

ProtoKinetix, Inc.
Form 10-K
March 20, 2012

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

FORM 10-K

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

For the fiscal year ended **December 31, 2011**

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

For the transition period from _____ to _____

Commission File Number: **000-32917**

PROTOKINETIX, INC.

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

Nevada
(State or other jurisdiction of
incorporation or organization)

94-3355026
(I.R.S. Employer
Identification No.)

2225 Folkestone Way
West Vancouver, British Columbia Canada V7S 2Y6
(Address of principal executive offices, including zip code)

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

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

Securities registered pursuant to Section 12(g) of the Act: **\$.0000053 par value common stock**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check whether the issuer has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files

Yes No

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The issuer's revenues for the most recent fiscal year were \$0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$ 2,300,000 based upon the closing price of our common stock which was \$0.02 on March 9, 2012. Shares of common stock held by each officer and director and by each person or group who owns 10% or more of them outstanding common stock amounting to 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 March 15, 2012, there were 119,512,433 shares of our common stock that were issued and outstanding.

Documents Incorporated by Reference: **None.**

Transitional Small Business Disclosure Format: **No.**

INTRODUCTION

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

Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "expects," "plan," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements.

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

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PART I

ITEM 1. BUSINESS

Important Disclosures and Disclaimers.

Please note that ProtoKinetix, Inc. (the "Company") is a research and product development stage company that has not yet sold any products. The Company had \$0 in revenues for the year ended December 31, 2011.

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

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

About ProtoKinetix

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

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

Background

Native AFGP Compound

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

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

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

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

AAGP The Core Technology of ProtoKinetix

AAGP Invention

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

AAGP Toxicity Tests

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

AAGP Stability Tests

AAGP molecules have remained stable when subjected to three tests:

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

Stress Tests on 12 Different Cell Lines

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

Cell Lines Tested

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

Stress Conditions and Agents

Temperature

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

UV-C Radiation

- harsh sterilizing radiation
- 254 nanometer wavelength

Oxidation

- hydrogen peroxide (H₂O₂)
- powerful oxidant

Starvation

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

Inflammation

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

Bio-Screening Control Lab Testing

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

Test Results Summary

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

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

AAGP Commercial Applications

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

Skincare and Cosmetics

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

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

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

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

Health Care

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

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

Intellectual Property

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

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

Patents

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

WO 2004/014928 A2 (19 February 2004)

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

Patent application: Fr 03 May 2006, 06 03952

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

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

Trade Secrets and Know-How

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

Super Antibody and Catalytic Antibody Platform Technologies

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

Competition

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

Industry competition in general is based on the following:

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

The Company believes its scientific and technological capabilities are significant.

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

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

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

Governmental Regulation

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

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

As the Company continues to conduct research and testing programs, in collaboration with commercial entities, to expand and confirm the potential medical applications of AAGP in a number of fields, including regenerative medicine, cell therapy, blood products, transplants and skin care/cosmetics, the Company intends to utilize the

regulatory expertise of others, whether they are consultants or commercial entities involved on collaborative development programs with the Company.

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

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

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

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

Environmental Laws

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

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

There are currently no legal matters pending.

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

There was no vote by shareholders without a meeting and no shareholder meetings were held during the year ended December 31, 2011.

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

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

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

| | 2011 | Low | High |
|----------------|-------------|------------|-------------|
| First Quarter | | \$.02 | \$.09 |
| Second Quarter | | .03 | .05 |
| Third Quarter | | .02 | .03 |
| Fourth Quarter | | .02 | .04 |
| | | | |
| | 2010 | Low | High |
| First Quarter | | \$.07 | \$.12 |
| Second Quarter | | .08 | .14 |
| Third Quarter | | .05 | .12 |
| Fourth Quarter | | .03 | .07 |

 Holders

As of March 15, 2012, there were approximately 67 shareholders of record of the company's Common Stock.

 Dividends

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

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

There have been no sales of unregistered securities during calendar 2011 which would be required to be disclosed pursuant to Item 701 of Regulation S-K, except for the following:

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On January 25, 2010, we issued 1,095,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On January 25, 2010, we issued a total of 1,250,000 common shares and warrants to investors in connection with a private placement for a total sales price of \$125,000. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On March 16, 2010, we issued 600,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On April 1, 2010, we issued 250,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On May 13, 2010, we issued 922,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On June 15, 2010, we issued 200,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On July 1, 2010, we issued 650,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On July 14, 2010, we issued 200,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On August 19, 2010, we issued 300,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On September 8, 2010, we issued a total of 750,000 common shares and warrants to investors in connection with a private placement for a total sales price of \$75,000. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On September 8, 2010, we issued a total of 250,000 common shares and warrants to an investor to settle a \$25,000 short term loan. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On September 15, 2010, the Board of Directors of the Company authorized to issue 7,600,000 shares to the Company's directors and officers.

On October 1, 2010, we issued 250,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

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On December 30, 2010, we issued 583,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On January 26, 2011, we issued 9,000,000 common shares to settle convertible debt. These issuances were made in lieu of cash payments and were considered exempt transactions under Regulation S.

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On March 8, 2011, we issued 550,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On April 21, 2011, we issued a total of 250,000 common shares and warrants to settle a \$25,000 share subscription received from investors in connection with a private placement for a total sales price of \$25,000. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On June 13, 2011, we issued a total of 500,000 common shares and warrants to settle a \$50,000 share subscription received from investors in connection with a private placement for a total sales price of \$50,000. These issuances were considered exempt transactions under Section 4(2) of the Securities Act of 1933, as amended.

On June 13, 2011 we issued 250,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On July 19, 2011 we issued 200,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On September 29, 2011 we issued 500,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On October 1, 2011, the Board of Directors of the Company authorized the issuance of 3,400,000 shares to the Company's directors and officers.

On October 3, 2011 we issued 250,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On October 7, 2011 we issued 500,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On December 12, 2011 we issued 500,000 common shares to a consultant in connection with a consulting agreement. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

On December 30, 2011, we issued 20,400,000 common shares to consultants in connection with consulting agreements. These issuances were made in lieu of cash payments for services rendered and were considered exempt transactions under Regulation S.

Disclosure Related to Form S-8 Issuances

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

ITEM 6. SELECTED FINANCIAL DATA

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

| Year Ended December 31, | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------------|-------------|-------------|-------------|-------------|
| Statement of Operations Data: | | | | | |
| Revenue | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | | |
| Research and development | 996,538 | 405,281 | 175,958 | 161,508 | 117,415 |
| Consulting and Professional | 1,553,000 | 843,080 | 862,181 | 998,876 | 586,529 |
| General and Administrative | 178,731 | 302,457 | 231,970 | 237,027 | 212,989 |
| Total operating expenses | 2,728,269 | 1,550,818 | 1,270,109 | 1,397,412 | 916,933 |
| Net loss | (2,728,269) | (1,550,818) | (1,270,109) | (1,388,772) | (1,231,933) |
| Net loss per share: | | | | | |
| Basic and diluted | (0.06) | (0.03) | (0.02) | (0.02) | (0.01) |
| Weighted average number of shares | 45,749,464 | 53,004,810 | 60,822,963 | 75,471,414 | 93,592,433 |

| Year Ended December 31, | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------------|------------|------------|------------|------------|
| Balance Sheet Data: | | | | | |
| Cash | \$ 37,350 | \$ 15,216 | \$ 22,788 | \$ 14,412 | \$ 4,512 |
| Total assets | 147,776 | 257,222 | 263,410 | 69,175 | 29,771 |
| Convertible note payable | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Common stock and additional paid-in capital | 19,323,983 | 20,998,223 | 22,157,049 | 23,326,309 | 24,566,309 |
| Total stockholders' equity | (261,049) | (137,627) | (248,910) | (468,422) | (460,355) |

Quarterly Results of Operations

The following table presents unaudited quarterly results of operations for the eight quarters ended December 31, 2011. This information has been derived from our unaudited financial statements and has been prepared by us on a basis consistent with our audited annual financial statements and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the information for the periods presented.

| Quarter Ended | Mar. 31, 2010 | June 30, 2010 | Sept. 30, 2010 | Dec. 31, 2010 | Mar. 31, 2011 | June 30, 2011 | Sept. 30, 2011 | Dec. 31, 2011 |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| Statements of Operations Data: | | | | | | | | |
| | | | | | | | | |
| Revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | | | | | |
| Research and licensing | 1,425 | - | 119,550 | 40,533 | - | - | 13,415 | 104,000 |
| Consulting and Professional | 127,741 | 166,257 | 382,537 | 322,341 | 71,989 | 142,365 | 58,350 | 313,795 |
| General and Administrative | 43,955 | 42,080 | 86,694 | 64,298 | 44,013 | 44,292 | 34,610 | 90,075 |
| Total operating expenses | 173,121 | 208,337 | 588,781 | 427,172 | 116,002 | 186,657 | 106,405 | 507,870 |
| Net loss | (173,121) | (208,337) | (588,781) | (418,533) | (446,002) | (186,657) | (91,405) | (507,887) |
| Net loss per share: | | | | | | | | |
| Basic and diluted | (.00) | (.01) | (.01) | (.01) | (.00) | (.01) | (.01) | (.01) |
| Weighted average number of shares (in thousands) | 61,264,015 | 70,507,756 | 73,428,203 | 75,471,414 | 85,325,173 | 93,594,851 | 94,424,390 | 93,592,433 |
| | | | | | | | | |

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

This discussion and analysis should be read in conjunction with the accompanying Financial Statements and related notes. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates were based on our historical experience and other assumptions that we believe to be reasonable under the

circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below in "Critical Accounting Policies," and have not changed significantly.

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

Critical Accounting Policies

Our critical and significant accounting policies, including the assumptions and judgments underlying them, are as follows:

Share-Based Compensation

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

The Company accounts for stock-based compensation under "Share-Based Payment," which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes option-pricing model.

The Company accounts for stock compensation arrangements with non-employees in accordance with FASB Codification 505 – 50 "Equity-Based Payments to Non-Employees", which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes valuation model and the compensation charges are amortized over the vesting period.

Expenses

Our expenses in 2011 were \$916,933 which consisted of \$74,497 in professional legal and accounting expenses. We operate the company by hiring outside consultants to assist us with management, strategic planning, organization and daily operations. These professional consulting fees amounted to \$512,032. These professional consulting services related to marketing and investment banking services including financing, capitalization and merger opportunities. Additional professional consulting fees have been included in product research and development totaling \$117,415.

Plan of Operation

Our current operations are centered around the Company's relationships with various research and development consultants who are conducting research on behalf of the company at discrete and established laboratories in various parts of the world. The Company intends to continue these efforts throughout 2012.

Sales and Marketing

The Company is currently not selling or marketing any products.

Liquidity and Capital Resources

At December 31, 2011, we had \$4,512 in cash and \$29,771 in total current assets. As of the date of this report, we require additional capital investments or borrowed funds to meet cash flow projections and carry forward our business objectives. There can be no assurance that we will be able to raise capital from outside sources in sufficient amounts to fund our new business.

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

Inflation

Although management expects that our operations will be influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the year ending December 31, 2011.

Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The history of losses and the inability for the Company to make a profit from selling a good or service has raised substantial doubt about our ability to continue as a going concern. In spite of the fact that the current cash obligations of the Company are relatively minimal, given the cash position of the Company, we have very little cash to operate. We intend to fund the Company

and attempt to meet corporate obligations by selling common stock. However the Company's common stock is at a low price and is not actively traded.

Results of Operations for the Year Ended December 31, 2011.

We had \$nil in net revenues.

We had a \$1,231,933 net loss from operations for 2011.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS

PROTOKINETIX, INC.
(A Development Stage Company)

FINANCIAL REPORT

DECEMBER 31, 2011

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FINANCIAL STATEMENTS

BALANCE SHEETS

STATEMENTS OF OPERATIONS

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Protokinetix Inc.

We have audited the accompanying balance sheets of Protokinetix Inc. (a development stage company (the Company)) as of December 31, 2011 and December 31, 2010, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended and for the period from incorporation on December 23, 1999 (date of inception) to December 31, 2011. Protokinetix Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Protokinetix Inc. as of December 31, 2011 and December 31, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 and for the period from incorporation on December 23, 1999 (date of inception) to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

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

Vancouver, Canada

DAVIDS

**COMPAN
LL**

Charter
Accountant

March 15, 2012

PROTOKINETIX, INC.
(A Development Stage Company)

BALANCE SHEETS
As at December 31

| ASSETS | 2011 | 2010 |
|--|------------------|------------------|
| Current Assets | | |
| Cash | \$ 4,512 | \$ 14,412 |
| Prepaid expenses | 18,731 | 54,763 |
| Accounts receivable (Note 3) | 6,528 | - |
| Total current assets and total assets | \$ 29,771 | \$ 69,175 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 153,391 | \$ 237,597 |
| Short-term loan (Note 4) | 36,735 | - |
| Convertible note payable (Note 5) | 300,000 | 300,000 |
| Total current liabilities | 490,126 | 537,597 |
| Stockholders' Deficit | | |
| Common stock, \$0.0000053 par value; 200,000,000 common shares authorized; 119,512,433 and 83,712,433 shares issued and outstanding for 2011 and 2010 respectively | 643 | 452 |
| Share subscription received in advance | 25,000 | 50,000 |
| Additional paid-in capital | 24,540,666 | 23,275,857 |
| Deficit accumulated during the development stage | (25,026,664) | (23,794,731) |
| Total stockholders deficit | (460,355) | (468,422) |
| Total liabilities and stockholders deficit | \$ 29,771 | \$ 69,175 |

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2011 and 2010, and for the Period from
December 23, 1999 (Date of Inception) to December 31, 2011

| | 2011 | 2010 | Cumulative During the Development Stage |
|--|----------------|----------------|--|
| Revenues | \$ - | \$ - | \$ 2,000 |
| Expenses | | | |
| Licenses | - | - | 3,379,756 |
| Professional fees | 74,497 | 47,507 | 3,543,475 |
| Consulting fees (Note 11) | 512,032 | 951,369 | 13,346,782 |
| Research and development | 117,415 | 161,508 | 2,657,591 |
| General and administrative | 200,989 | 213,028 | 1,607,072 |
| Interest | 12,000 | 24,000 | 144,162 |
| | 916,933 | 1,397,412 | 24,678,838 |
| Loss from continuing operations | (916,933) | (1,397,412) | (24,676,838) |
| Other Income | 15,000 | - | 15,000 |
| Write-off of accounts payable | - | 8,640 | 8,640 |
| Loss on debt conversion | (330,000) | - | (330,000) |
| | (1,231,933) | (1,388,772) | (24,983,198) |
| Discontinued Operations | | | |
| Loss from operations of the discontinued segment | - | - | (43,466) |
| Net loss for the period | \$ (1,231,933) | \$ (1,388,772) | \$ (25,026,664) |
| Net Loss per Common Share (basic and diluted) | \$ (0.01) | \$ (0.02) | |
| Weighted average number of common shares outstanding (basic and diluted) | 93,592,433 | 75,471,414 | |

See Notes to Financial Statements

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)
For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

| | Common Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Received in Advance (Receivable) | Acc Du Dev |
|--|--------------|--------|--------------------|--------|----------------------------------|--|------------------|
| | Shares | Amount | Issuable Shares | Amount | | | |
| Issuance of common stock, December 1999 | 9,375,000 | \$ 50 | - | \$ - | 4,950 | \$ - | |
| Net loss for the period | - | - | - | - | - | - | |
| Balance, December 31, 2000 | 9,375,000 | 50 | - | - | 4,950 | - | |
| Issuance of common stock, April 2001 | 5,718,750 | 30 | - | - | 15,220 | - | |
| Net loss for the year | - | - | - | - | - | - | |
| Balance, December 31, 2001 | 15,093,750 | 80 | - | - | 20,170 | - | |
| Net loss for the year | - | - | - | - | - | - | |
| Balance, December 31, 2002 | 15,093,750 | 80 | - | - | 20,170 | - | |
| Issuance of common stock for services: | | | | | | | |
| July 2003 | 2,125,000 | 11 | - | - | 424,989 | - | |
| August 2003 | 300,000 | 2 | - | - | 14,998 | - | |
| September 2003 | 1,000,000 | 5 | - | - | 49,995 | - | |
| October 2003 | 1,550,000 | 8 | - | - | 619,992 | - | |
| Issuance of common stock for licensing rights | 14,000,000 | 74 | - | - | 2,099,926 | - | |
| Common stock issuable for licensing rights | - | - | 2,000,000 | 11 | 299,989 | - | |
| Shares cancelled on September 30, 2003 | (9,325,000) | (49) | - | - | 49 | - | |
| Net loss for the year | - | - | - | - | - | - | |
| Balance, December 31, 2003 | 24,743,750 | 131 | 2,000,000 | 11 | 3,530,108 | - | |
| Issuance of common stock for services: | | | | | | | |
| March 2004 | 1,652,300 | 9 | - | - | 991,371 | - | |
| May 2004 | 500,000 | 3 | - | - | 514,997 | - | |
| July 2004 | 159,756 | 1 | - | - | 119,694 | - | |
| August 2004 | 100,000 | 1 | - | - | 70,999 | - | |
| October 2004 | 732,400 | 4 | - | - | 479,996 | - | |
| November 2004 | 650,000 | 4 | - | - | 454,996 | - | |
| December 2004 | 255,000 | 1 | - | - | 164,425 | - | |
| Common stock issuable for AFGP license | - | - | 1,000,000 | 5 | 709,995 | - | |
| Common stock issuable for Recaf License | - | - | 400,000 | 2 | 223,998 | - | |
| Warrants granted (for 3,450,000 shares) for services, October 2004 | - | - | - | - | 1,716,253 | - | |
| Options granted for services, October 2004 | - | - | - | - | 212,734 | - | |
| Stock subscriptions receivable | - | - | 1,800,000 | 10 | 329,990 | (330,000) | |
| Warrants exercised: | | | | | | | |
| August 2004 | - | - | 50,000 | - | 15,000 | - | |
| October 2004 | - | - | 600,000 | 3 | 134,997 | - | |
| December 2004 | - | - | 1,000,000 | 5 | 224,995 | - | |
| Options exercised, December 2004 | - | - | 100,000 | 1 | 29,999 | - | |
| Net loss for the year | - | - | - | - | - | - | |
| Balance, December 31, 2004 | 28,793,206 | \$ 154 | 6,950,000 | \$ 37 | \$ 9,924,547 | \$ (330,000) | \$ (10) |

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

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

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

See Notes to Financial Statements

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

| | Common Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Received in Advance (Receivable) | |
|---|--------------|--------|--------------------|--------|----------------------------------|--|------|
| | Shares | Amount | Issuable Shares | Amount | | | |
| February 2006 private placement (issued June 2006) | 900,000 | \$ 5 | - | \$ - | \$ 352,142 | \$ - | \$ - |
| Warrants granted from private placement (450,000) | - | - | - | - | 97,853 | - | - |
| Issuance of common stock for Note payable conversion | 529,279 | 3 | - | - | 158,780 | - | - |
| Issuance of common stock for services: | | | | | | | |
| February/March 2006 services | - | - | 20,000 | 1 | 10,499 | - | - |
| March 2006 | 166,359 | 1 | (108,375) | (1) | 36,750 | - | - |
| April 2006 | (1,200,000) | (6) | - | - | 6 | - | - |
| May 2006 | 1,266,278 | 7 | (70,000) | (1) | 792,750 | - | - |
| June 2006 | 27,056 | - | 1,200,000 | 6 | 718,244 | - | - |
| July 2006 | 1,200,000 | 6 | (1,200,000) | (6) | - | - | - |
| August 2006 | 100,000 | 1 | - | - | 64,999 | - | - |
| September 2006 | 369,984 | 2 | (50,000) | - | 209,998 | - | - |
| November 2006 | 100,000 | 1 | - | - | 48,999 | - | - |
| December 2006 | 7,000 | - | - | - | 3,010 | - | - |
| Warrants issued (for 700,000 shares) for services | - | - | - | - | 58,658 | - | - |
| Net loss for the year | - | - | - | - | - | - | - |
| Balance, December 31, 2006 | 44,267,153 | 240 | 400,000 | 5 | 17,055,767 | - | - |
| Issuance of common stock for services: | | | | | | | |
| January 2007 | 218,834 | 1 | - | - | 119,999 | - | - |
| March 2007 | 104,652 | 1 | - | - | 44,999 | - | - |
| April 2007 | 187,500 | 1 | - | - | 74,999 | - | - |
| June 2007 | 112,500 | 1 | - | - | 44,999 | - | - |
| July 2007 | 291,812 | 2 | - | - | 112,998 | - | - |
| August 2007 | 860,000 | 5 | - | - | 257,995 | - | - |
| September 2007 | 1,516,275 | 8 | - | - | 457,492 | - | - |
| October 2007 | 250,000 | 1 | - | - | 37,499 | - | - |
| December 2007 | 535,716 | 1 | - | - | 74,999 | - | - |
| Warrants issued for services | - | - | - | - | 825,476 | - | - |
| Cancellation of issuable stock for Recaf License | - | - | (400,000) | (5) | - | - | - |
| Warrants exercised December 2007 | 100,000 | 1 | - | - | 43,999 | - | - |
| Issuable common stock from Private Placement | - | - | 1,190,000 | 6 | 172,494 | - | - |
| Net loss for the year | - | - | - | - | - | - | - |

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| | | | | | | |
|-----------------------------------|---------------|-----|--------------|---|------------------|------|
| Balance, December 31, 2007 | 48,444,442 \$ | 262 | 1,190,000 \$ | 6 | \$ 19,323,715 \$ | - \$ |
| See Notes to Financial Statements | | | | | | |

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

| | Common Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Received in Advance (Receivable) |
|---|--------------|--------|--------------------|--------|----------------------------------|--|
| | Shares | Amount | Issuable Shares | Amount | | |
| Issuance of common stock for services: | | | | | | |
| March 2008 | 369,346 | \$ 2 | - | \$ - | 133,867 | \$ - |
| May 2008 | 395,170 | 2 | - | - | 137,723 | - |
| July 2008 | 2,405,170 | 13 | - | - | 577,226 | - |
| September 2008 | 186,430 | 1 | - | - | 42,878 | - |
| October 2008 | 250,000 | 1 | - | - | 49,999 | - |
| November 2008 | 1,018,375 | 5 | - | - | 153,495 | - |
| Issuance of common stock for proceeds of | | | | | | |
| \$50,000 received in 2007 | 173,000 | 1 | - | - | (1) | - |
| Stock-based compensation expense related to | | | | | | |
| non-employee stock options | - | - | - | - | 82,214 | - |
| Warrants exercised: | | | | | | |
| September 2008 | 170,000 | 1 | - | - | 25,499 | - |
| November 2008 | 100,000 | 1 | - | - | 12,313 | - |
| December 2008 | 170,000 | 1 | - | - | 25,499 | - |
| Issuance of common stock from Private | | | | | | |
| Placement | 3,400,000 | 18 | (1,190,000) | (6) | 337,488 | - |
| Issuable common stock to Directors | - | - | 600,000 | 3 | 95,997 | - |
| Net loss for the year | | | | | | |
| | - | - | - | - | - | - |
| Balance, December 31, 2008 | | | | | | |
| | 57,081,933 | 308 | 600,000 | 3 | 20,997,912 | - |
| Issuance of common stock for services: | | | | | | |
| April 2009 | 1,200,000 | 6 | - | - | 134,680 | - |
| May 2009 | 500,000 | 3 | - | - | 49,997 | - |
| June 2009 | 300,000 | 3 | - | - | 26,997 | - |
| July 2009 | 1,324,500 | 8 | - | - | 235,402 | - |
| October 2009 | 5,050,000 | 27 | - | - | 379,973 | - |
| December 2009 | 756,000 | 4 | - | - | 60,476 | - |
| Issuance of common stock from Private | | | | | | |
| Placement | 750,000 | 4 | - | - | 74,996 | - |
| Stock subscription received in advance | - | - | - | - | - | 71,250 |
| Issuance of common stock to Directors | 1,850,000 | 9 | (600,000) | (3) | 124,994 | - |
| Net loss for the year | | | | | | |
| | - | - | - | - | - | - |
| Balance, December 31, 2009 | | | | | | |
| | 68,812,433 | \$ 372 | - | \$ - | 22,085,427 | \$ 71,250 |

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

| | Common Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Received in Advance (Receivable) | Deficit Accumulated During the Development Stage | To | |
|--|----------------|------------|--------------------|--------|----------------------------------|--|--|-----------------|-----------------|
| | Shares | Amount | Issuable Shares | Amount | | | | | |
| Issuance of common stock for services: | | | | | | | | | |
| January 2010 | 1,095,000 | \$ 6 | - | \$ - | 98,544 | \$ - | \$ - | 9 | |
| March 2010 | 600,000 | 5 | - | - | 47,995 | - | - | 4 | |
| April 2010 | 250,000 | 1 | - | - | 22,499 | - | - | 2 | |
| May 2010 | 922,000 | 5 | - | - | 82,975 | - | - | 8 | |
| June 2010 | 200,000 | 1 | - | - | 21,999 | - | - | 2 | |
| July 2010 | 850,000 | 4 | - | - | 82,996 | - | - | 8 | |
| August 2010 | 300,000 | 2 | - | - | 23,998 | - | - | 2 | |
| September 2010 | 6,250,000 | 34 | - | - | 437,466 | - | - | 43 | |
| October 2010 | 250,000 | 1 | - | - | 17,499 | - | - | 1 | |
| December 2010 | 583,000 | 3 | - | - | 34,977 | - | - | 3 | |
| Issuance of common stock from Private | | | | | | | | | |
| Placement | January | | | | | | | | |
| 2010 | | 1,250,000 | 7 | - | - | 124,993 | (71,250) | - | 5 |
| | September | | | | | | | | |
| 2010 | | 750,000 | 4 | - | - | 74,996 | - | - | 7 |
| Issuance of common stock to settle short term loan | | | | | | | | | |
| | September 2010 | 250,000 | 1 | - | - | 24,999 | - | - | 2 |
| Issuance of common stock to Directors | | | | | | | | | |
| | | 1,350,000 | 6 | - | - | 94,494 | - | - | 9 |
| Stock subscriptions received in advance | | | | | | | | | |
| | | - | - | - | - | - | 50,000 | - | 5 |
| Net loss for the year | | | | | | | | | |
| | | - | - | - | - | - | - | (1,388,772) | (1,388,772) |
| Balance, December 31, 2010 | | | | | | | | | |
| | | 83,712,433 | \$ 452 | - | \$ - | 23,275,857 | \$ 50,000 | \$ (23,794,731) | \$ (46,261,602) |

See Notes to Financial Statements

PROTOKINETIX, INC.
STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(Continued)

For the Period from December 23, 1999 (Date of Inception) to December 31, 2011

| | Common Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Received in Advance (Receivable) | Deficit Accumulated During the Development Stage | Total |
|---|--------------|--------|--------------------|--------|----------------------------------|--|--|---------|
| | Shares | Amount | Issuable Shares | Amount | | | | |
| Issuance of common stock for services: | | | | | | | | |
| March 2011 | 550,000 | \$ 3 | - | \$ - | 32,997 | \$ - | \$ - | 33,000 |
| June 2011 | 250,000 | 1 | - | - | 7,499 | - | - | 7,500 |
| July 2011 | 200,000 | 1 | - | - | 5,999 | - | - | 6,000 |
| September 2011 | 750,000 | 3 | - | - | 22,497 | - | - | 22,500 |
| October 2011 | 500,000 | 2 | - | - | 14,998 | - | - | 15,000 |
| December 2011 | 20,400,000 | 113 | - | - | 407,887 | - | - | 408,000 |
| Issuance of common stock from Private | | | | | | | | |
| Placement | 750,000 | 3 | - | - | 74,997 | (75,000) | - | - |
| Issuance of common stock to settle convertible debt | 9,000,000 | 48 | - | - | 629,952 | - | - | 630,000 |
| Issuance of common stock to Directors | 3,400,000 | 17 | - | - | 67,983 | - | - | 68,000 |
| Stock subscriptions received in | - | - | - | - | - | 50,000 | - | 50,000 |

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advance

| | | | | | | | | |
|--------------------------|---|---|---|---|---|---|-------------|-------------|
| Net loss for the year | - | - | - | - | - | - | (1,231,933) | (1,231,933) |
|--------------------------|---|---|---|---|---|---|-------------|-------------|

| | | | | | | | | |
|----------------------------------|----------------|-----|------|------|---------------|-----------|----------------|-----------|
| Balance, December 31, 2011 | 119,512,433 \$ | 643 | - \$ | - \$ | 24,540,666 \$ | 25,000 \$ | (25,026,664)\$ | (460,355) |
|----------------------------------|----------------|-----|------|------|---------------|-----------|----------------|-----------|

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010, and for the Period from
December 23, 1999 (Date of Inception) to December 31, 2011

| | 2011 | 2010 | Cumulative During the Development Stage |
|--|----------------|----------------|--|
| Cash Flows from Operating Activities | | | |
| Net loss for period | \$ (1,231,933) | \$ (1,388,772) | \$ (25,026,664) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Depreciation expense | - | - | 3,388 |
| Write-off of accounts payable | - | (8,640) | (8,640) |
| Loss on settlement of debt | 330,000 | - | 330,000 |
| Issuance and amortization of common stock for services | 596,032 | 1,134,472 | 18,727,204 |
| Issuance and amortization of warrants for services | - | 26,897 | 2,629,730 |
| Issuance and amortization of stock options for services | - | - | 222,817 |
| Changes in operating assets and liabilities | | | |
| Accounts receivable | (6,528) | - | (6,528) |
| Prepaid expenses | - | (10,000) | 44,763 |
| Accounts payable | (84,206) | 131,167 | 162,031 |
| Net cash used in operating activities | (396,635) | (114,876) | (2,921,899) |
| Cash Flows from Investing Activities | | | |
| Purchase of computer equipment | - | - | (3,388) |
| Net cash used in investing activities | --- | ----- | (3,388) |
| Cash Flows from Financing Activities | | | |
| Short term loan | 36,735 | (72,250) | 36,735 |
| Warrants exercised | - | - | 812,314 |
| Stock options exercised | - | - | 100,500 |
| Issuance of common stock for cash | 75,000 | 128,750 | 1,355,250 |
| Share subscription received in advance | (25,000) | 50,000 | 25,000 |
| Loan proceeds | 300,000 | - | 600,000 |
| Net cash provided by financing activities | 386,735 | 106,500 | 2,929,799 |
| Net change in cash | (9,900) | (8,376) | 4,512 |
| Cash, beginning of period | 14,412 | 22,788 | - |
| Cash, end of period | \$ 4,512 | \$ 14,412 | \$ 4,512 |
| Cash paid for interest | \$ - | \$ - | \$ 50,222 |

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| | | | | | | |
|----------------------------|----|---|----|---|----|---|
| Cash paid for income taxes | \$ | - | \$ | - | \$ | - |
|----------------------------|----|---|----|---|----|---|

Supplementary information - Non-cash Transactions:

| | | | | | | |
|---|----|---------|----|---------|----|---------|
| Note payable converted to common stock | \$ | - | \$ | - | \$ | 350,457 |
| Common stock issued for prepaid consulting services | | 18,731 | | 430,510 | | 18,731 |
| Shares issued to settle debts | | - | | 25,000 | | 25,000 |
| Common stock issued to settle convertible debt | | 300,000 | | - | | 300,000 |

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

Note 1. Basis of Presentation Going Concern Uncertainties

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

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

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

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

As shown in the financial statements, the Company has not developed a commercially viable product, has not generated any significant revenue to date, and has incurred losses since inception, resulting in a net accumulated deficit at December 31, 2011. 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 in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and are expressed in U.S. dollars. The financial statements have been prepared under the guidelines of Accounting and Reporting by Development Stage Enterprises. A development stage enterprise is one in which planned principal operations have not commenced, or if its operations have commenced, there have been no significant revenues therefrom. As of December 31, 2011, we had not commenced our planned principal operations.

Use of Estimates

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

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

The Company measures the fair value of financial assets and liabilities based on the guidance of Fair Value Measurements which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted the policy for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The adoption of the provisions of this accounting policy did not materially impact the Company's financial position and results of operations.

The policy defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The policy also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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 input is used to measure cash. At December 31, 2011 there were no other assets or liabilities subject to additional disclosure.

Revenue Recognition

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

Income Taxes

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

Research and Development Costs

Research and development costs are expensed as incurred.

Earnings per Share and Potentially Dilutive Securities

Basic loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding in the period. The Company's stock split 1 for 75 on August 24, 2001. In April 2002, the Board of Directors approved a 2.5 for 1 split of the Company's stock. The accompanying financial statements are presented on a post-split basis. Diluted loss per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive securities. The effect of 11,080,000 outstanding warrants, 250,000 outstanding options and debt convertible into 1,200,000 common shares was not included in the computation of diluted earnings per share for all periods presented because it was anti-dilutive due to the Company's losses. Common stock issuable is considered outstanding as of the original approval date for purposes of earnings per share computations.

Share-Based Compensation

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

The Company accounts for stock-based compensation under "Share-Based Payment," 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 Company accounts for stock compensation arrangements with non-employees in accordance with FASB Codification 505 – 50 "Equity-Based Payments to Non-Employees", which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes valuation model and the compensation charges are amortized over the vesting period.

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

The company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on the financial position or results of operations.

Note 3. Accounts Receivable

The accounts receivable is refundable harmonized sales tax (HST) paid on purchases.

Note 4. Short Term Loan

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

Note 5. Convertible Note Payable

On July 1, 2007, the Company executed a loan agreement under which the Company issued to a corporation an 8% convertible promissory note in exchange for \$300,000. The note holder has the right to demand payment of outstanding principal and interest at any time with a 30-day grace period. The note is due and payable no later than June 30, 2012, and is convertible into shares of the Company's common stock at \$0.25 per share. No beneficial conversion feature was applicable to this convertible note. During the year, the note holder demanded the repayment of the loan in cash. The Company negotiated with the note holder who accepted 9 million common shares of the Company as consideration for the settlement of the loan. On January 26, 2011, the Company issued 9 million shares at \$0.07 per share to settle the convertible note. The fair value of the 9 million shares issued exceeds the loan principal by \$330,000, which is recorded as loss on settlement of loan.

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 has the right to demand payment of outstanding principal and interest at any time with a 30-day grace period. The note is due and payable no later than June 30, 2016, and is convertible into shares of the Company's common stock at \$0.025 per share. No beneficial conversion feature was applicable to this convertible note.

Note 6. Income Taxes

The Company is liable for taxes in the United States. As of December 31, 2011, the Company did not have any income for tax purposes and therefore, no tax liability or expense has been recorded in these financial statements.

The Company has tax losses of approximately \$25,000,000 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 \$8,500,000 (\$8,100,000 for 2010). 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 7. Share-Based Compensation

In 2003, the Company adopted its 2003 and 2004 Stock Incentive Plans. Each plan provides for the issuance of incentive and non-qualified shares of the Company's stock to officers, directors, employees, and non-employees. The Board of Directors determines the terms of the shares or options to be granted, including the number of shares or options, the exercise price, and the vesting schedule, if applicable. In 2010 and 2011, the Company issued common shares from both plans to non-employee consultants for services rendered as follows:

| 2010 | Number of Shares | Value per Share |
|-----------|---------------------|--------------------|
| January | 1,095,000 | \$ 0.09 |
| March | 600,000 | 0.08 |
| April | 250,000 | 0.09 |
| May | 922,000 | 0.09 |
| June | 200,000 | 0.11 |
| July | 850,000 | 0.10 |
| August | 300,000 | 0.08 |
| September | 6,250,000 | 0.07 |
| October | 250,000 | 0.07 |

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| | | |
|----------|------------|------|
| December | 583,000 | 0.06 |
| | 11,300,000 | |

| 2011 | Number of Shares | Value per Share |
|--------------------------|------------------|-----------------|
| March | 550,000 | \$ 0.06 |
| June | 250,000 | 0.03 |
| July | 200,000 | 0.03 |
| September | 500,000 | 0.03 |
| October | 750,000 | 0.03 |
| December | 20,400,000 | 0.02 |
| Total, December 31, 2011 | 22,650,000 | |

Note 8. Stock Options

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|--|-------------------|---------------------------------|---------------------------|
| Balance, December 31, 2009 | 250,000 | \$ 0.20 | |
| Granted | - | - | |
| Balance, December 31, 2010 and 2011 | 250,000 | \$ 0.20 | \$ - |
| Outstanding and exercisable at December 31, 2010 and 2011 | 250,000 | \$ 0.20 | \$ - |
| Weighted average fair value of options granted during the year | \$ Nil | | |

At December 31, 2011, the following stock options were outstanding and exercisable:

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

Note 9. Warrants

Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|----------------------------------|-----------------------|---------------------------------------|
| Balance, December 31, 2009 | 11,260,000 | \$ 0.37 |
| Issued | 2,250,000 | 0.10 |
| Expired | (2,430,000) | 0.23 |
| Balance, December 31, 2010 | 11,080,000 | 0.34 |
| Issued | - | - |
| Expired/Cancelled | (6,800,000) | 0.32 |
| Balance, December 31, 2011 | 4,280,000 | \$ 0.37 |
| Exercisable at December 31, 2011 | 4,280,000 | \$ 0.37 |

At December 31, 2011, the following warrants were outstanding:

| Number of Warrants | Exercise price | Expiry Date |
|--------------------|----------------|------------------|
| 950,000 | 0.50 | June 1, 2012 |
| 500,000 | 0.50 | July 12, 2012 |
| 1,300,000 | 0.50 | August 1, 2012 |
| 1,530,000 | 0.15 | February 9, 2013 |
| 4,280,000 | | |

During 2011, the Company issued nil (2010 2,250,000) warrants to purchase common stock at an exercise price of \$nil (2010 - \$0.10) per share pursuant to the terms of private placements closed that is issued to settle short-term loans during the year.

Note 10. Stockholders Deficiency

The Company is authorized to issue 200,000,000 shares of \$0.0000053 par value common stock. During the year the company increased its authorized shares from 100,000,000 to 200,000,000. 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, 2011.

During the year ended December 31, 2011, the Company

1. Issued 750,000 common shares in private placements for total proceeds of \$75,000.
2. Issued 9,000,000 common shares to settle the convertible debt of \$630,000.
3. Issued 26,050,000 shares for services with total valuation of \$560,000, of which \$545,000 was recorded in consulting and research and development expenses and \$15,000 in prepaid expenses which will be amortized through year 2012.
4. Issued 250,000 shares pursuant to issuable shares as of December 31, 2011.

During the year ended December 31, 2010, the Company:

- 1) Issued 2,000,000 units in private placements for total proceeds of \$200,000, each unit consists of one common share and a warrant to purchase one common share at \$0.10;
- 2) Issued 12,650,000 shares for services with total valuation of \$966,500, of which \$911,737 was recorded in consulting and research and development expenses and \$54,763 in prepaid expenses which will be amortized through year 2011.
- 3) Issued 250,000 units to settle debt of \$25,000. Each unit consists of one common share and a warrant to purchase one common share at \$0.10.

Note 11. Related Party Transactions

In 2011 the Company issued 3,400,000 shares to the directors for services performed during the year with a fair value of \$68,000 (2010 1,350,000 shares with a fair value of \$94,500).

Note 12. Subsequent Events

Subsequent to the year ended December 31, 2011, the Company plans to issue 5,000,000 common shares in private placements for proceeds of \$50,000 of which the Company has received \$25,000.

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

There have been no changes disagreements with our accountants since our formation that are required to be disclosed pursuant to Item 304(b) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Annual Report on Controls and Procedures

Management, including our principal executive officer and principal financial officer, has carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, and due to a lack of segregation of duties and lack of management override of controls, management has concluded that, during the period covered in this annual report, such internal controls and procedures were not effective at ensuring that information required to be disclosed in reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management, including our principal executive officer and principal financial officer, does not expect that internal controls and procedures will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are satisfied. Also, the design of a control system is subject to the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. We have performed additional analysis and other procedures in an effort to ensure the financial statements included in this annual report have been prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management's Annual Report on Internal Control Over Financial Reporting

Management, including our principal executive officer and principal accounting officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal accounting officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly specify the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Forward looking statements regarding the effectiveness of internal controls during future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Rule 13a-15(c) promulgated pursuant to the Exchange Act, our management, including our principal executive officer and principal accounting officer, evaluated the effectiveness of our internal control over financial reporting as December 31, 2011. Management's assessment was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control over Financial Reporting – Guidance for Smaller Public Companies. Management, including our principal executive officer and principal accounting officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, and concluded that it is not effective.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2011, 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, 2011, 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.

We intend to consider the results of our remediation efforts and related testing as part of our year-end 2012 assessment of the effectiveness of our internal control over financial reporting.

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, 2011, 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 March 11, 2012, the Company's current officers and directors consist of the following persons:

| Name | Age | Office | Since |
|----------------------------|------------|---|--------------|
| Ross L. Senior, LLB | 61 | Chairman of the Board, President, CEO and CFO | 2007 |
| Mr. Ian Gregory | 57 | Director | 2010 |
| Dr. Maximilien Arella, PhD | 56 | Director | 2007 |

Ross L. Senior, LLB

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

Ian T. Gregory, CA

Ian T. Gregory is one of our directors. Mr. Gregory is a chartered accountant who received his designation in 1980 while working at KPMG. Since 1980 he has worked in a financial management capacity for private companies in the real estate and venture capital fields, being based mainly in West Vancouver, British Columbia. He has extensive board experience with private companies he is involved with and also with not for profit organizations. His venture capital involvement is with both high tech and biotechnology companies ..

Dr. Maximilien Arella, PhD

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

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

Section 16(a) Beneficial Ownership Reporting Compliances

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, executive officers and holders of more than 10% of the Company's common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. The Company believes that during the year ended December 31, 2011, its officers, directors and holders of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements.

Code of Ethics

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

Identification of Audit Committee; Audit Committee Financial Expert

The Company currently does not have an audit committee and has not made a determination of whether there is a financial expert.

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, 2011, and 2010:

| Name and Position | Year | Annual Compensation | | | Long-Term Compensation Common Shares | | |
|--|------|---------------------|-------|---------------------------|---|---------------------------------------|------------------------|
| | | Salary | Bonus | Other Annual Compensation | Restricted Stock Awards (# of Shares) | Underlying Options Granted (# Shares) | All Other Compensation |
| Ross L. Senior, LLB <i>President, Chief Executive Officer and Chief Financial Officer</i> | 2011 | \$0 | -0- | -0- | 2,750,000 | ----- | -0- |
| | 2010 | 0 | -0- | -0- | 750,000 | ----- | -0- |
| Mr. Ian Gregory <i>Director</i> | 2011 | \$0 | -0- | -0- | 0 | ----- | -0- |
| | 2010 | 0 | -0- | -0- | 0 | ----- | -0- |
| Dr. Maximilien Arella <i>Director</i> | 2011 | \$0 | -0- | -0- | 650,000 | ----- | -0- |
| | 2010 | 0 | -0- | -0- | 250,000 | ----- | -0- |

Options/SAR Grants in the Last Fiscal Year

N/A

Chief Executives Officer's compensation

During fiscal year 2011, no compensation was issued to our Chief Executive Officer.

Compensation of Directors

Directors received 3,400,000 common shares valued at \$68,000 as remuneration for their services as directors during the fiscal year. The Company has adopted no retirement, pension, profit sharing or other similar programs.

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

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of December 31, 2011 based on information available to the Company by (i) each person who is known by the Company to own more than 5% of the outstanding Common Stock based upon reports filed by such persons within the Securities and Exchange Commission; (ii) each of the Company's directors; (iii) each of the Named Executive Officers; and (iv) all officers and directors of the Company as a group.

| Name and Address | Shares Beneficially Owned | Percent of Class |
|-------------------------------|----------------------------------|-------------------------|
| Ross L. Senior ⁽¹⁾ | 4,410,000 | 4.0% |
| Mr. Ian Gregory | 2,500,000 | Less than 3% |
| Dr. Maximilien Arella | 1,450,000 | Less than 2% |
| TOTAL | 8,360,000 | 7.0% |

⁽¹⁾ The address is 2225 Folkestone Way, West Vancouver, BC V7S 2Y6 Canada

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

N/A

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**Audit Fees**

For the years ended December 31, 2011 and 2010, Davidson & Company LLP, the Company's principal accountants billed the Company \$22,500 and \$22,500, respectively for fees for the audit of the Company's annual financial statements.

Audit-Related Fees

For the years ended December 31, 2011 and December 31, 2010 Davidson & Company LLP 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, 2011 and December 31, 2010, Davidson and Company LLP did not bill for professional services for tax compliance, tax advice, and tax planning.

All Other Fees

For the years ended December 31, 2011 and December 31, 2009, Davidson & Company LLP 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 year ended December 31, 2011, Davidson & Company LLP billed the Company \$18,000 and \$12,900 for fees for the review of the Company's quarterly financial statements.

Audit Committee Pre-Approval Policies

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

PART IV

ITEM 15. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

| Exhibit # | Description |
|-------------|---|
| 3.1(i) | Certificate of Incorporation filed as an exhibit to the Company's registration statement on Form 10-SB/A filed on July 24, 2001 and incorporated herein by reference. |
| 3.1(ii) | By-Laws filed as an exhibit to the Company's registration statement on Form 10-SB/A filed on July 24, 2001 and incorporated herein by reference. |
| 14.1 | ProtoKinetix, Inc. Code of Ethics filed as an exhibit to the Company's Form 10-K filed on April 13, 2006 and incorporated herein by reference. |
| <u>31.1</u> | <u>Rule 13a-12(a)/15d-14(a) Certification</u> |
| <u>32.1</u> | <u>Section 1350 Certification attached.</u> |

Signatures

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

PROTOKINETIX, INC.

/s/ Ross L. Senior

By: Ross L. Senior, LLP

Its: Chief Executive Officer and Chief Financial Officer

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

/s/ Ross L. Senior

By: Ross L. Senior, LLP

Its: Chief Executive Officer and Chief Financial Officer

/s/ Ian T. Gregory

By: Ian T. Gregory, CA

Its: Director

/s/ Maximilien Arella

By: Dr. Maximilien Arella, PhD

Its: Director
