costs. Product liability claims or other claims related to our products, regardless of their outcome, could require us to spend significant time and money in litigation or to pay significant settlement amounts or judgments. Any successful product liability or other claim may prevent us from obtaining adequate liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products and product candidates. A product liability claim could also significantly harm our reputation and delay market acceptance of our proposed formulations and products.

Risk Factors Related to Intellectual Property and Obsolescence

We rely on patents and other intellectual property to protect our business interests. We have attempted to protect our products and will attempt to protect other products through a combination of trade secrets, confidentiality agreements, patents and other contractual provisions. Patents only provide a limited protection against infringement, and patent infringement suits are complex, expensive, and not always successful. Although the Company believes its patents will provide significant protection, there can be no assurance that they will be issued and if they are, that they will provide enough protection.

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.

Our competitive position could be harmed if we are unable to enforce confidentiality agreements. Our proprietary information is critically important to our competitive position and is a significant aspect of our business plan. We generally enter into confidentiality agreements with most of our employees and consultants, and control access to, and

distribution of, our documentation and other proprietary information. Despite these precautions, we cannot assure you that these strategies will be adequate to prevent misappropriation of our proprietary information. Therefore, we could be required to expend significant amounts to defend our rights to proprietary information in the future if a breach were to occur.

General Corporate Risk Factors

Insiders continue to have substantial control over the Company. As of February 21, 2017, the Company's directors and executive officers hold the current right to vote approximately 26% of the Company's outstanding voting stock; most of which is owned or controlled, directly or indirectly by the Company CEO, Clarence Smith. In addition, the Company's directors and executive officers have the right to acquire additional shares which could increase their voting percentage significantly. As a result, Mr. Smith acting alone, and/or many of these individuals acting together, may have the ability to exert significant control over the Company's decisions and control the management and affairs of the Company, and also to determine the outcome of matters submitted to stockholders for approval, including the election and removal of a director, the removal of any officer and any merger, consolidation or sale of all or substantially all of the Company's assets. Accordingly, this concentration of ownership may harm a future market price of the Company's common stock by:

- Delaying, deferring or preventing a change in control of the Company;
- Impeding a merger, consolidation, takeover or other business combination involving the Company; or
- Discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

The Company may not be able to continue as a going concern. Our independent public accountants noted that our recurring losses from operations ($1,524,638 and $1,254,793 for the years ended December 31, 2016 and 2015, respectively) and negative net operating cash flow ($820,253 and $574,235 for the years ended December 31, 2016 and 2015, respectively) raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing, or may force us to obtain financing on less favorable terms than would otherwise be available.

The Company is dependent upon additional financing which it may not be able to secure in the future. As it has in the past, the Company will likely continue to require financing to address its working capital needs, continue its development efforts, support business operations, fund possible continuing operating losses, and respond to unanticipated capital requirements. There can be no assurance that additional financing or capital will be available and, if available, upon acceptable terms and conditions. To the extent that any required additional financing is not available on acceptable terms, the Company's ability to continue in business may be jeopardized and the Company may need to curtail its operations and implement a plan to extend payables and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. Such a plan could have a material adverse effect on the Company's business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations, liquidate and/or seek reorganization in bankruptcy.

The Company has been delinquent in filing certain income tax and information reporting returns. 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.

Our management is relatively inexperienced with running a public company and could create a risk of non-compliance. Management's inexperience may cause us to fall out of compliance with applicable regulatory requirements, which could lead to enforcement action against us and a negative impact on our stock price.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses and could create a risk of non-compliance. Changing laws, regulations and standards relating to corporate governance and public disclosure have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the public markets and public reporting. These corporate governance standards are the product of many sources, including, without limitation, public market perception, stock exchange regulations and SEC disclosure requirements. Our management team expects to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. Management's inexperience may cause us to fall out of compliance with applicable regulatory requirements, which could lead to enforcement action against us and a negative impact on our stock price.

As a company with a class of securities registered pursuant to the Exchange Act the Company has significant obligations under the Exchange Act. Having a class of securities registered under the Exchange Act is a time consuming and expensive process and subjects the Company to increased regulatory scrutiny and extensive and complex regulation. Complying with these regulations is expensive and requires a significant amount of management's time. For example, public companies are obligated to institute and maintain financial accounting controls and for the accuracy and completeness of their books and records. These requirements could necessitate additional corporate spending on procedures and personnel requiring us to reallocate funds from other business objectives.

Risk Factors Related to Our Common Stock

The Company will face significant regulation by the SEC and state securities administrators. The holders of shares of the Company's common stock and preferred stock may not offer or sell the shares in private transactions or (should a public market develop, of which there can be no assurance) public transactions without compliance with regulations imposed by the SEC and various state securities administrators. To the extent that any holder desires to offer or sell any such shares, the holder must prove to the reasonable satisfaction of the Company that he has complied with all applicable securities regulations, and the Company may require an opinion of the holder's legal counsel to that effect. Thus, there can be no assurance that the holder will be able to resell the shares or any interest therein when the holder desires to do so.

Our existing shareholders could experience further dilution if we elect to raise equity capital to meet our liquidity needs or finance a strategic transaction. As part of our growth strategy we may desire to raise capital and or utilize our common stock to effect strategic business transactions. Either such action will likely require that we issue equity (or debt) securities which would result in dilution to our existing stockholders. Although we will attempt to minimize the dilutive impact of any future capital-raising activities or business transactions, we cannot offer any assurance that we will be able to do so. If we are successful in raising additional working capital, we may have to issue additional shares of our common stock at prices at a discount from the then-current market price of our common stock.

Because we have no plans to pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the board of directors deems relevant. Investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

As our stock is not listed on a national securities exchange, trading in our shares will be subject to rules governing "penny stocks," which will impair trading activity in our shares. Our stock is not on a national securities exchange. Therefore, our stock is subject to rules adopted by the SEC regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to "penny stocks" require a broker dealer, prior to a transaction in a "penny stock" not otherwise exempt from the rules, to deliver a standardized list disclosure document

prepared by the SEC. That disclosure document advises an investor that investment in "penny stocks" can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in "penny stocks," to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the "penny stock" is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

The over-the-counter market for stock such as ours is subject to extreme price and volume fluctuations. You may not be able to resell your shares at or above the public sale price. The securities of companies such as ours have historically experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as new product developments and trends in the industry and in the investment markets generally, as well as economic conditions and quarterly variations in our operational results, may have a negative effect on the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's principal executive office, for all operations, is located at 9176 South Pleasants Highway, St. Marys, West Virginia 26170. The Company currently does not have a lease for its principal executive office because the Company's President and CEO, Clarence E. Smith, is providing the space at no cost to the Company. ProtoKinetix does not own any real property.

ITEM 3. LEGAL PROCEEDINGS

Effective February 19, 2015, the Company entered into a Settlement Agreement by and between the Company, Ross L. Senior, and the British Columbia Securities Commission (the "BCSC"). The Company and Ross L. Senior, ProtoKinetix' former President and CEO, cooperated with the BCSC in reaching the settlement.

In the Settlement Agreement, Mr. Senior and the Company admitted that the Company breached an ongoing Cease Trade Order (CTO) that became effective on May 9, 2013. The CTO was originally issued by the BCSC due to the Company's failure to make required filings under the British Columbia Securities Act.

During the time the CTO had been in effect, Mr. Senior had been the President, CEO and a director of the Company. Between May 28, 2013 and June 6, 2014, and while subject to the CTO, the Company and Mr. Senior distributed securities to 14 individuals and two companies for payment of services and repayment of loans valued at approximately $360,000, as well as an existing shareholder and current director for cash proceeds of $100,000. Mr. Senior acknowledges that he and the Company made the distributions in contravention of the CTO.

Under the terms of the Settlement Agreement, Mr. Senior is prohibited from becoming or acting as a director or officer of any reporting issuer in Canada for a period of one year, and Mr. Senior and the Company have jointly paid $10,000 to the BCSC. Mr. Senior has also agreed to successfully complete a course on the duties and responsibilities of corporate officers and directors that is acceptable to the Executive Director of the BCSC within one year of the date of the Settlement Agreement.

The CTO was lifted effective February 23, 2015. The Company has made all required filings with the BCSC to date.

There are currently no legal proceedings pending.

ITEM 4. MINE SAFETY MATTERS

Not applicable.

PART II

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

Our common stock is currently quoted on OTCQB tier of the OTC Markets under the symbol "PKTX". The table below sets forth the high and low bid prices of the Company's common stock during the periods indicated as reported on OTC Markets Inc. (www.otcmarkets.com). The quotations are inter-dealer prices without retail markups, markdowns or commissions, and may not necessarily represent actual transactions.

2016	Low	High
First Quarter	$0.035	$0.084
Second Quarter	0.034	0.085
Third Quarter	0.020	0.074
Fourth Quarter	0.041	0.072

2015	Low	High
First Quarter	$0.032	$0.150
Second Quarter	0.053	0.131
Third Quarter	0.066	0.040
Fourth Quarter	0.036	0.125

Holders

As of February 21, 2017, there were approximately 84 shareholders of record of the Company's common stock. This does not include an indeterminate number of persons who hold our Common Stock in brokerage accounts and otherwise in "street name."

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.

Adoption of the 2015 Stock Option and Stock Bonus Plan

On July 1, 2015, the Board of Directors of the Company adopted the 2015 Stock Option and Stock Bonus Plan (the "2015 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 2015 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 2015 Plan is subject to an absolute cap of 20,000,000 shares. The 2015 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 December 31, 2016, 16,900,000 options and 2,000,000 shares of common stock were granted under the 2015 Plan.

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The 2015 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 2015 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 2015 Plan. The committee may adopt, amend and rescind such rules and regulations as in its opinion may be advisable for the administration of the 2015 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 2015 Plan shall terminate as of a date fixed by the committee.

The exercise price of any option granted under the 2015 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 2015 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.

All awards granted under the 2015 Stock Option and Stock Bonus Plan (the "2015 Plan") will continue forward under the 2015 Plan until expired or exercised pursuant to the terms of each individual award agreement, however, no new awards shall be granted under the 2015 Plan.

Adoption of the 2017 Stock Option and Stock Bonus Plan

On December 30, 2016, the Board of Directors of the Company adopted the 2017 Stock Option and Stock Bonus Plan (the "2017 Plan"). The Board of Directors adopted the 2017 Plan as it anticipates utilizing equity compensation as part of its ongoing standard corporate operations and in connection with its contemplated activities going forward.

The aggregate number of shares that may be issued under the 2017 Plan is 30,000,000 shares subject to adjustment as provided therein. The 2017 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. Options which are not intended to qualify as incentive options are referred to as non-qualified options.

As of February 21, 2017, 16,200,000 options have been granted under the 2017 Plan.

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The 2017 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 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 2017 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 2017 Plan. The committee may adopt, amend and rescind such rules and regulations as in its opinion may be advisable for the administration of the 2017 Plan.

The committee also has the power to interpret the 2017 Plan, and the provisions in the instruments evidencing grants made under it, and is empowered to make all other determinations deemed necessary or advisable for the administration of it.

Participants in the 2017 Plan may be selected by the committee from employees, officers, consultants and advisors (including board members) of ProtoKinetix. The committee may take into account the duties of persons selected, their present and potential contributions to the success of ProtoKinetix and such other considerations as the committee deems relevant to the purposes of the 2017 Plan.

In the event of 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 ProtoKinetix, a corporate separation or division or the merger or consolidation of ProtoKinetix, 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 2017 Plan shall terminate as of a date fixed by the committee

The exercise price of any option granted under the 2017 Plan must be no less than 100% of the "fair market value" of ProtoKinetix's common stock on the date of grant. Any incentive stock option granted under the 2017 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 ProtoKinetix 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.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth securities authorized for issuance under equity compensation plans, including but not limited to the 2015 Plan, the 2017 Plan and individual compensation arrangements as of December 31, 2016.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders	28,900,000	$ 0.07	13,800,000
Total	28,900,000	$ 0.07	13,800,000

During the year ended December 31, 2015, warrants to purchase 11,000,000 shares of common stock of the Company were issued (see Note 8 of the notes to the financial statements). As of the year ended December 31, 2016, there were warrants and options outstanding representing a total of 6,500,000 and 28,900,000 shares of common stock respectively to be issued upon exercise, of which a total of options to purchase 16,900,000 shares of common stock and a stock bonus of 2,000,000 common shares were issued pursuant to the 2015 Plan.

To management's knowledge, there are no outstanding options, warrants or other rights to acquire the common stock of the Company that were issued pursuant to the Company's 2003, 2004 or 2005 Stock Incentive Plans (the "Old Plans") for the year ended December 31, 2016. To management's knowledge, the Old Plans have expired and terminated.

Recent Sales of Unregistered Securities and Use of Proceeds

Other than already reported, there have been no unregistered sales of equity securities during the year ended December 31, 2016.

Between February 2, 2017 and February 6, 2017, the Company issued 6,000,000 shares of common stock at a price of $0.04 per share for gross proceeds of $240,000 pursuant to a subsequent private placement with accredited investors, of which Clarence E. Smith, the Company's President and Chief Executive Officer and a director, personally purchased 4,750,000 shares at a purchase price of $190,000 and of which Susan M. Woodward, the Company's Chief Financial Officer, personally purchased 250,000 shares at a purchase price of $10,000. No solicitation was used in this offering. For this sale of securities, the Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act with

respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with this issuance of securities. A Form D was previously filed on January 3, 2017.

On February 10, 2017, the Company issued 2,000,000 shares of common stock at a price of $0.04 per share for gross proceeds of $80,000 pursuant to a subsequent private placement with one accredited investor. No solicitation was used in this offering. For this sale of securities, the Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with this issuance of securities. A Form D was filed on February 21, 2017 for this transaction.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information required by this item.

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

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

The following discussion and analysis should be read in conjunction with and our historical financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K, as well as the Risk Factors and the Cautionary Note Regarding Forward-Looking Statements included above.

Results of Operations

	For the Years Ended December 31,	
	2016	2015
Sales		
Cost of sales	$	$
Gross (loss) profit	-	-
Operating Expenses		
Amortization	$3,000	$1,500
Consulting Fees	-	125,000
General and Administrative	99,648	126,767
Interest Expense	12	3,968
Professtional Fees	211,006	314,454
Research and Development	450,899	158,890
Share-Based Compensation	760,073	531,486
Total operating expenses	1,524,638	1,262,065
Loss from Operations	(1,524,638)	(1,262,065)
Other Income		
Gain on Settlement of Short-Term Loans	-	7,272
Total other income	-	7,272
Net Loss	$(1,524,638)	$(1,254,793)

Revenues

We had no revenues for the years ended December 31, 2016 and 2015.

Gross profit and expenses

The Company's net loss was $1,524,638 for the year ending December 31, 2016 compared to $1,254,793 for the year ending December 31, 2015. These expenses were primarily incurred for professional fees, share-based compensation related to the operations of the Company's business, research and development and other general and administrative expenses. Significant changes from the prior year include:

- Professional fees decreased by $103,448 from $314,454 to $211,006 primarily as a result of a decrease in activity with our professional service providers in respect of Company operations.

- Consulting fees decreased by $125,000 from $125,000 to $nil as a result of a decrease in salaries paid to the President and CEO as well as a decrease in settlements in 2016.

- Interest expense decreased by $3,956 from $3,968 to $12 as a result of a decrease in short-term loans and notes payable.

- Share-based compensation increased by $228,587 from $531,486 to $760,073 primarily as a result of the granting of stock options pursuant to consulting contracts in 2016.

- Research and development increased by $292,009 from $158,890 to $450,899 primarily as a result of management's intention to move the Company forward in the development of the AAGP™ molecule.

- General and Administrative expenses decreased by $27,119 from $126,767 to $99,648 due to a decrease in travel related expenses due to the office relocation from Canada to the United States in 2015.

Our expenses in 2016 were $1,524,638 which included $211,006 in professional fees. We operate the Company by hiring outside consultants to assist us with management, strategic planning, organization and daily operations. This resulted in $760,073 in share-based compensation recognized based on the fair value of equity instruments granted as compensation. These professional consulting services related to marketing and investment banking services including financing, capitalization and merger opportunities as well as research development services. The Company also incurred total research and development expenses of $450,899 and general and administrative costs of $99,648 during the year ended December 31, 2016.

Liquidity and Capital Resources

	As at December 31, 2016	2015
Cash	$371,029	$371,072
Working Capital	$396,118	$334,104

At December 31, 2016, we had $371,029 in cash and $441,413 in total current assets. As of December 31, 2016, we had a working capital equity position of $396,118. Although as of the date of this Annual Report we believe we have sufficient capital to meet cash flow projections and carry forward our business objectives in the short-term, 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. 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 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 for the Years ended December 31, 2016 and 2015

Net Cash Used in Operating Activities

During the year ended December 31, 2016, net cash used in operating activities increased by $246,018 from $574,235 to $820,253 for the years ended December 31, 2015 and 2016, respectively. This increase was predominantly due to an increase in cash-based expenditures as well as the Company's efforts to reduce historical accounts payable and accrued liabilities concurrent with the partial change in management completed in 2015 as well as the increase in compensatory options granted to consultants.

Net Cash Used in Investing Activities

During the year ended December 31, 2016, net cash used in investing activities decreased by $16,970 due to the purchase of intangible assets completed in 2015. Net cash from investing activities for the year ended December 31, 2015 was $46,760 due the purchase of intangible assets. Net cash from investing activities for the year ended December 31, 2016 was $29,790 due to an increase in patent application costs.

Net Cash Provided by Financing Activities

During the year ended December 31, 2016, net cash provided by financing activities decreased by $141,750 from $991,750 to $850,000 for the years ended December 31, 2015 and 2016, respectively. This decrease was predominantly due to a decrease in private placements completed offset by the repayment of short-term loans.

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 potential 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.

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-K.

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

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.

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.

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 December 31, 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 December 31, 2016.

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 year ending December 31, 2016.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item begins on page F-1 of this Annual Report on Form 10-K and is incorporated into this part by reference.

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

None.

ITEM 9A. 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 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 December 31, 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.

Management's Annual Report on Internal Control Over Financial Reporting

In accordance with Item 308 of SEC Regulation S-K, management is required to provide an annual report regarding internal controls over our financial reporting. This report, which includes management's assessment of the effectiveness of our internal controls over financial reporting, is found below. Inasmuch as the Company is neither an accelerated filer nor a large accelerated filer, the Company is not obligated to provide an attestation report on the Company's internal control over financial reporting by the Company's registered public accounting firm.

Internal Control Over Financial Reporting

Our management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act. Our ICFR are intended to be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our ICFR are expected to include those policies and procedures that management believes are necessary that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with proper authorizations of management and our directors; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect of financial statement preparation and may not prevent or detect misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

As of December 31, 2016, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) conducted an evaluation of the effectiveness of the Company's ICFR based on the framework set forth in Internal Control--Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and SEC guidance on conducting such assessments by smaller reporting companies and non-accelerated filers. Based on that assessment, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) concluded that, during the period covered by this report, such internal controls and procedures were not effective as of December 31, 2016.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2016, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, which include the following:

Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the year ended December 31, 2016, we 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 our Board of Directors 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 provided that we have the resources to implement them.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by our registered public accounting firm.

There was no change in our internal control over financial reporting that occurred during the year ended December 31, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

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

As of February 21, 2017, the Company's current officers and directors consist of the following persons:

Name	Age	Title	Year Appointed
Clarence E. Smith	53	Chairman, Chief Executive Officer, President	February 2015
		Director	June 2014
Susan M. Woodward	51	Chief Financial Officer	October 2014
Edward P. McDonough	64	Director	July 2015

Clarence E. Smith, age 53, was appointed President and Chief Executive Officer for the Company on February 19, 2015 and was previously appointed a member of the Board of Directors of the Company on June 1, 2014. Prior to joining the Company as President and CEO, Mr. Smith served and continues to serve as managing member of Tombstone Resources and Smith Equipment, LLC, a privately held company that holds operating oil and gas wells and Smith Equipment Company, a privately held company that leases out construction equipment. In 1981, Mr. Smith started Arvilla Well Service in West Virginia which provided construction services to oil and gas companies in the Appalachian Basin. After merging Arvilla Well Service into Arvilla Pipeline Construction Co., Inc., Mr. Smith sold the company in 2008. Mr. Smith also purchased Arrow Oilfield Services in 2004, which was renamed Arvilla Oilfield Services, LLC and subsequently merged with Trans Energy, a publicly traded company in 2004. Mr. Smith served as Chairman of the Board and CEO of Trans Energy, Inc. from 2005 to 2006. Mr. Smith graduated from St. Marys High School in West Virginia in 1981.

Susan M. Woodward, age 51, was appointed Chief Financial Officer of the Company on October 1, 2014. Prior to joining the Company as CFO, Ms. Woodward served as Controller of Unistrut Service Company of Ohio, a distribution company from 1996 to 2001. From 2001 to 2003, Ms. Woodward served a Senior Accountant at Renal Care Group and from 2008 to 2011 served as Chief Financial Officer for Wirt County Health Services Association, Inc. She also acquired experience in the oil & gas industry serving as Lead Accountant at Triad Energy and as an Accounting Manager, simultaneously at Arvilla Oilfield Services, LLC and Arvilla Pipeline Construction Co., Inc from 2003 to 2007. She has twenty-five years' experience in the accounting field and has formed her own consulting practice which provides accounting, investment and asset management services. Ms. Woodward graduated from Cleveland State University in 1988 receiving a Bachelor of Business Administration with a major in Accounting.

Edward P. McDonough, age 64, was appointed as a member of the Board of Directors of the Company on July 1, 2015. In addition to serving as a director of the Company, Mr. McDonough is a managing shareholder and President of McDonough, Eddy, Parsons & Baylous, A.C., a certified public accountant firm in Parkersburg, West Virginia since 1985. The firm originated in the early 1950s, employs 15 professional certified public accountants and accountants, and serves as certified public accountants for approximately 400 private corporations, firms, and individuals in various commercial, business, professional, and industrial fields. Mr. McDonough became a Certified Public Accountant in 1978, a Certified Valuation Analyst in 1996, and a Chartered Global Management Accountant in 2012. Since 1986, Mr. McDonough has served as a Director and Chairman of the Board of Community Bank of Parkersburg, held by Community Bankshares, Inc. He is also a Member of the American Institute of Certified Public Accountants (AICPA), has served as a Past President and Member of the West Virginia Board of Accountancy, is a Life Member, Past Director and Past President of the West Virginia Society of Certified Public Accountants and is a Member and Past President of the Parkersburg Chapter of the West Virginia Society of CPAs. Mr. McDonough acquired his Bachelor of Science in Business Administration with a Major in Accounting at West Virginia University in Morgantown, West Virginia in 1973.

Family Relationships

There are no family relationships among any of our executive officers and directors.

Term of Office

Each director shall hold office until the next annual meeting of shareholders or until his successor shall have been elected and qualified, or until there is a decrease in the number of directors.

Involvement in Legal Proceedings

See Item 3—Legal Proceedings.

Corporate Governance

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.

Committees of the Board of Directors

The Company does not currently have a separately designated audit committee. Instead, the Board of Directors as a whole acts as the Company's audit committee. Consequently, the Company does not currently have a designated audit committee financial expert.

The Company also does not have a separately designated compensation committee. To date, the Company has not retained an independent compensation advisor to assist the Company review and analyze the structure and terms of the Company's executive officers.

Business and Scientific Advisory Board

Our Business and Scientific Advisory Board exists to assist the Board of Directors with understanding both the regulatory and business aspects of the biopharmaceutical industry are particularly valuable for the expansion and commercialization of AAGP™ applications. The members on the board are:

- Dr. Julia Levy, PhD, Chairman, Business and Scientific Advisory Board. Dr. Levy is a founder, former President and former Chief Scientific Officer of QLT, Inc., where she and her colleagues developed the first medical treatment for macular degeneration, a leading cause of blindness among the elderly. She has received numerous awards and honorary degrees. In her honor the Julia Levy B.C. Leadership Chair in Macular Research at the University of British Columbia was established.

- Dr. John S. Parker, M.D., Major General (Ret.) US Army and Former Commanding General US Army Medical Research and Material Command (MRMC)

- Dr. Edward D. Martin, M.D., Group Chair, Rear Admiral (Ret.) US Public Health Service, Chair, Martin-Blanck & Associates, Falls Church, Virginia

· Dr. Harold M. Koenig, M.D., Vice Admiral (Ret.) US Navy Surgeon General

· Mr. Peter Jensen, former director of the Company.

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. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 and any amendments thereto filed with the Securities and Exchange Commission and stockholder reports from our transfer agent and written representations that no other reports were required, during the fiscal year ended December 31, 2016 our officers, directors and 10% or more stockholders complied with all Section 16(a) filing requirements applicable to them, except that Mr. Smith filed several Forms 4 late.

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, 2016 and 2015:

Summary Compensation Table for Executive Officers

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[2]	Total ($)
Ross Senior(1)									
President & CEO	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	10,000	10,000
Clarence E. Smith									
President & CEO	2016	-	-	-	271,849	-	-	-	271,849
	2015	-	-	100,000(3)	-	-	-	-	100,000
Susan M. Woodward									
Chief Financial Officer	2016	72,000	-	-	217,479	-	-	-	289,479
	2015	49,400	-	-	185,037(4)	-	-	-	234,437

(1) On February 19, 2015, Mr. Senior resigned as a director and President and CEO of the Company effective immediately. Mr. Senior resigned as a director and President and Chief Executive Officer for personal reasons and to pursue other business opportunities, and not as the result of any disagreement with the Company's practices or policies.

(2) Includes all other compensation not reported in the preceding columns, including perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than $10,000.

(3) Mr. Smith received 2,000,000 shares of common stock of the Company at $0.05 per share as a bonus for services provided as CEO during the 2015 fiscal year. Mr. Smith earned no compensation for his service as a member of the Board of Directors.

(4) See footnotes to the Outstanding Equity Awards at Fiscal Year-End table below.

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Consulting Agreements

We have entered into consulting agreements with certain Company officers as set forth below.

Clarence E. Smith – Mr. Smith is Chief Executive Officer and President of the Company. He entered into a consulting agreement with the Company dated March 30, 2015 (effective January 1, 2015). On December 21, 2015, Mr. Smith and the Company entered into a new consulting agreement effective January 1, 2016, superseding the prior agreement (the "2016 Smith Agreement"). The 2016 Smith Agreement provided for a one-year term through December 31, 2016 and for an annual salary of $1.00 and a termination fee if the agreement is terminated for the following two reasons:

- A termination without cause: If Mr. Smith is terminated without cause he will be entitled to a termination fee of $100,000 per year of service;

- A termination upon a change of control event: Following a change of control event he will be entitled to a termination fee equal to $100,000 per year of service plus 2.5% of the aggregate transaction value of the change of control.

In connection with the 2016 Smith Agreement, the Company issued Mr. Smith an option pursuant to the Company's 2015 Plan to purchase 5,000,000 shares of common stock of the Company at a price of $0.08 per share with 1,250,000 shares vesting every three months starting March 31, 2016.

On or about December 30, 2016, the Company entered into a new consulting agreement with Mr. Smith, effective January 1, 2017 (the "2017 Smith Agreement") which replaced the 2016 Smith Agreement, terminating December 31, 2016.

The 2017 Smith Agreement provides for a one-year term through December 31, 2017 and for an annual salary of $1.00. Mr. Smith is entitled to receive a bonus payment equal to 2.5% of the aggregate value of any application sale or license of any patent rights or products effected during the term of the 2017 Smith Agreement.

Mr. Smith is also entitled to a termination fee if the agreement is terminated for the following two reasons:

- A termination without cause: If Mr. Smith is terminated without cause he will be entitled to a termination fee of $100,000 per year of service (including the pro-rata amount for partial years of service);

- A termination upon a change of control event: Following a change of control event he will be entitled to a termination fee equal to $100,000 per year of service (including the pro-rata amount for partial years of service) plus 2.5% of the aggregate transaction value of the change of control.

In connection with the 2017 Smith Agreement, the Company issued Mr. Smith an option pursuant to the 2017 Plan to purchase 5,000,000 shares of common stock of the Company at a price of $0.05 per share with 1,250,000 shares vesting every three months starting March 31, 2017.

Susan M. Woodward – Ms. Woodward is Chief Financial Officer of the Company. She entered into a consulting agreement with the Company dated March 30, 2015 (effective January 1, 2015). On December 21, 2015, Ms. Woodward and the Company entered into a new consulting agreement effective January 1, 2016, superseding the prior agreement (the "2016 Woodward Agreement"), which provides for a one-year term through December 31, 2016. It also provides for a monthly consulting fee of $6,000 and a termination fee if the 2016 Woodward Agreement is terminated for the following two reasons:

- A termination without cause: If Ms. Woodward is terminated within 12 months of January 1, 2016 she will be entitled to a termination fee of $36,000;

- A termination upon a change of control event: Following a change of control event she will be entitled to a termination fee of $72,000.

In connection with the 2016 Woodward Agreement, the Company issued Ms. Woodward an option pursuant to the 2015 Plan to purchase 4,000,000 shares of common stock of the Company at a price of $0.08 per share with 1,000,000 shares vesting every three months starting March 31, 2016.

On or about December 30, 2016, the Company entered into a new consulting agreement with Ms. Woodward, effective January 1, 2017 (the "2017 Woodward Agreement") which replaced the 2016 Woodward Agreement, terminating December 31, 2016.

The 2017 Woodward Agreement is for a one-year term through December 31, 2017 and provides for a monthly consulting fee of $6,000 and a termination fee if it is terminated for the following two reasons:

- A termination without cause: If Ms. Woodward is terminated within 12 months of January 1, 2017 she will be entitled to a termination fee of $72,000 per year of service (including the pro-rata amount for partial years of service);

- A termination upon a change of control event: Following a change of control event she will be entitled to a termination fee of $72,000 per year of service (including the pro-rata amount for partial years of service).

In connection with the 2017 Woodward Agreement, the Company issued Ms. Woodward an option pursuant to the 2017 Plan to purchase 4,000,000 shares of common stock of the Company at a price of $0.05 per share with 1,000,000 shares vesting every three months starting March 31, 2017.

The Company also extended the expiration date of the option for 2,000,000 shares granted to Ms. Woodward on February 26, 2015 at the exercise price of $0.04 per share pursuant to the Non-Qualified Stock Option Agreement effective May 4, 2015 from February 25, 2017 to February 25, 2020.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information as to option awards held by each of the named executive officers of ProtoKinetix as of December 31, 2016.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Clarence E. Smith	5,000,000 (1)	-	0.08	12/31/2019
Susan M. Woodward	4,000,000 (2)	-	0.04	2/25/2020
	-	2,000,000 (3)	0.04	2/25/2020
	4,000,000 (4)	-	0.08	12/31/2019

(1) Represents options granted on January 1, 2016 at $0.08 per share with 1,250,000 vesting every three months beginning March 31, 2016.

(2) Represents options granted on February 26, 2015 at $0.04 per share with 400,000 vesting every three months beginning March 31, 2015.

(3) Represents options granted on February 26, 2015 at $0.04 per share with vesting to occur on a change of control event. On December 30, 2016, the Board of Directors approved an extension of the expiration date from February 25, 2017 to December 31, 2020.

(4) Represents options granted on January 1, 2016 at $0.08 per share with 1,000,000 vesting every three months beginning March 31, 2016.

On December 30, 2015, Mr. Smith was granted a stock bonus of 2,000,000 shares of common stock pursuant to the 2015 Plan at a price of $0.05 per share. All shares were immediately vested.

Director Compensation

The following table sets forth a summary of the compensation earned by each non-employee director who served on the Board during the fiscal year ended December 31, 2016.

Director Compensation	Fees Earned or Paid in Cash ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Nonequity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Clarence E. Smith	-	-	-	271,849	-	-	-	271,849
Edward P. McDonough	-	-	-	54,370 [3]	-	-	-	54,370

(1) The aggregate grant date fair value of these stock awards was computed in accordance with ASC 718.

(2) Represents the grant date full fair value of compensation costs of stock options granted during the respective year for financial statement reporting purposes, using the Black-Scholes Option Pricing Model. Assumptions used in the calculation of these amounts are included in the Company's audited financial statements.

(3) Issued pursuant to Mr. McDonough's consulting agreement with the Company in which the Company issued him a four-year option for 1,000,000 shares of common stock subject to vesting exercisable at $0.08 per share.

On July 1, 2015, the Company entered into a consulting agreement with Mr. McDonough for director services dated July 1, 2015. On December 21, 2015, Mr. McDonough and the Company entered into a new director consulting agreement, superseding the prior agreement (the "2016 McDonough Agreement") which provides for a one-year term through December 31, 2016. In connection with the 2016 McDonough Agreement, the Company issued Mr. McDonough an option pursuant to the 2015 Plan to purchase 1,000,000 shares of common stock of the Company at a price of $0.08 per share with 250,000 shares vesting every three months starting March 31, 2016.

On or about December 30, 2016, the Company entered into a new consulting agreement with Mr. McDonough, effective January 1, 2017 (the "2017 McDonough Agreement") which replaced the 2016 McDonough Agreement, terminating December 31, 2016.

The 2017 McDonough Agreement is for a one-year term through December 31, 2017.

In connection with the 2017 McDonough Agreement, the Company issued Mr. McDonough an option pursuant to the 2017 Plan to purchase 1,000,000 shares of common stock of the Company at a price of $0.05 per share with 250,000 shares vesting every three months starting March 31, 2017.

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

The following table sets forth certain information regarding our shares of common stock beneficially owned as of February 21, 2017, for (i) each stockholder known to be the beneficial owner of more than 5% of our outstanding shares of common stock (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (a) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (b) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options, warrants or convertible debt. Shares underlying such options, warrants, and convertible promissory notes, however, are only considered outstanding for the purpose of computing the percentage ownership of that person and are not considered outstanding when computing the percentage ownership of any other person. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

Name & Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Beneficial Ownership Percentage as of February 21, 2017[1]	
More than 5% Stockholders[2]			
Grant Young [3]	24,100,000	9.2	%
Directors and Named Executive Officers			
Clarence E. Smith	64,867,126[4]	25.7	%
Susan M. Woodward	9,250,000 [5]	3.6	%
Edward P. McDonough	2,250,000 [6]	0.9	%
All directors and executive officers as a group:	76,367,126	30.2	%

(1) Based on 245,952,433 shares of common stock outstanding on February 21, 2017, and, with respect to each individual holder, rights to acquire common stock exercisable within 60 days of February 21, 2017.

(2) See also Directors and Named Executive Officers in the table. Based on our most recent list of the stockholders of record from our transfer agent dated February 21, 2017.

(3) Consists of 6,850,000 shares of common stock owned by Mr. Young directly; the right to acquire 6,000,000 shares of common stock upon warrant exercise; and the right to acquire 11,250,000 shares of common stock upon option exercise. The principal address of Mr. Young is 6438 Rosebery Ave, West Vancouver, BC V7W 2C6, Canada.

(4) Consists of 53,820,500 shares of common stock owned by Mr. Smith directly, 2,946,626 held by Mr. Smith's trust, 1,850,000 held by Mr. Smith's retirement account, and the right to acquire 6,250,000 shares of common stock upon option exercise. The principal address of Mr. Smith is 1845 County Road #214, St. Augustine, FL 32084.

(5) Consists of 250,000 shares of common stock owned by Ms. Woodward directly and 9,000,000 shares of common stock issuable upon the exercise of stock options. The principal address of Ms. Woodward is 705 Dugan Road, Belpre, OH 45714.

(6) Consists of 2,250,000 shares of common stock issuable upon the exercise of stock options. The principal business address of Mr. McDonough is 1226 Washington Avenue, Parkersburg, WV 26101.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The following is a description of transactions during the last fiscal year in which the transaction involved a material dollar amount and in which any of the Company's directors, executive officers or holders of more than 5% of the Company's common stock had or will have a direct or indirect material interest, other than compensation which is described under "Executive Compensation." Management believes the terms obtained or consideration that was paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arms' length transactions:

As at December 31, 2016, the following amounts were due to related parties:

		2016
Clarence Smith (CEO)	Accounts payable and accrued liabilities	$ 81
Susan Woodward (CFO)	Accounts payable and accrued liabilities	$nil

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

Effective January 1, 2016, the Company entered into a consulting agreement superseding the prior agreement with Mr. Young in 2015 whereby the Company would pay Mr. Young $7,000 per month for providing research and development services. He was also granted a 4-year stock option to purchase 5,000,000 shares of common stock at a price of $0.08 with vesting beginning on March 31, 2016 in equal instalments on a quarterly basis.

Effective January 1, 2017, the Company entered into a new consulting agreement superseding the prior agreement with Mr. Young whereby the Company would pay Mr. Young $7,000 per month for providing research and development services. He was also granted a 4-year stock option to purchase 5,000,000 shares of common stock at a price of $0.05 with vesting beginning on March 31, 2017 in equal instalments on a quarterly basis.

See also Item 1, page 9 for a description of the patent rights assignments made by Mr. Young to the company in 2016 as well as Item 11 for a description of the consulting agreements with the officers and directors of the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the years ended December 31, 2016 and 2015, Davidson & Company LLP, Chartered Professional Accountants ("Davidson") the Company's principal accountants billed the Company $27,000 and $18,400, respectively for fees for the audit of the Company's annual financial statements. All amounts are in U.S. dollars.

Audit-Related Fees

For the years ended December 31, 2016 and 2015, Davidson did not provide 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, 2016 and 2015, Davidson billed $11,000 in 2016 and $26,500 in 2015 for professional services for tax compliance, tax advice, and tax planning.

All Other Fees

For the years ended December 31, 2016 and 2015, Davidson did not 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.

For the years ended December 31, 2016 and 2015, Davidson billed the Company $15,250 and $17,000 for fees for the review of the Company's quarterly financial statements. All amounts are in U.S. dollars.

Audit Committee Pre-Approval Policies

The Company currently does not have a formal audit committee. The Company' Board of Directors currently approves in advance all audit and non-audit related services performed by the Company's principal accountants and appointed Ed McDonough as the responsible director to review all financial information of the Company and correspond with the independent auditors regarding the same.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE

EXHIBIT INDEX

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

Exhibit	Description
3.1	Certificate of Incorporation[1]
3.2	Bylaws[1]
4.1	2015 Stock Option and Stock Bonus Plan[2]
4.2	2017 Stock Option and Stock Bonus Plan*
10.1	Assignment of Patents and Patent Application between the Company and Institut National des Sciences Appliquées de Rouen dated January 5, 2015[3]
10.2	Settlement and Indemnity Agreement by and between the Company and Standard Bankcorp Inc. and Mark Ralston dated March 2, 2015[3]
10.3	Royalty Agreement between the Company and The Governors of the University of Alberta, dated April 8, 2015[3]
10.4	Technology Transfer Agreement between the Company and Grant Young, dated April 22, 2015[4]
10.5	ITR Master Contract between the Company and ITR Laboratories Canada Inc., dated April 19, 2016[5]
10.6	Universal Assignment between the Company and Grant Young, dated May 20, 2016[6]
10.7	Collaborative Research Agreement between the Company and the University of British Columbia, dated May 31, 2016[6]
10.8	Secured Line of Credit between the Company and Pleasants County Bank, dated June 16, 2016[6]
10.9	Consulting Agreement between the Company and Clarence E. Smith, dated December 30, 2016*
10.10	Consulting Agreement between the Company and Susan M. Woodward, dated December 30, 2016*
10.11	Director Consulting Agreement between the Company and Edward P. McDonough, dated December 30, 2016*
14.1	Code of Ethics[7]
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
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 Quarterly Report on Form 10-Q filed on May 16, 2016 with the SEC.
6. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on August 15, 2016 with the SEC.

7. Incorporated by reference from the Company's Annual Report on Form 10-K filed on April 13, 2006 with the SEC.

*. Filed herewith.

** Furnished, not filed herewith.

SIGNATURES

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

PROTOKINETIX,
INCORPORATED

Dated: February 21, 2017 By: /s/ Clarence E. Smith
Clarence E. Smith
Chief Executive Officer

Dated: February 21, 2017 By: /s/ Susan M. Woodward
Susan M. Woodward
Principal Financial Officer & Principal Accounting Officer

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

Dated: February 21, 2017 By: /s/ Clarence E. Smith
Clarence E. Smith
Chief Executive Officer (principal executive officer) & Chairman of the Board

Dated: February 21, 2017 By: /s/ Edward P. McDonough
Edward P. McDonough
Director

PROTOKINETIX, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

December 31, 2016
(Stated in US Dollars)

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Protokinetix, Inc.

We have audited the accompanying financial statements of Protokinetix, Inc. (the "Company"), which comprise the balance sheets of Protokinetix, Inc. as of December 31, 2016 and 2015, and the related statements of operations, stockholders' equity (deficiency), and cash flows for the years ended December 31, 2016 and 2015. 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 audits.

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

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

The accompanying financial statements have been prepared assuming that Protokinetix, Inc. will continue as a going concern. As discussed in Note 1 to the financial statements, Protokinetix, Inc. has suffered recurring losses from operations. This matter, along with the other matters set forth in Note 1, indicate the existence of material uncertainties that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to 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 Professional Accountants

February 21, 2017

PROTOKINETIX, INC.
(A Development Stage Company)
BALANCE SHEETS
As at December 31

	2016	2015
ASSETS		
Current Assets		
Cash	$371,029	$371,072
Accounts receivable (Note 3)	-	8,023
Prepaid expenses and deposits (Notes 3 and 11)	70,384	397
Total current assets	441,413	379,492
Intangible assets (Note 4)	100,681	70,260
Total assets	$542,094	$449,752
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	$45,295	$45,388
Total current liabilities	45,295	45,388
Stockholders' Equity		
Common stock, $0.0000053 par value; 400,000,000 common shares authorized; 237,952,433 and 216,602,433 shares issued and outstanding for 2016 and 2015 respectively (Note 9)	1,273	1,159
Additional paid-in capital	29,115,795	27,498,836
Accumulated deficit	(28,620,269)	(27,095,631)
Total stockholders' equity	496,799	404,364
Total liabilities and stockholders' equity	$542,094	$449,752

Basis of Presentation – Going Concern Uncertainties (Note 1)
Commitments and Contingency (Note 11)
Subsequent Events (Note 13)

See Notes to Financial Statements
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PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2016 and 2015

	2016	2015
EXPENSES		
Amortization – intangible assets (Note 4)	$3,000	$1,500
Consulting fees (Note 10)	-	125,000
General and administrative	99,648	126,767
Interest	12	3,968
Professional fees (Note 10)	211,006	314,454
Research and development	450,899	158,890
Share-based compensation (Note 10)	760,073	531,486
	(1,524,638)	(1,262,065)
OTHER ITEMS		
Gain on settlement of short-term loan (Note 5)	-	7,272
Net loss for the year	$(1,524,638)	$(1,254,793)
Net loss per common share (basic and diluted)	$(0.01)	$(0.00)
Weighted average number of common shares outstanding (basic and diluted)	221,613,392	197,978,111

See Notes to Financial Statements
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PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
For the Years Ended December 31, 2016 and 2015

	Common Stock								
	Shares	Amount	Issuable shares	Amount	Additional paid-in capital	Stock Subscriptions received in advance	Common stock to be returned to treasury	Accumulated deficit	Total
Balance, December 31, 2014	175,662,433	$939	3,840,000	$20	$25,411,550	$25,000	$(25,000)	$(25,840,838)	$(428,329)
Issuance of common stock for services	1,000,000	6	-	-	39,994	-	-	-	40,000
Issuance of common stock to settle convertible note payable	3,840,000	20	(3,840,000)	(20)	-	-	-	-	-
Issuance of common stock pursuant to private placement offering	15,000,000	80	-	-	374,920	-	-	-	375,000
Issuance of common stock pursuant to private placement offering	2,500,000	13	-	-	124,987	-	-	-	125,000
Common stock returned to treasury	(250,000)	(1)	-	-	(24,999)	-	25,000	-	-
Issuance of common stock pursuant to private placement offering	250,000	1	-	-	24,999	(25,000)	-	-	-
Issuance of common stock pursuant to private placement offering	1,250,000	7	-	-	99,993	-	-	-	100,000
	312,500	2	-	-	24,998	-	-	-	25,000

Issuance of common stock pursuant to private placement offering									
Issuance of common stock pursuant to private placement offering	375,000	2	-	-	29,998	-	-	-	30,000
Issuance of common stock pursuant to private placement offering	625,000	3	-	-	49,997	-	-	-	50,000
Issuance of common stock for services	300,000	2	-	-	20,998	-	-	-	21,000
Issuance of common stock pursuant to settle promissory note	1,250,000	7	-	-	99,993	-	-	-	100,000
Issuance of common stock pursuant to private placement offering	625,000	3	-	-	24,997	-	-	-	25,000
Issuance of common stock for services and other value	300,000	2	-	-	14,998	-	-	-	15,000
Issuance of units pursuant to private placement offering	5,000,000	27	-	-	199,973	-	-	-	200,000
Fair value of compensatory options issued	-	-	-	-	531,486	-	-	-	531,486
Fair value of compensatory warrants issued	-	-	-	-	25,000	-	-	-	25,000
	1,562,500	8	-	-	124,992	-	-	-	125,000

Issuance of common stock pursuant to private placement offering									
Exercise of warrants	5,000,000	27	-	-	199,973	-	-	-	200,000
Issuance of common stock for services	2,000,000	11	-	-	99,989	-	-	-	100,000
Net loss for the year	-	-	-	-	-	-	-	(1,254,793)	(1,254,793)

PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
For the Years Ended December 31, 2016 and 2015

	Common Stock								
	Shares	Amount	Issuable shares	Amount	Additional paid-in capital	Stock Subscriptions received in advance	Common stock to be returned to treasury	Accumulated deficit	Total
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	-	-	-	-	760,073	-	-	-	760,073
Issuance of common stock pursuant to private placement offering	4,150,000	22	-	-	165,978	-	-	-	166,000
Issuance of common stock pursuant to private placement offering	5,350,000	29	-	-	213,971	-	-	-	214,000
Issuance of common stock pursuant to private placement offering	5,250,000	28	-	-	209,972	-	-	-	210,000
Issuance of common stock pursuant to private placement offering	6,500,000	34	-	-	259,966	-	-	-	260,000
Net loss for the year	-	-	-	-	-	-	-	(1,524,638)	(1,524,638)
Balance, December 31, 2016	237,952,433	$1,273	-	$ -	$29,115,795	$ -	$ -	$(28,620,269)	$496,799

See Notes to Financial Statements
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PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	$(1,524,638)	$(1,254,793)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization – intangible assets	3,000	1,500
Issuance and amortization of common stock for services	7,000	176,000
Fair value of compensatory options granted	760,073	531,486
Gain on settlement of short-term loans	-	(7,272)
Changes in operating assets and liabilities:		
Accounts receivable	8,023	(2,526)
Prepaid expenses and deposits	(69,987)	(397)
Accounts payable and accrued liabilities	(3,724)	(18,233)
Net cash used in operating activities	(820,253)	(574,235)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets	(29,790)	(46,760)
Net cash used in investing activities	(29,790)	(46,760)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Short-term loan repayments	-	(43,250)
Issuance of common stock for cash	850,000	1,035,000
Net cash from financing activities	850,000	991,750
Net change in cash	(43)	370,755
Cash, beginning of year	371,072	317
Cash, end of year	$371,029	$371,072
Cash paid for interest	$-	$-
Cash paid for income taxes	$-	$-
Supplementary information – non-cash transactions:		
Common stock issued for consulting services	$7,000	$176,000
Common stock issued to settle short-term loans, accounts payable and accrued liabilities	-	220,000
Common stock returned to treasury	-	25,000
Common stock issued for past subscriptions	-	25,000
Common stock issued to settle promissory note	-	100,000

Fair value of warrants issued for intangible asset	-	25,000
Intangible asset costs included in accounts payable and accrued liabilities	3,631	-

See Notes to Financial Statements
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PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 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 year ended December 31, 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 December 31, 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 financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are expressed in United States dollars.

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PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 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 amortized 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 December 31, 2016 there were no other assets or liabilities subject to additional disclosure.

Income Taxes

The Company accounts for income taxes 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
December 31, 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 December 31, 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 December 31, 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 28,900,000 stock options (December 31, 2015 – 14,600,000) and 6,500,000 warrants (December 31, 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
December 31, 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

Accounting Standards Update 2015-02 - Consolidation (Topic 810) - Amendments to the Consolidation Analysis. This update provides guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company has adopted this standard which has little impact on the presentation of its financial statements.

Accounting Standards Update 2015-01 - Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). This Update is part of an initiative to reduce complexity in accounting standards (the Simplification Initiative). This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company has adopted this standard, which did not have a material impact on the Company's financial statements.

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 was effective for annual periods ending after December 15, 2016, and did not have a material impact on the Company's financial statements.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

Recent Accounting Pronouncements (cont'd)

Accounting Standards Update 2016-09 – Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. This accounting pronouncement, which goes into effect for periods ending after December 16, 2016, addresses the simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of this guidance did not have a material impact on the Company's financial statements.

Accounting Standards Update 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This accounting pronouncement requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Currently deferred tax liabilities and assets must be presented as current and noncurrent. The policy was effective for periods ending after December 16, 2016. The adoption of this guidance did not have a material impact on the Company's financial statements.

Accounting Standards Update 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This accounting pronouncement, which goes into effect December 12, 2017, is far reaching and covers several presentation areas dealing with measurement, impairment, assumptions used in estimating fair value and several other areas. The Company is reviewing this update to determine the impact it may have on its financial statements.

Accounting Standards Update 2016-02-Leases (Topic 842). This accounting pronouncement allows lessees to make an accounting policy election to not recognize a lease asset and liability for leases with a term of 12 months or less and do not have a purchase option that is expected to be exercised. This standard is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

Note 3. Accounts Receivable, Prepaid Expenses and Deposits

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

The following summarizes the Company's prepaid expenses and deposits outstanding as at December 31, 2016 and 2015:

	2016	2015
Deposit on research agreement (Note 11(d))	$54,770	$-
Other prepaid expenses	15,614	397
	$70,384	$397

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PROTOKINETIX, INC.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 4. Intangible Assets

Intangible asset transactions are summarized as follows:

	Patent Rights	Patent Application Rights	Total
Cost			
Balance, December 31, 2014	$-	$ -	$-
Additions	30,000	41,760	71,760
Balance, December 31, 2015	$30,000	$ 41,760	$71,760
Additions	-	33,421	33,421
Balance, December 31, 2016	$30,000	$ 75,181	$105,181
Accumulated amortization			
Balance, December 31, 2014	$-	$ -	$-
Amortization	1,500	-	1,500
Balance, December 31, 2015	$1,500	$ -	$1,500
Amortization	3,000	-	3,000
Balance, December 31, 2016	$4,500	$ -	$4,500
Net carrying amounts			
December 31, 2015	$28,500	$ 41,760	$70,260
December 31, 2016	$25,500	$ 75,181	$100,681

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 year ended December 31, 2016, the Company recorded $3,000 (2015 - $1,500) 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 $37,765 in direct costs relating to the Patent Application Rights, $31,005 of which were incurred during the year ended December 31, 2016.

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 year ended December 31, 2016, 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 (paid). The Company incurred $2,415 in direct costs relating to the New Patent Application Rights.

No amortization was recorded on the Patent Application Rights or the New Patent Application Rights to December 31, 2016.

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December 31, 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.

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 December 31, 2016, the balance outstanding was $nil.

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Note 6. Common Shares Issued for Services

During the year ended December 31, 2016 and 2015, the Company issued shares of common stock for services and other value rendered as follows:

2016	Number of Shares	Value per Share	Total
March 2016	100,000	$0.07	$7,000
	100,000		$7,000

2015	Number of Shares	Value per Share	Total
February 2015	1,000,000	$0.04	$40,000
June 2015	100,000	0.07	7,000
September 2015	100,000	0.07	7,000
September 2015	300,000	0.05	15,000
December 2015	100,000	0.07	7,000
December 2015	2,000,000	0.05	100,000
	3,600,000		$176,000

Note 7. Stock Options

On December 30, 2016, the Board of Directors of the Company adopted the 2017 Stock Option and Stock Bonus Plan (the "2017 Plan"). The Board of Directors adopted the 2017 Plan as it anticipates utilizing equity compensation as part of its ongoing standard corporate operations and in connection with its contemplated activities going forward.

The aggregate number of shares that may be issued under the 2017 Plan is 30,000,000 shares subject to adjustment as provided therein. The 2017 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. Options which are not intended to qualify as incentive options are referred to as non-qualified options.

As of December 31, 2016, no options or shares of common stock have been granted under the 2017 Plan.

The 2017 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 2017 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 2017 Plan. The committee may adopt, amend and rescind such rules and regulations as in its opinion may be advisable for the administration of the 2017 Plan.

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NOTES TO FINANCIAL STATEMENTS
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Note 7. Stock Options (cont'd)

The committee also has the power to interpret the 2017 Plan, and the provisions in the instruments evidencing grants made under it, and is empowered to make all other determinations deemed necessary or advisable for the administration of it.

Participants in the 2017 Plan may be selected by the committee from employees, officers, consultants and advisors (including board members) of ProtoKinetix. The committee may take into account the duties of persons selected, their present and potential contributions to the success of ProtoKinetix and such other considerations as the committee deems relevant to the purposes of the 2017 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 2017 Plan shall terminate as of a date fixed by the committee.

The exercise price of any option granted under the 2017 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 2017 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.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price $	Weighted Average Fair Value $	Weighted Average Remaining Life (Years)
Outstanding, December 31, 2014	-	-	-	
Options granted	14,600,000	0.05	0.03	
Outstanding, December 31, 2015	14,600,000	0.05	0.03	

Options granted	15,300,000	0.08	0.05	
Options expired	(1,000,000)	0.10	0.03	
Outstanding, December 31, 2016	28,900,000	0.06	0.04	2.66

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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 7. Stock Options (cont'd)

All stock options granted during the year ended December 31, 2016 were issued pursuant to the Company's 2015 Stock Option and Stock Bonus Plan, except for the extension of the option expiration date for the option granted to the Company's CFO for 2,000,000 stock options vesting only upon a change in control.

The fair values of the stock options granted during the year ended December 31, 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:

	December 31, 2015	December 31, 2016
Risk-free interest rate	0.90 %	0.55 %
Dividend yield	0.00 %	0.00 %
Expected stock price volatility	125.00 %	125.00 %
Expected forfeiture rate	0.00 %	0.00 %
Expected life	4.50 years	3.71 years

The following non-qualified stock options were outstanding and exercisable at December 31, 2016:

Expiry date	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
February 25, 2020	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	15,000,000
October 5, 2018	0.08	300,000	300,000
		28,900,000	26,900,000

As at December 31, 2016, the aggregate intrinsic value of the Company's stock options is $110,000 (December 31, 2015 – $350,000). The weighted average fair value of stock options granted during the year ended December 31, 2016 is $0.05 (2015 - $0.05), and the weighted average exercise price of exercisable stock options is $0.07 (2015 - $0.05).

Note 8. Warrants

Warrant transactions are summarized as follows:

Balance, December 31, 2014	5,200,000	$0.09
Issued	11,000,000	0.07
Expired	(2,500,000)	0.05
Exercised	(5,000,000)	0.04
Balance, December 31, 2015	8,700,000	$0.11
Expired	(2,200,000)	0.10
Balance, December 31, 2016	6,500,000	$0.11

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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 8. Warrants (cont'd)

The following warrants were outstanding and exercisable as at December 31, 2016:

Number of Warrants	Exercise Price ($)	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 December 31, 2016 (December 31, 2015 - $nil).

During the year ended December, 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.

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.

c) Issued 5,350,000 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 $214,000.

d) Issued 5,250,000 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 $210,000.

e) Issued 6,500,000 shares of common stock to investors (one of which was the President and CEO of the Company) at $0.04 for gross proceeds of $260,000.

During the year ended December 31, 2015, the Company:

a) Issued 1,000,000 shares of common stock with a fair value of $40,000 ($0.04 per share) pursuant to a directorship agreement entered into on February 25, 2015 (Note 10).

b) Issued 3,840,000 shares of common stock with a fair value of $192,000 ($0.05 per share) pursuant to a settlement agreement completed on March 2, 2015 with a convertible note holder (Note 5).

c)

Issued 15,000,000 shares of common stock at $0.025 per share pursuant to a stock subscription agreement with the Company's President and CEO. The proceeds of $375,000 were offset by $150,000 owing to the President and CEO as previously included in accounts payable and accrued liabilities and $20,000 owing in short-term loans. The remaining proceeds of $205,000 were received in cash during the year ended December 31, 2015.

PROTOKINETIX, INC.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 9. Stockholders' Equity (cont'd)

d) Issued 2,500,000 shares of common stock to two investors (one of which was the President and CEO of the Company) at $0.05 per share for gross proceeds of $125,000.

e) Cancelled 250,000 shares of common stock that were returned to treasury. The shares had been issued in error and the Company had accounted for the return as "Common stock to be returned to treasury" as at December 31, 2014.

f) Issued 250,000 shares of common stock pursuant to a stock subscription received during the year ended December 31, 2010.

g) Issued 1,250,000 shares of common stock at $0.08 per share for gross proceeds of $100,000 pursuant to private placement offering.

h) Issued 312,500 shares of common stock at $0.08 per share for gross proceeds of $25,000 pursuant to private placement offering.

i) Issued 375,000 shares of common stock at $0.08 per share for gross proceeds of $30,000 pursuant to private placement offering.

j) Issued 625,000 shares of common stock at $0.08 per share pursuant to a stock subscription agreement with the Company's President and CEO. The proceeds of $50,000 were offset in their entirety by certain amounts owing to the President and CEO as previously included in accounts payable and accrued liabilities.

k) Issued 300,000 shares of common stock with a fair value of $21,000 ($0.07 per share) pursuant to a consulting agreement entered into on March 1, 2015 (Note 11).

l) Issued 1,250,000 shares of the Company's common stock at an adjusted conversion price of $0.08 per share on conversion of a promissory note (Note 5).

m) Issued 625,000 shares of common stock at $0.04 per share for gross proceeds of $25,000 pursuant to a stock subscription agreement with the Company's President and CEO.

n) Issued 300,000 shares of common stock with a fair value of $15,000 ($0.05 per share) pursuant to a settlement agreement entered into on September 29, 2015 for services and other value received.

o) Issued 5,000,000 units at $0.04 per unit or gross proceeds of $200,000. Each unit is comprised of one share of common stock and one share purchase warrant exercisable at a price of $0.04 until December 28, 2015.

p) Issued 1,562,500 shares of common stock at $0.08 per share for gross proceeds of $125,000 pursuant to a private placement offering.

q)

Issued 5,000,000 shares of common stock at $0.04 per share or gross proceeds of $200,000 upon the exercise of warrants.

r) Issued 2,000,000 shares of common stock with a fair value of $100,000 ($0.05 per share) as a bonus to the Company's President and CEO (Note 10).

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NOTES TO FINANCIAL STATEMENTS
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Note 10. Related Party Transactions and Balances

During the year ended December 31, 2016, the Company:

a) 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 a 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.

b) 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 $72,000 was paid or accrued to the Company's CFO during the year ended December 31, 2016 and is included in professional fees.

c) 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.

d) Recognized $543,699 in share-based compensation associated with stock options granted to key management personnel.

During the year ended December 31, 2015, the Company:

a) Entered into a directorship agreement effective February 25, 2015 with a newly appointed director of the Company. 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 for legal services over and above a mandatory 10 hours per month requirement stipulated in the agreement. Service fees for the year ended December 31, 2015 totaled $12,747. The shares were issued at a total value of $40,000 ($0.04 per share). The director also received 1,000,000 stock options on signing (Note 7) exercisable into common shares of the Company until February 24, 2018 at a price of $0.05 per share.

The director resigned from the board but has been appointed to the Company's Business and Scientific Advisory Board as a consultant.

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December 31, 2016

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

b) 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 agreement also stipulated 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.

During the year ended December 31, 2015, the President and CEO was issued 2,000,000 shares of common stock with a total value of $100,000 ($0.05 per share) as a bonus issuance (Note 6).

c) Entered into a consulting agreement dated March 30, 2015 (effective January 1, 2015) with the Company's CFO 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). Effective June 1, 2015, the monthly fee was increased to $4,200. A total of $49,400 was paid or accrued to the Company's CFO during the year ended December 31, 2015.

She was also entitled to 4,000,000 stock options (Note 7) exercisable into common shares of the Company until February 25, 2020 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. The expiration of these options was extended until February 25, 2020 during the year ended December 31, 2016. 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) Entered into a directorship agreement effective July 1, 2015 with a newly appointed director of the Company. Pursuant to the agreement, the director was issued 1,000,000 stock options on signing (Note 7) exercisable into common shares of the Company until June 30, 2017 at a price of $0.10 per share. The options vested in monthly installments of 166,666 options beginning July 31, 2015 with the final 166,670 options vesting on December 31, 2015.

e) During the year ended December 31, 2015, the Company paid $10,000 in penalties associated with the revocation of the CTO on behalf of the Company's former President, CEO and CFO.

f) Recognized $194,032 in share-based compensation associated with stock options granted to key management personnel.

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

	December 31,	December 31,

		2016	2015
Clarence Smith (CEO)	Accounts payable and accrued liabilities	$ 81	$ 327

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

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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 11. Commitments and Contingency

As at December 31, 2016, the Company has the following commitments:

a) 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 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 CAD $5,000,000.

b) 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 (and continued on a year-to-year basis thereafter unless otherwise terminated by either party with at least 30 days' notice) for providing research and development services.

c) 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 (and continued on a year-to-year basis thereafter unless otherwise terminated by either party with at least 30 days' notice) for providing public relations services. The consultant was also entitled to 400,000 shares of common stock, which were issued at a rate of 25% (100,000 shares) every 3 months over the term of the agreement (100,000 shares issued during the year ended December 31, 2016 (Note 7)).

d) 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 ($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. As at December 31, 2016, a total of $54,770 is included in prepaid expenses and deposits.

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 12. Income Taxes

As a Nevada corporation, the Company is liable for taxes in the United States. As of December 31, 2016, the Company did not have any income for tax purposes and therefore, no tax liability or expense has been recorded in these financial statements (December 31, 2015 – none).

The Company has tax losses of approximately $27,200,000 (2015 - $26,400,000) to reduce future taxable income. The tax losses expire in years starting from 2028.

The deferred tax asset associated with the tax loss carry forward is approximately $9,200,000 (2015 - $9,000,000). 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 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 13. Subsequent Events

Subsequent to the year ended December 31, 2016, the Company:

a) Entered into a consulting agreement with an effective date of January 1, 2017 with the Company's President and CEO whereby he will be compensated at a nominal amount of $1 for services through to December 31, 2017. 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 a 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, 2020 at a price of $0.05 per share. The options vest in equal instalments on a quarterly basis beginning March 31, 2017.

b) Entered into a consulting agreement with an effective date of January 1, 2017 with the Company's CFO whereby she will be compensated at a monthly fee of $6,000 for services through to December 31, 2017. The agreement also stipulates a termination fee that would pay the Company's CFO $72,000 per years of service (including the pro-rata amount for partial years of service) if terminated without cause or 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, 2020 at a price of $0.05 per share. The options vest in equal instalments on a quarterly basis beginning March 31, 2017.

c) Entered into a consulting agreement with an effective date of January 1, 2017 whereby the Company would pay the consultant $7,000 per month for providing research and development services. Pursuant to the agreement, the consultant was also granted 5,000,000 stock options exercisable into common shares of the Company until December 31, 2020 at a price of $0.05 per share. The options vest in equal instalments on a quarterly basis beginning March 31, 2017.

d) Entered into a directorship agreement with an effective date of January 1, 2017 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, 2020 at a price of $0.05 per share. The options vest in equal instalments on a quarterly basis beginning March 31, 2017.

e) Entered into a consulting agreement for business development services effective January 1, 2017. The consultant was granted 1,200,00 stock options exercisable into common shares of the Company at a price of $0.05 per share until December 31, 2020. The options vest in equal instalments on a quarterly basis beginning March 31, 2017.

f) Entered into stock subscription agreements whereby the Company will issue a total of 8,000,000 shares of common stock for gross proceeds of $320,000 ($0.04 per share) and includes the President and CEO as well as the CFO of the Company.