

**U. S. 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, 2020

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

For the transition period from _____ to _____

Commission File Number: **000-32917**

PROTOKINETIX, INCORPORATED

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

Nevada

(State or other jurisdiction of
incorporation or organization)

94-3355026

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

412 Mulberry Street

Marietta, Ohio 45750

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

740-434-5041

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A		

Securities registered pursuant to Section 12(b) of the Act:

\$.0000053 par value common stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: ☐ Yes

☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: ☐

Yes ☒ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$19,580,600 based upon the closing price of our common stock which was \$0.10 as of June 30, 2020, the last business day of the Company’s most recently completed second fiscal quarter. Shares of common stock held by each officer and director and by each person or group who owns 10% or more of the outstanding common stock amounting to shares have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 5, 2021, there were 289,483,643 shares of our common stock that were issued and outstanding.

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PART I

ITEM 1. BUSINESS

ProtoKinetix, Incorporated (“ProtoKinetix,” “we,” “us,” “our,” or the “Company”) is a research and development stage biotechnology company focused on scientific medical research of AFGPs (Anti-Freeze Glycoproteins) or anti-aging glycoproteins, trademarked as AAGPs[®]. The Company has recently been in the process of directing major efforts to the practical side of commercial validation. The commercial applications for AAGPs[®] in large markets such as targeted health care solutions are numerous, and ProtoKinetix is currently working with researchers, business leaders and advisors and commercial entities to bring AAGP[®] to market.

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

The Company’s executive (or corporate) offices are located at 412 Mulberry Street, Marietta, Ohio 45750. Our telephone number is (740) 434-5041 and our website is www.protokinetix.com.

Cautionary Note Regarding Forward-Looking Statements

The information discussed in this Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as well as some statements in press releases and some oral statements of the Company’s officers during presentations about the Company include “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). All statements, other than statements of historical facts, included herein and therein concerning, among other things, planned capital expenditures, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward looking statements. These forward looking statements are identified by their use of terms and phrases such as “may,” “expect,” “estimate,” “project,” “plan,” “believe,” “intend,” “achievable,” “anticipate,” “will,” “continue,” “potential,” “should,” “could,” and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties and are not (and should not be considered to be) guarantees of future performance. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, among others:

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

stock; and our common stock's limited trading history.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in the section entitled “Risk Factors” included elsewhere in this Annual Report. All forward looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section and elsewhere in this Annual Report. Other than as required under securities laws, we do not assume a duty to update these forward looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Recent Developments

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

As of the date of this filing, the Company has regained a significant portion of its operational capacity and we continue to move forward with our research goals. Our supply of the patented AAGP® molecule has been manufactured and stored in the United States and we have adequate inventory to carry out the projects currently underway. In the last year, the Company engaged contract research organizations (CROs) located in both the United States and Canada. The CROs contracted by the Company for research projects have been able to meet milestone goals without disruption due to the pandemic.

In January of 2020, Protokinetix signed a master supply agreement with University of Alberta that clears the way for testing of additional patients in the Phase I clinical trials. The global pandemic halted all work on clinical trials and research testing for most of 2020. We anticipate continuation of the Phase I trials in 2021 but cannot confidently predict a start date. We cannot predict future disruptions to the Company which may occur due to the spread of COVID-19. We continue to monitor the status of the pandemic and will adjust our strategy accordingly in order to mitigate the impact on our research projects.

Research and Development

Our business depends on our ability to sponsor research and development activities. For the year ended December 31, 2019, the Company incurred total research and development expenses of \$369,520. For the year ended December 31, 2020, the Company incurred total research and development expenses of \$527,921. In order to reach the Company’s goals of developing a marketable product, we will need to increase the funding of our research and development activities which at this time is limited by our ability to raise money to fund the Company.

ITEM 1A. RISK FACTORS

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

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

We face significant business disruption and related risks resulting from the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations.

The ongoing and developing COVID-19 pandemic has caused a broad impact globally. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, any resulting recession or economic slowdown will have a negative impact on our business and results of operations.

As of the date of this filing, the Company has regained a significant portion of its operational capacity and we continue to move forward with our research goals. Our supply of the patented AAGP® molecule has been manufactured and stored in the United States and we have adequate inventory to carry out the projects currently underway. The Company engages contract research organizations (CROs) located in both the United States and Canada. The CROs contracted by the Company for research projects have been able to meet milestone goals without disruption due to the pandemic. Clinical trials in Edmonton, Canada, under the supervision of Dr. Shapiro, were stalled in 2020 due to covid-19 but expected to restart in 2021. As of this date we do not have a definitive timeline. We cannot predict future disruptions to the Company which may occur due to the spread of COVID-19. We continue to monitor the status of the pandemic and will adjust our strategy accordingly in order to mitigate the impact on our research projects.

In addition, any significant disruption of global financial markets, reducing our ability to access capital, could negatively affect our liquidity and ability to continue operations. The exact impact is and will remain unknown and largely dependent upon future developments, including but not limited to information on the duration and spread of COVID-19, changes in customer demand, additional mitigation strategies proposed by governmental authorities (including federal, state, or local stay at home or similar orders), restrictions on the activities of our domestic and international suppliers and shipment of goods.

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

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

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

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

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

We are a research and product development stage company that has not yet developed or sold any products. To date, we have not yet developed nor marketed a product. Ongoing testing of the AAGP[®] molecule with three amino acids joined to a monosaccharide by a gemdifluoride bond continues to show that there is significant promise in the field of medicine of preserving cells, tissue and organs from various stresses. Tests have confirmed that the AAGP[®] molecule improves the harvest of cells from cryopreservation by 30% to 120%. We believe there is a market for AAGP[®] to preserve cells, particularly various stem cells, and we will continue testing with potential customers. At the same time, we are taking steps to improve the manufacturing process to reduce costs and improve purity and biochemical activity.

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

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

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

Risks Related to Product Development and Regulation

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

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

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

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

Risk Factors Related to Intellectual Property and Obsolescence

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

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

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

Our competitive position could be harmed if we are unable to enforce confidentiality agreements. Our proprietary information is critically important to our competitive position and is a significant aspect of our business plan. We generally enter into confidentiality agreements with most of our employees and consultants, and control access to, and distribution of, our documentation and other proprietary information. Despite these precautions, we cannot assure you that these strategies will be adequate to prevent misappropriation of our proprietary information. Therefore, we could be required to expend significant amounts to defend our rights to proprietary information in the future if a breach were to occur.

General Corporate Risk Factors

Insiders continue to have substantial control over the Company. As of February 22, 2020, the Company's directors and executive officers hold the current right to vote approximately 28.6% of the Company's outstanding voting stock; of which 22.1% is owned or controlled, directly or indirectly by the Company CEO, Clarence Smith. In addition, the Company's directors and executive officers have the right to acquire additional shares which could increase their voting percentage significantly. As a result, Mr. Smith acting alone, and/or many of these individuals acting together, may have the ability to exert significant control over the Company's decisions and control the management and affairs of the Company, and also to determine the outcome of matters submitted to stockholders for approval, including the election and removal of a director, the removal of any officer and any merger, consolidation or sale of all or substantially all of the Company's assets. Accordingly, this concentration of ownership may harm a future market price of the Company's common stock by:

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

The Company may not be able to continue as a going concern. Our independent public accountants noted that our recurring losses from operations (\$7,644,490 and \$4,197,897 for the years ended December 31, 2020 and 2019, respectively) and negative net operating cash flow (\$881,308 and \$850,658 for the years ended December 31, 2020 and 2019, respectively) raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available.

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

The Company has been delinquent in filing certain income tax and information reporting returns. The Company was delinquent in filing certain income tax returns with the U.S. Internal Revenue Service and reports disclosing its interest in foreign bank accounts on form TDF 90-22.1, "Report of Foreign Bank and Financial Accounts" ("FBARs"). In September 2015, the Company filed the delinquent income tax returns and has sought waivers of any penalties under the IRS Offshore Voluntary Disclosure Program for late filing of the returns and FBARs. Under the program, the IRS has indicated that it will not impose a penalty for the failure to file delinquent income tax returns if there are no underreported tax liabilities. On November 30, 2017, the Company received a letter from the IRS concluding their review of the Company's tax returns under the program and accepting the returns as filed. No penalties have been assessed by the IRS to date, and management does not believe that the Company will incur any penalties relating to the tax years submitted under the program.

Our management is relatively inexperienced with running a public company and could create a risk of non-compliance.

Management's inexperience may cause us to fall out of compliance with applicable regulatory requirements, which could lead to enforcement action against us and a negative impact on our stock price.

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

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

Risk Factors Related to Our Common Stock

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

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

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

As our stock is not listed on a national securities exchange, trading in our shares will be subject to rules governing “penny stocks,” which will impair trading activity in our shares. Our stock is not on a national securities exchange. Therefore, our stock is subject to rules adopted by the SEC regulating broker dealer practices in connection with transactions in “penny stocks.” Those disclosure rules applicable to “penny stocks” require a broker dealer, prior to a transaction in a “penny stock” not otherwise exempt from the rules, to deliver a standardized list disclosure document prepared by the SEC. That disclosure document advises an investor that investment in “penny stocks” can be very risky and that the investor’s salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in “penny stocks,” to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the “penny stock” is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company’s principal executive office, for all operations, is located at 412 Mulberry Street, Marietta, Ohio 45750. The Company currently does not have a lease for its principal executive office but rents month to month. A lease on the space is held by the CFO’s, company, The Guzzetta Company LLC. The Company pays \$1,050 per month for the office. ProtoKinetix does not own any real property.

ITEM 3. LEGAL PROCEEDINGS

The Company and its management are not aware of any regulatory or legal proceedings or investigations pending involving the Company, any of its subsidiaries or affiliates, or any of their respective officers, directors or employees.

ITEM 4. MINE SAFETY MATTERS

Not applicable.

PART II

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

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

2020	Low	High
First Quarter	\$ 0.100	\$ 0.213
Second Quarter	0.058	0.319
Third Quarter	0.080	0.289
Fourth Quarter	0.081	0.143
2019	Low	High
First Quarter	\$ 0.050	\$ 0.088
Second Quarter	0.058	0.319
Third Quarter	0.080	0.289
Fourth Quarter	0.081	0.143

Holders

As of March 5, 2021, there were approximately 103 shareholders of record of the Company's common stock. This does not include an indeterminate number of persons who hold our Common Stock in brokerage accounts and otherwise in "street name."

Dividends

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

Adoption of the 2015 Stock Option and Stock Bonus Plan

On July 1, 2015, the Board of Directors of the Company adopted the 2015 Stock Option and Stock Bonus Plan (the "2015 Plan").

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

As of both December 31, 2020 and March 5, 2021, no options and 2,000,000 shares of fully vested common stock remained as granted under the 2015 Plan.

Adoption and Amendment of the 2017 Stock Option and Stock Bonus Plan

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

On November 9, 2018, the Board amended the 2017 Stock Option and Stock Bonus Plan to increase the aggregate number of shares that may be issued under the 2017 Plan from 30,000,000 to 50,000,000 shares subject to adjustment as provided therein to continue to incentivize contractors and future employees (if any) of the Company (the amended 2017 Plan is hereinafter referred to as the “Amended 2017 Plan”). On July 15, 2019, the Board again amended the Amended 2017 Plan to increase the aggregate number of shares that may be issued under the 2017 Plan from 50,000,000 to 89,700,000 shares. On April 6, 2020, the Board approved an amendment to the 2017 Plan to reduce the number of shares of common stock of the Company available for issuance pursuant to the 2017 Plan from 89,700,000 shares to 85,700,000 shares.

The Amended 2017 Plan also provides for the ability of the Board to extend the exercise period of an option and provides for flexibility in the event of a change in control of the Company or consolidation or merger.

The Amended 2017 Plan is administered by the Board, or a committee appointed by the Board. In addition to determining who will be granted options or bonuses, the committee has the authority and discretion to determine when options and bonuses will be granted and the number of options and bonuses to be granted. The committee also may determine a vesting and/or forfeiture schedule for bonuses and/or options granted, the time or times when each option becomes exercisable, the duration of the exercise period for options and the form or forms of the agreements, certificates or other instruments evidencing grants made under the Amended 2017 Plan. The committee may determine the purchase price of the shares of common stock covered by each option and determine the fair market value per share. The committee also may impose additional conditions or restrictions not inconsistent with the provisions of the Amended 2017 Plan. The committee may adopt, amend and rescind such rules and regulations as in its opinion may be advisable for the administration of the Amended 2017 Plan.

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

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

In the event of a change, such as a stock split, is made in the Company's capitalization which results in an exchange or other adjustment of each share of common stock for or into a greater or lesser number of shares, appropriate adjustments will be made to unvested bonuses and in the exercise price and in the number of shares subject to each outstanding option. The committee also may make provisions for adjusting the number of bonuses or underlying outstanding options in the event the Company effects one or more reorganizations, recapitalizations, rights offerings, or other increases or reductions of shares of its outstanding common stock. Options and bonuses may provide that in the event of the dissolution or liquidation of ProtoKinetix, a corporate separation or division or the merger or consolidation of ProtoKinetix, the holder may exercise the option on such terms as it may have been exercised immediately prior to such dissolution, corporate separation or division or merger or consolidation; or in the alternative, the committee may provide that each option granted under the 2017 Plan shall terminate as of a date fixed by the committee.

The exercise price of any option granted under the Amended 2017 Plan must be no less than 100% of the "fair market value" of ProtoKinetix's common stock on the date of grant. Any incentive stock option granted under the Amended 2017 Plan to a person owning more than 10% of the total combined voting power of the common stock must be at a price of no less than 110% of the fair market value per share on the date of grant.

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

As of both December 31, 2020 and March 5, 2021, 81,050,000 options remain as granted under the Amended 2017 Plan.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth securities authorized for issuance under equity compensation plans, including but not limited to the the Amended 2017 Plan and individual compensation arrangements as of December 31, 2020:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	82,650,000	\$ 0.15	250,000
Total	82,650,000	\$ 0.15	250,000

During the year ended December 31, 2020, warrants to purchase 10,326,857 shares of common stock of the Company were outstanding (see Note 8 of the notes to the financial statements). As of the year ended December 31, 2020, there were warrants and options outstanding representing a total of 10,326,857 and 82,650,000 shares of common stock respectively to be issued upon exercise, of which: (i) options to purchase no shares of common stock were outstanding under the 2015 Plan; (ii) options to purchase 82,650,000 shares of common stock were outstanding under the Amended 2017 Plan; and (iii) warrants outstanding to purchase 10,326,857 shares of common stock not pursuant to any plan.

To management's knowledge, there are no outstanding options, warrants or other rights to acquire the common stock of the Company that were issued pursuant to the Company's 2003, 2004 or 2005 Stock Incentive Plans (the "Old Plans") for the year ended December 31, 2020. To management's knowledge, the Old Plans have expired and terminated.

Recent Sales of Unregistered Securities and Use of Proceeds

On February 25, 2020, an option to purchase 2,000,000 shares of the Company's common stock held by a former officer of the Company expired. This option was not granted pursuant to any stock option plan.

On March 25, 2020, the Board cancelled 27,000,000 options issued pursuant to the 2017 Plan, of which 15,000,000 were held by the Company's CEO, 2,000,000 held by a director of the Company, and 10,000,000 held by a consultant. On March 26, 2020, the Board granted 22,000,000 new stock options (10,000,000 to the Company's CEO, 2,000,000 to one of the directors, and 10,000,000 to the consultant) with a term of six years and exercisable at a price of \$0.14 per share, expiring on March 25, 2026.

Between April 13, 2020 and May 29, 2020, the Company issued 2,222,222 shares of common stock at a price of \$0.09 per share for gross proceeds of \$200,000 to accredited investors (one of which was Clarence E. Smith, CEO of the Company). No solicitation was used in this offering. For both sales of securities, the Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with this issuance of securities. A Form D was filed on April 23, 2020 and a second Form D was filed on June 2, 2020.

Between July 20, 2020 and July 27, 2020, the Company sold 320,513 shares of common stock at a price per share of \$0.078 for gross proceeds of \$25,000 to accredited investors in a private placement. No solicitation was used in the offering. The Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with these issuances of securities. A Form D was filed on August 4, 2020.

Between August 4, 2020 and September 9, 2020, the Company sold 3,653,077 shares of common stock of the Company at a price per share of \$0.065 for gross proceeds of \$237,450 to accredited investors in a private placement, of which the Company's President and CEO purchased 1,000,000 shares for gross proceeds of \$65,000. No solicitation was used in the offering. The Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with these issuances of securities. A Form D was filed on August 13, 2020 and an amended Form D was filed on September 1, 2020.

Between November 5, 2020 and December 4, 2020, the Company sold 2,532,143 shares of common stock at \$0.07 per share for gross proceeds of \$177,250 to accredited investors (one of which was the Company's President & CEO, Clarence E. Smith) in a private placement. No solicitation was used in the offering. The Company relied on the exemption from registration available under Section 4(a)(2) of the 1933 Act and Rule 506(b) of Regulation D promulgated under the 1933 Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with these issuances of securities. A Form D was filed on November 27, 2020, an amended Form D was filed on each of December 14, 2020.

Between December 23, 2020 and December 30, 2020, the Company sold 1,826,857 Units (each Unit comprised of one common share and one warrant to purchase one common share at \$0.07) for gross proceeds of \$127,880 to accredited investors in a private placement. The warrants were immediately vested and expire one year from the date of issuance. No solicitation was used in the offering. The Company relied on the exemption from registration available under Section 4(a)(2) of the 1933 Act and Rule 506(b) of Regulation D promulgated under the 1933 Act with respect to transactions by an issuer not involving any public offering. No commissions were paid in connection with these issuances of securities. A Form D was filed on November 27, 2020, and an amended Form D was filed on December 14, 2020.

ITEM 6. SELECTED FINANCIAL DATA

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

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

The following discussion provides information regarding the results of operations for the years ended December 31, 2020 and 2019, and our financial condition, liquidity and capital resources as of December 31, 2020 and 2019. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

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

Results of Operations

	For the Years Ended	
	2020	2019
Operating Expenses		
Amortization	\$ 3,000	\$ 3,000
General and Administrative	208,967	280,438
Professional Fees	164,489	149,619
Research and Development	527,291	369,520
Share-Based Compensation	6,740,743	3,395,319
Total operating expenses	7,644,490	4,197,897
Loss from Operations	(7,644,490)	(4,197,897)
Other Income		
Gain on Settlement of Short-Term Loans	—	—
Total other income	—	—
Net Loss	\$ (7,644,490)	\$ (4,197,897)

Revenues

We had no revenues for the years ended December 31, 2020 and 2019.

Gross profit and expenses

The Company's net loss was \$7,644,490 for the year ending December 31, 2020 compared to \$4,197,897 for the year ending December 31, 2019. These expenses were primarily incurred for professional fees, share-based compensation related to the operations of the Company's business, research and development and other general and administrative expenses. Significant changes from the prior year include:

- Professional fees increased by \$14,870, year over year going to \$164,489 from \$149,619 as legal and auditing fees each contributed to the increase, while accounting activity remained unchanged over prior year totals.
- Share-based compensation increased sharply by \$3,345,424 from \$3,395,319 to \$6,740,743 primarily as a result of the sharp increase of stock price at grant date of certain options and a change in accounting based on new FASB guidance for valuation of share-based payments to non-employees. Additionally, stock options were granted to two additional consultants in the last quarter of 2020.
- Research and development increased by \$157,771 from \$369,520 to \$527,291 primarily as a result of management's current year investment in further testing and development of the AAGP[®] molecule and expanded study lines. In 2020 new studies included pilot tolerability test for topical ocular application and dose and time-dependent effect studies for dry-eye disease
- General and administrative expenses decreased by \$71,471 from \$280,438 to \$208,967 due to the disengagement of two investor relations firms and the reduction in spending on marketing firms. In 2019 significant spending went to website development and expanding digital marketing through social media applications.

Our expenses in 2020 were \$7,644,490 which included \$164,489 in professional fees. We operate the Company by hiring outside consultants to assist us with management, strategic planning, organization and daily operations. This resulted in \$6,740,743 in share-based compensation recognized based on the fair value of equity instruments granted as compensation. These professional consulting services related to marketing and accounting, capitalization and merger opportunities as well as research development services. The Company also incurred total research and development expenses of \$527,291 and general and administrative costs of \$208,967 during the year ended December 31, 2020.

Liquidity and Capital Resources

	As at	
	December 31,	
	2020	2019
Cash	\$ 193,445	\$ 377,349
Working Capital	\$ 149,536	\$ 352,879

At December 31, 2020, we had \$193,445 in cash and \$194,495 in total current assets. As of December 31, 2019, we had a working capital equity position of \$352,879. Although as of the date of this Annual Report we believe we have sufficient capital to meet cash flow projections and carry forward our business objectives in the short-term, the Company needs additional working capital to continue its medical research or to be successful in any future business activities and continue to pay its liabilities. There can be no assurance that in the future we will be able to raise capital from outside sources in sufficient amounts to fund our business.

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

Sources and Uses of Cash for the Years ended December 31, 2020 and 2019

Net Cash Used in Operating Activities

During the year ended December 31, 2020, net cash used in operating activities increased \$30,650 from \$850,658 to \$881,308 for the years ended December 31, 2019 and 2020, respectively. This increase was predominantly due to the increased spending on research and development. Additionally, a reduction to marketing and public relations spending year-over-year kept the change in operating expenses lower than in previous year's operations.

Net Cash Used in Investing Activities

During the year ended December 31, 2020, net cash used in investing activities increased by \$45,156 primarily due to the increase in patent application spending. Net cash from investing activities for the year ended December 31, 2019 was \$25,022. Net cash used for investing activities for the year ended December 31, 2020 was \$70,178.

Net Cash Provided by Financing Activities

During the year ended December 31, 2020, net cash provided by financing activities decreased by \$349,419 from \$1,117,000 to \$767,581 for the years ended December 31, 2019 and 2020, respectively. This increase was predominantly due to a reduction in private placements completed.

Going Concern

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

Off-Balance Sheet Arrangements

None.

Contractual Obligations

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

Critical Accounting Policies

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

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

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

Share-Based Compensation

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

The Company accounts for stock compensation with persons classified as employees for accounting purposes in accordance with ASC 718 "Compensation – Stock Compensation", which recognizes awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. Cliff Vesting is used and awards vest on the last day of the vesting period. The fair value of stock options is determined using the Black-Scholes Option Pricing Model. The fair value of common shares issued for services is determined based on the Company's stock price on the date of issuance.

Share-based compensation for non-employees in exchange for goods and services used or consumed in an entity's own operations are also recorded at fair value on the measurement date and accounted for in accordance with ASC 718. The measurement of share-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes Option Pricing Model and the compensation charges are amortized over the vesting period.

Intangible Assets – Patent and Patent Application Costs

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

As at December 31, 2020, the Company does not hold any intangible assets with indefinite lives.

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the Company's patents, whereas no amortization has been recognized on the patent application costs as at December 31, 2020.

Sales and Marketing

The Company is currently not selling or marketing any products.

Inflation

Although management expects that our operations will be influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the year ending December 31, 2020.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Our management, under the direction of our Chief Executive Officer (who is our principal executive officer), and Chief Financial Officer (who is our principal accounting officer) has evaluated the effectiveness of our disclosure controls and procedures as required by 1934 Act Rule 13a-15(b) as of December 31, 2020 (the end of the period covered by this report). Based on that evaluation, our principal executive officer and our principal accounting officer concluded that these disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure and are not effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

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

Management's Annual Report on Internal Control Over Financial Reporting

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

Internal Control Over Financial Reporting

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

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with proper authorizations of management and our directors; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition

of the Company's assets that could have a material effect on the financial statements.

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

As of December 31, 2020, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) conducted an evaluation of the effectiveness of the Company's ICFR based on the framework set forth in Internal Control--Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and SEC guidance on conducting such assessments by smaller reporting companies and non-accelerated filers. Based on that assessment, management (with the participation of the Chief Executive Officer and the Chief Financial Officer) concluded that, during the period covered by this report, such internal controls and procedures were not effective as of December 31, 2020.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2020, 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, 2020, we used outside services to perform all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual financial statements that would not be prevented or detected.

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

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies provided that we have the resources to implement them.

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

There was no change in our internal control over financial reporting that occurred during the year ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Between January 1, 2021 and March 5, 2021, the Company sold 3,528,572 Units (each Unit comprised of one common share and one warrant to purchase one common share at \$0.07) for gross proceeds of \$247,000 to accredited investors in a private placement. The warrants were immediately vested and expire one year from the date of issuance. No solicitation was used in the offering. The Company relied on the exemption from registration available under Section 4(a)(2) of the 1933 Act and Rule 506(b) of Regulation D promulgated under the 1933 Act with respect to transactions by an issuer not involving any public

offering. No commissions were paid in connection with these issuances of securities. A Form D was filed on January 19, 2021 and an amended Form D was filed with the SEC on March 1, 2021.

On January 14, 2021, the Board canceled 1,600,000 options issued to vendors pursuant to the 2017 Plan.

PART III

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

As of March 5, 2021, the Company's current officers and directors consist of the following persons:

Name	Age	Title	Year Appointed
Clarence E. Smith	57	Chairman, Chief Executive Officer, President Director	February 2015 June 2014
Michael R. Guzzetta	63	Chief Financial Officer	November 2017
Edward P. McDonough	68	Director	July 2015

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

Michael R. Guzzetta was appointed Chief Financial Officer of the Company on November 14, 2017. Mr. Guzzetta is a Certified Public Accountant with a practice located in Central & Northeast Ohio providing services including business and individual taxation, non-profit accounting, corporate policy and procedure development, business organization and consulting. Prior to opening his practice, he spent 20 years in corporate management in the communications and energy industries. Between 2014 and 2015, Mr. Guzzetta served as Treasurer and principal financial officer of Trans Energy Inc., a publicly traded energy company, where his responsibilities included corporate banking, risk management, maintaining fiscal control, budgeting, taxation and SEC reporting. His prior positions include Midwest Region Business Manager for a Fortune 100 company and Controller for an energy marketing company. Mr. Guzzetta also served as an Adjunct Professor at Stark State College and taught courses in accounting, finance, business management, and economics. He is a graduate of Walsh University where he graduated Magna Cum Laude with a BA in Accounting. He earned his MBA from Capital University in Columbus, Ohio. Mr. Guzzetta has been a past member of both the Ohio Society of Certified Public Accountants and the American Institute of Certified Public Accountants. He has served on the boards of the Canton Ballet, the ALS CARE Project and the Finance Committee of Stark County Board of Developmental Disabilities.

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

acquired his Bachelor of Science in Business Administration with a Major in Accounting at West Virginia University in Morgantown, West Virginia in 1973.

Family Relationships

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

Term of Office

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

Involvement in Legal Proceedings

See Item 3—Legal Proceedings.

Corporate Governance

Code of Ethics

On July 8, 2019, the Board adopted a new Code of Business Conduct and Ethics and Whistleblower Policy (“Code of Ethics”) which replaced in its entirety the Company’s prior code of ethics. The Code of Ethics applies to all directors, officers, employees and consultants of the Company and amends and restates the Company’s prior code of ethics to update certain provisions for business and regulatory developments and to provide additional guidance and greater detail on certain issues such as conflicts of interest, reporting illegal or unethical behavior, confidentiality and use of the Company’s assets, and hedging of Company securities. The Board also approved an insider trading policy, related party transactions policy, and policy on trading blackout periods, benefit plans and SEC reporting.

Committees of the Board of Directors

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

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

Independent Directors

The Board of Directors has determined that Mr. McDonough is the only independent member of the Board of Directors of the Company pursuant to SEC Rule 10A-3(b)(1).

Business and Scientific Advisory Board

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

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

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

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires the Company’s directors, executive officers and holders of more than 10% of the Company’s common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 and any amendments thereto filed with the Securities and Exchange Commission and stockholder reports from our transfer agent and written representations that no other reports were required, during the fiscal year ended December 31, 2020 our officers, directors and 10% or more stockholders complied with all Section 16(a) filing requirements applicable to them except that: Mr. Smith filed one Form 4 late representing one transaction not reported on a timely basis.

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, 2020 and 2019:

Summary Compensation Table for Executive Officers

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards(1) (\$)	Non-equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Clarence E. Smith President & CEO	2020	-	-	-	1,920,866	-	-	-	1,920,866
	2019	-	-	-	941,688	-	-	-	941,688
Michael R Guzzetta Chief Financial Officer	2020	60,000	-	-	871,461	-	-	-	931,461
	2019	60,000	-	-	515,147	-	-	-	575,147

- (1) Represents the grant date full fair value of compensation costs of stock options granted during the respective year for financial statement reporting purposes, using the Black-Scholes option pricing model. Assumptions used in the calculation of these amounts are included in the Company’s consolidated financial statements. Refer to the Outstanding Equity Awards at Fiscal Year End schedule regarding option details on an award-by-award basis.

Consulting Agreements

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

Clarence E. Smith – Mr. Smith is Chief Executive Officer and President of the Company. He entered into a consulting agreement with the Company dated December 30, 2016 (effective January 1, 2017) (the “2017 Smith Agreement”).

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

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

- A termination without cause: If Mr. Smith is terminated without cause he will be entitled to a termination fee of \$100,000 per year of service (including the pro-rata amount for partial years of service);
- A termination upon a change of control event: Following a change of control event he will be entitled to a termination fee equal to \$100,000 per year of service (including the pro-rata amount for partial years of service) plus 2.5% of the aggregate transaction value of the change of control.

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

On September 1, 2017, Mr. Smith and the Company entered into an amendment to the 2017 Smith Agreement (the “September Amendment”), whereby the term of the agreement was extended from December 31, 2017 to December 31, 2018 and automatically renews for one-year increments under the same terms and conditions of the 2017 Smith Agreement, unless either party gives written notice to the other party at least 30 days prior to the end of such calendar year.

In connection with the September Amendment, the Company issued Mr. Smith an option pursuant to the Company’s Amended 2017 Plan to purchase 5,000,000 shares of common stock of the Company at a price of \$0.06 per share, with 1,250,000 shares vesting every three months starting December 31, 2017.

In connection with Mr. Smith’s continued service to the Company, on November 9, 2018, the Company issued options pursuant to the Amended 2017 Plan to acquire 5,000,000 shares of common stock of the Company at an exercise price of \$0.09 per share with 1,250,000 shares vesting every three months starting March 31, 2019. Prior to a change in control of the Company, the vesting schedule of the option shall immediately accelerate so that the option is fully vested and available for exercise by Mr. Smith.

Please refer to “Recent Sales of Unregistered Securities and Use of Proceeds” for a description of the option grants canceled and issued to Mr. Smith during 2020.

Michael R. Guzzetta – Mr. Guzzetta is Chief Financial Officer of the Company. He entered into a consulting agreement with the Company dated November 14, 2017. The consulting agreement term is from November 14, 2017 to December 1, 2018, with automatic renewal in one-year increments with both parties having a right to terminate by giving either party notice 30 days prior to the end of the term. It also provides for a monthly consulting fee of \$5,000. In 2019, the Company paid Mr. Guzzetta \$60,000 in consulting fees, and reimbursed The Guzzetta Company LLC \$12,600 in office rent. In 2018, he received \$60,000 in consulting fees and The Guzzetta Company LLC was reimbursed \$12,600 for office rent of \$1,050 monthly.

In connection with the consulting agreement, the Company issued Mr. Guzzetta an option pursuant to the Amended 2017 Plan to purchase 1,000,000 shares of common stock of the Company at a price of \$0.07 per share with 250,000 shares vesting every three months starting February 14, 2018.

On November 9, 2018, in connection with Mr. Guzzetta’s continued service to the Company, the Company issued options pursuant to the Amended 2017 Plan to acquire 4,000,000 shares of common stock of the Company at an exercise price of \$0.09 per share with 1,000,000 shares vesting every three months starting March 31, 2019. Prior to a change in control of the Company, the vesting schedule of the option shall immediately accelerate so that the option is fully vested and available for exercise by Mr. Guzzetta.

Please refer to “Recent Sales of Unregistered Securities and Use of Proceeds” for a description of the option grants canceled and issued to Mr. Guzzetta during 2020.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information as to option awards held by each of the named executive officers of ProtoKinetix as of December 31, 2020.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Clarence E. Smith	5,000,000(1)	—	0.09	11/08/2023
	5,000,000(2)	—	0.26	07/14/2024
	5,000,000(3)	—	0.11	11/17/2024
	5,000,000(4)	—	0.14	03/25/2026
	5,000,000	—	0.14	03/25/2026
Michael R. Guzzetta	750,000(6)	—	0.07	11/14/2021
	4,000,000(7)	—	0.09	11/08/2023
	4,000,000(8)	—	0.11	11/17/2024
	3,500,000	—	0.12	06/11/2026

- (1) Represents options granted pursuant to the Amended 2017 Plan on November 9, 2018 at \$0.09 per share with 1,250,000 vesting every three months beginning March 31, 2019.
- (2) Represents options granted pursuant to the Amended 2017 Plan on July 15, 2019 at \$0.26 per share with 1,250,000 vesting every three months beginning October 13, 2019.
- (3) Represents options granted pursuant to the Amended 2017 Plan on November 18, 2018 at \$0.11 per share with 1,250,000 vesting every three months beginning February 18, 2020.
- (4) Represents options granted pursuant to the Amended 2017 Plan on March 25, 2020 at \$0.14 per share issued fully vested.
- (5) Represents options granted pursuant to the Amended 2017 Plan on March 25, 2020 at \$0.14 per share issued fully vested.
- (6) Represents options granted pursuant to the Amended 2017 Plan on November 14, 2017 at \$0.07 per share with 250,000 vesting every three months beginning February 14, 2018.
- (7) Represents options granted pursuant to the Amended 2017 Plan on September 1, 2017 at \$0.09 per share with 1,000,000 vesting every three months beginning March 31, 2019.
- (8) Represents options granted pursuant to the Amended 2017 Plan on November 18, 2020 at \$0.11 per share issued fully vested.
- (9) Represents options granted pursuant to the Amended 2017 Plan on June 12, 2020 at \$0.12 per share issued fully vested.

Director Compensation

The following table sets forth a summary of the compensation earned by each non-employee director who served on the Board during the fiscal year ended December 31, 2020:

	Director Compensation						
	Fees Earned or Paid in Cash (\$)	Bonus (\$)	Stock Awards (1) (\$)	Option Awards (2) (\$)	Nonequity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)
Edward P. McDonough	-	-	-	682,091 (3)	-	-	-
							682,091

- (1) The aggregate grant date fair value of these stock awards was computed in accordance with ASC 718.
- (2) Represents the grant date full fair value of compensation costs of stock options granted during the respective year for financial statement reporting purposes, using the Black-Scholes Option Pricing Model. Assumptions used in the calculation of these amounts are included in the Company's audited financial statements.
- (3) As of December 31, 2020, Mr. McDonough held options to acquire 7,000,000 shares of the Company's common stock, all of which were vested and exercisable.

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

The 2017 McDonough Agreement is for a one-year term through December 31, 2017. In connection with the 2017 McDonough Agreement, the Company issued Mr. McDonough an option pursuant to the Amended 2017 Plan to purchase 1,000,000 shares of common stock of the Company at a price of \$0.05 per share with 250,000 shares vesting every three months starting March 31, 2017.

On September 1, 2017, the Company entered into an amendment to the 2017 McDonough Agreement, effective immediately. This new agreement is effective through December 31, 2018, but shall automatically renew for one-year increments under the same terms and conditions of the 2017 McDonough Agreement unless by stockholder vote or 30 days prior to the end of such calendar year written notice is given by either party to the other notifying them of a desire to terminate.

In connection with the amendment to the 2017 McDonough Agreement, the Company granted Mr. McDonough options pursuant to the Amended 2017 Plan to purchase 1,000,000 shares of common stock of the Company at an exercise price of \$0.06 per share with 250,000 shares vesting every three months starting December 31, 2017.

On November 9, 2018, in connection with continued service to the Company, the Company granted Mr. McDonough options pursuant to the Amended 2017 Plan to purchase 1,000,000 shares of common stock of the Company at an exercise price of \$0.09 per share with 250,000 shares vesting every three months starting March 31, 2019. Prior to a change in control of the Company, the vesting schedule of the option shall immediately accelerate so that the option is fully vested and available for exercise by Mr. McDonough.

Please refer to "Recent Sales of Unregistered Securities and Use of Proceeds" for a description of the option grants canceled and issued to Mr. McDonough during 2020.

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

The following table sets forth certain information regarding our shares of common stock beneficially owned as of March 5, 2021, for (i) each stockholder known to be the beneficial owner of more than 5% of our outstanding shares of common stock (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (a) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (b) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options, warrants or convertible debt. Shares underlying such options, warrants, and convertible promissory notes, however, are only considered outstanding for the purpose of computing the percentage ownership of that person and are not considered outstanding when computing the percentage ownership of any other person. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

Name & Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Beneficial Ownership Percentage as of March 5, 2021 (1)
<u>More than 5% Stockholders</u>		
Grant Young (2)	50,646,850	15.4%
Alexandra Smith (3)	27,500,000	9.5%
<u>Directors and Named Executive Officers</u>		
Clarence E. Smith(4)	69,605,753	22.1%
Michael R. Guzzetta(5)	12,423,313	4.1%
Edward P. McDonough(6)	7,000,000	2.4%
All directors and executive officers as a group:	89,029,066	28.6%

- (1) Based on 289,483,643 shares of common stock outstanding on March 5, 2021, and, with respect to each individual holder, rights to acquire common stock exercisable within 60 days of March 5, 2021.
- (2) Consists of 10,021,250 shares of common stock owned by Mr. Young directly; 1,125,600 shares held by Mr. Young's wife; the right to acquire 6,000,000 shares of common stock upon warrant exercise; and the right to acquire 33,500,000 shares of common stock upon option exercise. The principal address of Mr. Young is 6438 Rosebery Ave, West Vancouver, BC, V7W 2C6, Canada.
- (3) Consists of 27,500,000 shares of common stock owned by Alexandra Smith directly. The principal address of Ms. Smith is 1413 Peachtree Road, Daytona Beach, FL 32114.
- (4) Consists of 29,018,253 shares of common stock owned by Mr. Smith directly, 13,377,997 held by Mr. Smith's trusts, 1,850,000 held by Mr. Smith's retirement account, the right to acquire 25,000,000 shares of common stock upon option exercise, and the right to acquire 359,503 shares upon warrant exercise. The principal address of Mr. Smith is 1845 County Road #214, St. Augustine, FL 32084.
- (5) Consists of 173,313 shares of common stock owned by Mr. Guzzetta directly, and 12,250,000 shares of common stock issuable upon the exercise of stock options. The principal address of Mr. Guzzetta is 7187 Steel Dust Dr, New Albany, OH 43054.
- (6) Consists of 7,000,000 shares of common stock issuable upon the exercise of stock options. The principal business address of Mr. McDonough is 1226 Washington Avenue, Parkersburg, WV 26101.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

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

As at December 31, 2020, there is no amount due to or due from a related party.

Please refer to "Recent Sales of Unregistered Securities and Use of Proceeds" for a description of the option grants canceled and issued to Mr. Smith during 2020 as well as securities purchased by Mr. Smith directly from the Company.

Please refer to "Recent Sales of Unregistered Securities and Use of Proceeds" for a description of the option grants canceled and issued to Mr. Guzzetta, Mr. McDonough, and Mr. Young during 2020.

See also Item 11 for a description of the consulting agreements with the officers and directors of the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the years ended December 31, 2020 and 2019, Davidson & Company LLP, Chartered Professional Accountants ("Davidson") the Company's principal accountants billed the Company \$27,329 and \$25,000, respectively for fees for the audit of the Company's annual financial statements. All amounts are in U.S. dollars.

Audit-Related Fees

For the years ended December 31, 2020 and 2019, Davidson did not provide the Company with any assurances or related services reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above under "Audit Fees."

Tax Fees

For the years ended December 31, 2020 and 2019, Davidson billed \$3,500 in 2020 and \$3,500 in 2019 for professional services for tax compliance, tax advice, and tax planning.

All Other Fees

For the years ended December 31, 2020 and 2019, Davidson did not bill the Company for fees associated with the preparation and filing of the Company's registration statements, the creation of pro forma financial statements and other related matters.

For the years ended December 31, 2020 and 2019, Davidson billed the Company \$23,837 and \$19,282 for fees for the review of the Company's quarterly financial statements. All amounts are in U.S. dollars.

Audit Committee Pre-Approval Policies

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

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE

EXHIBIT INDEX

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

Exhibit	Description
3.1	<u>Certificate of Incorporation(1)</u>
3.2	<u>Bylaws(1)</u>
4.2	<u>Amended 2017 Stock Option and Stock Bonus Plan(2)</u>
4.3	<u>Amendment to Amended 2017 Stock Option and Stock Bonus Plan as approved on July 15, 2019(5)</u>
10.1	<u>Royalty Agreement between the Company and The Governors of the University of Alberta, dated April 8, 2015(3)</u>
10.2	<u>Collaborative Research Agreement between the Company and the University of British Columbia, dated May 31, 2016(4)</u>
10.3	<u>Consulting Agreement between the Company and Clarence E. Smith, dated December 30, 2016(2)</u>
10.4	<u>Director Consulting Agreement between the Company and Edward P. McDonough, dated December 30, 2016(2)</u>
10.5	<u>Consulting Agreement between the Company and Grant Young, dated December 30, 2016(8)</u>
10.6	<u>First Amendment to Consulting Agreement between Clarence E. Smith and the Company dated September 1, 2017(7)</u>
10.7	<u>First Amendment to Consulting Agreement between Grant Young and the Company dated September 1, 2017(7)</u>
10.8	<u>First Amendment to Consulting Agreement between Edward P. McDonough and the Company dated September 1, 2017(7)</u>
10.9	<u>Consulting Agreement between ProtoKinetix Incorporated and Michael Guzzetta, dated November 14, 2017(6)</u>
14.1	<u>Code of Business Conduct and Ethics and Whistleblower Policy as approved on July 8, 2019(5)</u>
31.1	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
31.2	<u>Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
32.1	<u>Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

1. Incorporated by reference from the Company's registration statement on Form 10-SB filed on June 22, 2001 with the SEC.
 2. Incorporated by reference from the Company's Current Report on Form 8-K filed on November 13, 2018 with the SEC.
 3. Incorporated by reference from the Company's Annual Report on Form 10-K filed on April 14, 2015 with the SEC.
 4. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on August 15, 2016 with the SEC.
 5. Incorporated by reference from the Company's Current Report on Form 8-K filed on July 17, 2019 with the SEC.
 6. Incorporated by reference from the Company's Annual Report on Form 10-K filed on February 21, 2017 with the SEC.
 7. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on November 13, 2017 with the SEC.
 8. Incorporated by reference from the Company's amended Current Report on Form 8-K filed on September 12, 2017 with the SEC.
 9. Incorporated by reference from the Company's Current Report on Form 8-K filed on April 10, 2020 with the SEC.
 10. Incorporated by reference from the Company's Current Report on Form 8-K filed on November 15, 2017 with the SEC.
 11. Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed on July 10, 2020 with the SEC.
- * Filed herewith.
- ** Furnished, not filed herewith.

ITEM 16. FORM 10-K SUMMARY

This Item is optional and the registrant is not required to furnish this information.

SIGNATURES

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

PROTOKINETIX, INCORPORATED

Dated: March 5, 2021

By: /s/ Clarence E. Smith

Clarence E. Smith

Principal Executive Officer

Dated: March 5, 2021

By: /s/ Michael R. Guzzetta

Michael R. Guzzetta

Principal Financial Officer & Principal Accounting
Officer

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

Dated: March 5, 2021

By: /s/ Clarence E. Smith

Clarence E. Smith

Chief Executive Officer (principal
executive officer)
& Chairman of the Board

Dated: March 5, 2021

By: /s/ Edward P. McDonough

Edward P. McDonough

Director

PROTOKINETIX, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

December 31, 2020
(Stated in US Dollars)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Protokinetix, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Protokinetix, Inc. (the "Company") as of December 31, 2020 and 2019, and the related statements of operations, stockholder's equity, and cash flows for the years ended December 31, 2020, and 2019, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the entity has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



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Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Fair value of intangible assets

As discussed in Note 4 to the financial statements, the Company held intangible assets of \$274,686 relating to patent and patent application rights.

We identified the estimation of the fair value of intangible assets as a critical audit matter. Subjective auditor judgment was required to evaluate management's estimates and assumptions used to determine the fair value of the intangible assets, including the economic useful life over which the patent rights are being amortized and whether indicators of impairment were present.

The following are the primary procedures we performed to address this critical audit matter. We obtained management's impairment analysis of intangible assets and assessment of impairment triggers. We assessed the consistency and reasonableness of the assumptions used by management in performing the impairment test and whether there were any changes in the expected useful life as compared to prior years. We discussed with management the plans and intent for the patents and patent applications. We reviewed the Company's ability to fund future activities, and reviewed any available budgets for future periods. We confirmed title to ensure patent rights and patent application rights remain in good standing.

We have served as the Company's auditor since 2008.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada Chartered Professional Accountants

March 5, 2021

PROTOKINETIX, INC.
(A Development Stage Company)

BALANCE SHEETS
As of December 31, 2020

	2020	2019
ASSETS		
Current Assets		
Cash	\$ 193,445	\$ 377,349
Prepaid expenses and deposits (Note 3)	1,050	1,050
Total current assets	<u>194,495</u>	<u>378,399</u>
Intangible assets (Note 4)	<u>274,686</u>	<u>207,508</u>
Total assets	<u><u>\$ 469,181</u></u>	<u><u>\$ 585,907</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	17,959	—
Accounts payable and accrued liabilities	<u>\$ 27,000</u>	<u>\$ 25,520</u>
Total current liabilities	<u>44,959</u>	<u>25,520</u>
Stockholders' Equity		
Common stock, \$0.0000053 par value; 400,000,000 common shares authorized; 285,955,071 and 275,400,259 shares issued and outstanding for 2020 and 2019 respectively (Note 7)	1,531	1,472
Additional paid-in capital	43,615,323	36,107,058
Accumulated deficit	<u>(43,192,633)</u>	<u>(35,548,143)</u>
Total stockholders' equity	<u>424,221</u>	<u>560,387</u>
Total liabilities and stockholders' equity	<u><u>\$ 469,181</u></u>	<u><u>\$ 585,907</u></u>

Basis of Presentation – Going Concern Uncertainties (Note 1)

Commitments and Contingency (Note 9)

Subsequent Events (Note 11)

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
EXPENSES		
Amortization – intangible assets (Note 4)	\$ 3,000	\$ 3,000
General and administrative	208,967	280,438
Professional fees (Note 8)	164,489	149,619
Research and development	527,291	369,520
Share-based compensation (Notes 5 and 8)	<u>6,740,743</u>	<u>3,395,319</u>
	<u>(7,644,490)</u>	<u>(4,197,897)</u>
 Net loss for the year	 <u>\$ (7,644,490)</u>	 <u>\$ (4,197,897)</u>
 Net loss per common share (basic and diluted)	 <u>\$ (0.03)</u>	 <u>\$ (0.02)</u>
 Weighted average number of common shares outstanding (basic and diluted)	 <u>278,598,615</u>	 <u>268,984,776</u>

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020 and 2019

	Common Stock		Additional	Accumulated	
	Shares	Amount	paid-in capital	deficit	Total
Balance, December 31, 2018	259,785,766	\$ 1,389	\$ 31,594,822	\$(31,350,246)	\$ 245,965
Fair value of share-based compensation	—	—	3,395,319	—	3,395,319
Issuance of common stock pursuant to cashless option exercise	97,826	1	(1)	—	—
Issuance of common stock pursuant to private placement offering	15,516,667	82	1,116,918	—	1,117,000
Net loss for the year	—	—	—	(4,197,897)	(4,197,897)
Balance, December 31, 2019	<u>275,400,259</u>	<u>\$ 1,472</u>	<u>\$ 36,107,058</u>	<u>\$(35,548,143)</u>	<u>\$ 560,387</u>

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020 and 2019

	Common Stock		Additional	Accumulated	
	Shares	Amount	paid-in capital	deficit	Total
Balance, December 31, 2019	275,400,259	\$ 1,472	\$ 36,107,058	\$(35,548,143)	\$ 560,387
Fair value of share-based compensation	—	—	6,740,743	—	6,740,743
Issuance of common stock pursuant to private placement offering	10,554,812	59	767,522	—	767,581
Net loss for the year	—	—	—	(7,644,490)	(7,644,490)
Balance, December 31, 2020	<u>285,955,071</u>	<u>\$ 1,531</u>	<u>\$ 43,615,323</u>	<u>\$(43,192,633)</u>	<u>\$ 424,221</u>

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	\$ (7,644,490)	\$ (4,197,897)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization – intangible assets	3,000	3,000
Fair value of compensatory options granted	6,740,743	3,395,319
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	<u>19,439</u>	<u>(51,080)</u>
Net cash used in operating activities	<u>(881,308)</u>	<u>(850,658)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets	<u>(70,178)</u>	<u>(25,022)</u>
Net cash used in investing activities	<u>(70,178)</u>	<u>(25,022)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock for cash	<u>767,581</u>	<u>1,117,000</u>
Net cash from financing activities	<u>767,581</u>	<u>1,117,000</u>
Net change in cash	(183,905)	241,320
Cash, beginning of year	<u>377,350</u>	<u>136,029</u>
Cash, end of year	<u><u>\$ 193,445</u></u>	<u><u>\$ 377,349</u></u>
Cash paid for interest	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>
Cash paid for income taxes	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>
Supplementary information – non-cash transactions:		
There were no non-cash financing or investing activities during the years presented.	\$ —	\$ —

See Notes to Financial Statements

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1. Basis of Presentation – Going Concern Uncertainties

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

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

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

The Company has not developed a commercially viable product, has not generated any significant revenue to date, and has incurred losses since inception, resulting in a net accumulated deficit at December 31, 2020. 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are expressed in United States dollars.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The more significant accounting estimates inherent in the preparation of the Company's financial statements include estimates as to valuation of equity- related instruments issued, deferred income taxes and the useful life and impairment of intangible assets.

Cash

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

Fair Value of Financial Instruments

Financial instruments, which includes cash, accounts payable and accrued liabilities are carried at amortized cost, which management believes approximates fair value due to the short-term nature of these instruments.

The Company measures the fair value of financial assets and liabilities pursuant to ASC 820 "Fair Value Measurements and Disclosures" which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The policy describes three levels of inputs that may be used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable.
- Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

At December 31, 2020, there were no other assets or liabilities subject to additional disclosure.

Income Taxes

The Company accounts for income taxes following the assets and liability method in accordance with the ASC 740 "Income Taxes." Under such method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company applies the accounting guidance issued to address the accounting for uncertain tax positions. This guidance clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements as well as provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years that the asset is expected to be recovered or the liability settled.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Intangible assets – patent and patent application costs

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

As at December 31, 2020, the Company does not hold any intangible assets with indefinite lives.

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the Company's patents, whereas no amortization has been recognized on the patent application costs at December 31, 2020.

Research and Development Costs

Research and development costs are expensed as incurred.

Loss per Share and Potentially Dilutive Securities

Basic loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding in the period. Diluted loss per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive securities. The effect of 82,650,000 stock options (December 31, 2019 – 91,450,000) and 10,326,857 warrants (December 31, 2019 – 8,500,000) were not included in the computation of diluted earnings per share for all periods presented because it was anti-dilutive due to the Company's losses.

Share-Based Compensation

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

The Company accounts for stock compensation with persons classified as employees for accounting purposes in accordance with ASC 718 "Compensation – Stock Compensation", which recognizes awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. Cliff Vesting is used and awards vest on the last day of the vesting period. The fair value of stock options is determined using the Black-Scholes Option Pricing Model. The fair value of common shares issued for services is determined based on the Company's stock price on the date of issuance.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Share-Based Compensation (cont'd)

Share-based compensation for non-employees in exchange for goods and services used or consumed in an entity's own operations are also recorded at fair value on the measurement date and accounted for in accordance with ASC 718. The measurement of share-based compensation is subject to periodic adjustment as the underlying instruments vest. The fair value of stock options is estimated using the Black-Scholes Option Pricing Model and the compensation charges are amortized over the vesting period.

Common stock

Common stock issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete. Transaction costs directly attributable to the issuance of common stock, units and stock options are recognized as a deduction from equity, net of any tax effects.

Related Party Transactions

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

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-03, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, or “ASU 2018-03”. The guidance in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Under the new guidance, transfers between asset classes and the valuation related to level 3 assets is modified. The new standard is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within each annual reporting period. The Company has assessed the impact of this statement and determined it has no significant impact.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Recent Accounting Pronouncements (cont'd)

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which simplifies the accounting for income taxes by removing certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new ASU also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates. These changes aim to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. The guidance is effective for the Company beginning on January 1, 2021 and prescribes different transition methods for the various provisions. The Company does not expect the adoption of ASU 2019-12 to have a material impact on its financial statements and related disclosures.

Other than the above, the Company has determined that other significant newly issued accounting pronouncements are either not applicable to the Company’s business or that no material effect is expected on the financial statements as a result of future adoption.

Note 3. Prepaid Expenses and Deposits

The following summarizes the Company's prepaid expenses and deposits outstanding as at December 31, 2020 and 2019:

	2020	2019
Rental deposit	\$ 1,050	\$ 1,050
	\$ 1,050	\$ 1,050

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 4. Intangible Assets

Intangible asset transactions are summarized as follows:

	Patent Rights	Patent Application Rights	Total
Cost			
Balance, December 31, 2018	\$ 30,000	\$ 168,271	\$ 198,271
Additions	—	22,737	22,737
Balance, December 31, 2019	\$ 30,000	\$ 191,008	\$ 221,008
Additions	—	70,178	70,178
Balance, December 31, 2020	<u>\$ 30,000</u>	<u>\$ 261,186</u>	<u>\$ 291,186</u>
Accumulated amortization			
Balance, December 31, 2018	\$ 10,500	\$ —	\$ 10,500
Amortization	3,000	—	3,000
Balance, December 31, 2019	\$ 13,500	\$ —	\$ 13,500
Amortization	3,000	—	3,000
Balance, December 31, 2020	<u>\$ 16,500</u>	<u>\$ —</u>	<u>\$ 16,500</u>
Net carrying amounts			
December 31, 2018	\$ 19,500	\$ 168,271	\$ 187,771
December 31, 2019	\$ 16,500	\$ 191,008	\$ 207,508
December 31, 2020	<u>\$ 13,500</u>	<u>\$ 261,186</u>	<u>\$ 274,686</u>

During the year ended December 31, 2015, the Company entered into an Assignment of Patents and Patent Application (effective January 1, 2015) (the "Patent Assignment") with the Institut National des Sciences Appliquees de Rouen ("INSA") for the assignment of certain patents and all rights associated therewith (the "Patents"). The Company and INSA had previously entered into a licensing agreement for the Patents in August 2004. The Patent Assignment transfers all of the Patents and rights associated therewith to the Company upon payment to INSA in the sum of \$30,000 (25,000 Euros) (paid). During the year ended December 31, 2020, the Company recorded \$3,000 (2019 - \$3,000) in amortization expense associated with the Patents Rights.

During the year ended December 31, 2015, the Company entered into a Technology Transfer Agreement with Grant Young for the assignment of his 50% ownership of certain patents and all rights associated therewith (the "Patent Application Rights"). In exchange for the Patent Application Rights, the Company agreed to pay \$10,000 (paid) and to issue 6,000,000 warrants (issued) to purchase shares of the Company's common stock at an exercise price of \$0.10 per share for a period of five years. The Patent Application Rights had a total fair value of \$35,000, which was allocated as \$10,000 to the cash consideration paid, with the remaining \$25,000 being allocated to the warrant component of the overall consideration. The Company incurred an additional \$226,186 in direct costs relating to the Patent Application Rights, \$70,178 of which were incurred during the year ended December 31, 2020.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 4. Intangible Assets (cont'd)

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

During the year ended December 31, 2016, the Company entered into a Universal Assignment with Grant Young for the assignment of his ownership of certain new and useful improvements in an invention entitled "Use of Anti-Aging Glycoprotein for Enhancing Survival of Neurosensory Precursor Cells" (the "New Patent Application Rights"). In exchange for the New Patent Application Rights, the Company agreed to pay \$1 (paid). The Company incurred \$2,415 in direct costs relating to the New Patent Application Rights during the year ended December 31, 2016.

No amortization was recorded on the Patent Application Rights or the New Patent Application Rights to December 31, 2020.

Note 5. Stock Options

Pursuant to an amendment on April 6, 2020, the aggregate number of shares that may be issued under the 2017 Stock Option and Stock Bonus Plan (the "2017 Plan") is 85,700,000 shares, subject to adjustment as provided therein. The 2017 Plan is administered by the Company's Board of Directors, or a committee appointed by the Board of Directors, and includes two types of options. Options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, are referred to as incentive options. Options that are not intended to qualify as incentive options are referred to as non-qualified options. The exercise price of an option may be paid in cash, in shares of the Company's common stock or other property having a fair market value equal to the exercise price of the option, or in a combination of cash, shares, other securities and property.

As of December 31, 2020, there are 82,650,000 options granted and outstanding under the 2017 Plan.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 5. Stock Options (cont'd)

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)
Outstanding, December 31, 2019	91,450,000	0.14	
Options cancelled	(36,000,000)	0.13	
Options expired	(3,200,000)	0.04	
Options granted	30,400,000	0.13	
Outstanding, December 31, 2020	<u>82,650,000</u>	<u>0.15</u>	<u>4.06</u>
	Number of Stock Options	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)
Outstanding, December 31, 2018	58,600,000	0.07	
Options cancelled	(16,000,000)	0.07	
Options exercised	(250,000)	0.07	
Options granted	49,100,000	0.21	
Outstanding, December 31, 2019	<u>91,450,000</u>	<u>0.14</u>	<u>3.51</u>

During the year ended December 31, 2020, the Company granted the following stock options:

- a) On May 6, 2020, the Company granted 650,000 stock options to a research and development, and a business development consultant of the Company. The options are exercisable at \$0.11 per share for a period of six years and expire on May 5, 2026. The options vest in equal installments starting on the date of grant with the remaining options vesting on a quarterly basis beginning on June 30, 2020.
- b) On March 26, 2020 and June 12, 2020, the Company granted 22,000,000 replacement options and 7,000,000 replacement options, respectively, to certain key management (Note 8) and a consultant (Note 9) of the Company.
- c) On October 26, 2020, the Company granted 500,000 stock options to a consultant of the Company. The options are exercisable at \$0.10 per share for a period of six years and expire on October 26, 2026. The options vest in equal installments starting on the date of grant with the remaining options vesting on a quarterly basis beginning on January 26, 2021.
- d) On November 27, 2020, the Company granted 250,000 stock options to a consultant of the Company. The options are exercisable at \$0.10 per share for a period of six years and expire on November 27, 2026. The options vest in equal installments starting on the date of grant with the remaining options vesting on a quarterly basis beginning on December 31, 2020.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Total share-based compensation for the 30,400,000 stock options granted (2019 - 49,100,000) and vested during the year ended December 31, 2020 was \$6,740,743 (2019 - \$3,395,319). The fair values of the stock options granted were estimated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Risk-free interest rate	2.55%	2.42%
Dividend yield	0.00%	0.00%
Expected stock price volatility	143.56%	140.21%
Expected forfeiture rate	0.00%	0.00%
Expected life	5.09 years	4.95 years
Weighted average fair value	\$0.20	\$0.18

The following non-qualified stock options were outstanding and exercisable at December 31, 2020:

Expiry date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
	\$		
November 14, 2021	0.07	750,000	750,000
December 31, 2022	0.06	800,000	800,000
August 31, 2023	0.08	600,000	600,000
November 8, 2023	0.09	15,000,000	15,000,000
May 5, 2023	0.13	1,600,000	1,600,000
July 14, 2024	0.26	18,500,000	18,500,000
November 17, 2024	0.11	15,000,000	15,000,000
March 26, 2026	0.14	22,000,000	22,000,000
May 5, 2026	0.11	650,000	650,000
June 11, 2026	0.12	7,000,000	7,000,000
October 26, 2026	0.10	500,000	125,000
November 27, 2026	0.10	250,000	125,000
		82,650,000	82,150,000

As at December 31, 2020, the aggregate intrinsic value of the Company's stock options is \$393,710 (December 31, 2019 – \$1,005,350).

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6. Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Outstanding, December 31, 2018	6,000,000	0.11
Warrants cancelled	(6,000,000)	0.25
Warrants granted	8,500,000	
Outstanding, December 31, 2019	8,500,000	0.22
Warrants cancelled	—	—
Warrants granted	1,826,857	0.07
Outstanding, December 31, 2020	10,326,857	0.19

The following warrants were outstanding and exercisable as at December 31, 2020:

Number of Warrants	Exercise Price (\$)	Expiry Date
6,000,000	0.26	July 14, 2024
833,333	0.12	October 15, 2022
250,000	0.12	October 21, 2022
116,667	0.12	November 1, 2022
83,334	0.12	November 12, 2022
833,333	0.12	December 1, 2022
166,667	0.12	December 18, 2022
216,666	0.12	December 18, 2022
325,000	0.07	December 23, 2021
142,571	0.07	December 29, 2021
1,359,286	0.07	December 31, 2021
10,326,857	0.19	

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 7. Stockholders' Equity

The Company is authorized to issue 400,000,000 (December 31, 2019 – 400,000,000) shares of \$0.0000053 par value common stock. Each holder of common stock has the right to one vote but does not have cumulative voting rights. Shares of common stock are not subject to any redemption or sinking fund provisions, nor do they have any preemptive, subscription or conversion rights. Holders of common stock are entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid as of December 31, 2020 (December 31, 2019 - \$nil).

During the year ended December 2020, the Company:

- a) Issued 2,222,222 shares of common stock to investors at \$0.09 per share for gross proceeds of \$200,000.
- b) Issued 320,513 shares of common stock to investors at \$0.078 per share for gross proceeds of \$25,001.
- c) Issued 3,653,077 shares of common stock to investors at \$0.065 per share for gross proceeds of \$237,450.
- d) Issued 2,532,143 shares of common stock to investors (one of which was the President and CEO of the Company) at \$0.07 per share for gross proceeds of \$177,250.
- e) Issued 1,826,857 shares of common stock to investors at \$0.07 per share for gross proceeds of \$127,880 and the option to exercise a warrant for one additional share at \$0.07, exercisable for one year.

During the year ended December 2019, the Company:

- a) Issued 750,000 shares of common stock to investors at \$0.06 per share for gross proceeds of \$45,000.
- b) Issued 10,000,000 shares of common stock to investors at \$0.05 per share for gross proceeds of \$500,000.
- c) Issued 2,266,667 shares of common stock to investors at \$0.12 per share for gross proceeds of \$272,000.
- d) Issued 97,826 shares of common stock to the CFO pursuant to a cashless exercise of 250,000 of stock options.
- e) Issued 2,500,000 shares of common stock to investors (one of which was the President and CEO of the Company) at \$0.12 per share for gross proceeds of \$300,000 and the option to exercise a warrant for one additional share at \$0.12, exercisable for three years.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 8. Related Party Transactions and Balances

During the twelve month period ended December 31, 2020 and 2019, the Company entered into the following related party transactions:

a) Pursuant to a consulting agreement with an effective date of November 14, 2017, a total of \$60,000 (2019 - \$60,000) was paid or accrued to the Company's CFO. During the twelve months ended December 31, 2020, the Company reimbursed a company controlled by the CFO a total of \$12,600 (2019 - \$12,600) in office rent.

b) On March 25, 2020, the Company cancelled and concurrently approved for issuance on March 26, 2020 10,000,000 stock options and 2,000,000 stock options previously issued to the Company's CEO and a Director of the Company in 2017, respectively. The 12,000,000 replacement options granted have a term of 6 years and are exercisable at a price of \$0.14 per share, expiring on March 25, 2026.

Also on March 25, 2020, the Company cancelled an additional 5,000,000 stock options previously issued to the Company's CEO in 2019. There were no replacement options granted in connection with these cancelled options.

In accordance with ASC 718, the 12,000,000 replacement options were accounted for as a modification of the terms of the cancelled award, with the incremental cost being measured as the excess of the fair value of the replacement options over the fair value of the cancelled options at the cancellation date.

Total share-based compensation of \$282,844 was recorded in connection with the option modification, based on the following assumptions used in the Black-Scholes Option Pricing Model: risk-free interest rate of 1.76%; dividend yield of 0.00%; stock price volatility of 144.40%; forfeiture rate of 0%; and an expected life of 6 years.

c) On June 12, 2020, the Company cancelled 4,000,000 stock options previously issued in July 2019 to the Company's CFO and replaced them with 3,500,000 stock options. The 3,500,000 replacement options granted have a term of 6 years and are exercisable at a price of \$0.12 per share, expiring on June 11, 2026.

The 3,500,000 replacement options were accounted for as a modification of the terms of the cancelled award, with the incremental cost being measured as the excess of the fair value of the replacement options over the fair value of the cancelled options at the cancellation date.

Total share-based compensation of \$5,704 was recorded in connection with the option modification, based on the following assumptions used in the Black-Scholes Option Pricing Model: risk-free interest rate of 1.76%; dividend yield of 0.00%; stock price volatility of 144.75%; forfeiture rate of 0%; and an expected life of 6 years.

c) The Company recognized \$3,474,418 (2019 - \$1,704,723) in share-based compensation during the period associated with stock options granted to key management personnel.

As at December 31, 2020 and December 31, 2019, there were \$nil balances owing to related parties.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 9. Commitments and Contingency

Commitments

As at December 31, 2020, the Company has the following commitments:

a) Entered into a consulting agreement with an effective date of January 1, 2017 whereby the Company would pay the consultant \$7,000 per month for providing research and development services. On March 25, 2020, the Company cancelled and concurrently approved for issuance on March 26, 2020, 10,000,000 stock options previously issued to the consultant in 2017. The 10,000,000 replacement options granted have a term of 6 years and are exercisable at a price of \$0.14 per share, expiring on March 25, 2026.

The 10,000,000 replacement options were accounted for as a modification of the terms of the cancelled award, with the incremental cost being measured as the excess of the fair value of the replacement options over the fair value of the cancelled options at the cancellation date.

Total share-based compensation of \$235,703 was recorded in connection with the option modification based on the following assumptions used in the Black-Scholes Option Pricing Model: risk-free interest rate of 0.81%; dividend yield of 0.00%; stock price volatility of 144.40%; forfeiture rate of 0%; and an expected life of 6 years.

On June 12, 2020, the Company cancelled 4,000,000 stock options previously issued in July 2019 to the consultant and a replaced them with 3,500,000 stock options. The 3,500,000 replacement options granted have a term of 6 years and are exercisable at a price of \$0.12 per share, expiring on June 11, 2026. There was no incremental cost recorded on the option modification based on the following assumptions used in the Black-Scholes Option Pricing Model: risk-free interest rate of 1.76%; dividend yield of 0.00%; stock price volatility of 144.75%; forfeiture rate of 0%; and an expected life of 6 years.

b) Entered into a consulting agreement effective January 1, 2018, whereby the Company would pay the consultant \$1,000 per month for a term of 1 year for providing public relations services, unless otherwise terminated by either party with at least 30 days' notice.

c) Entered into a consulting agreement effective April 1, 2019, whereby the Company would pay the consultant \$1,500 per month minimum plus travel expenses for a term of 1 year for providing research consulting services, unless otherwise terminated by either party with at least 30 days' notice. On May 6, 2020, the Company granted the consultant 500,000 stock options exercisable at a price of \$0.11 per share, expiring on May 5, 2026 (Note 5).

d) Entered into a consulting agreement effective September 1, 2020, whereby the Company would pay the consultant CAD \$3,000 per month for a term of 1 year for providing technical expertise and public relations services, unless otherwise terminated by either party with at least 30 days' notice.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
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Note 9. Commitments and Contingency (cont'd)

Contingency

The Company was delinquent in filing certain income tax returns with the U.S. Internal Revenue Service and reports disclosing its interest in foreign bank accounts on form TDF 90-22.1, "Report of Foreign Bank and Financial Accounts" ("FBARs"). In September 2015, the Company filed the delinquent income tax returns and has sought waivers of any penalties under the IRS Offshore Voluntary Disclosure Program for late filing of the returns and FBARs. Under the program, the IRS has indicated that it will not impose a penalty for the failure to file delinquent income tax returns if there are no under reported tax liabilities. On November 30, 2017, the Company received a letter from the IRS concluding their review of the Company's tax returns under the program and accepting the returns as filed. No penalties have been assessed by the IRS to date, and management does not believe that the Company will incur any penalties relating to the tax years submitted under the program.

PROTOKINETIX, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 10. Income Taxes

As a Nevada corporation, the Company is liable for taxes in the United States. As of December 31, 2020, the Company did not have any income for tax purposes and therefore, no tax liability or expense has been recorded in these financial statements (December 31, 2019 – none).

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
Net loss for the year	\$ (7,644,490)	\$ (4,197,897)
Expected income tax recovery	\$ (1,605,000)	\$ (882,000)
Non-deductible expenses	1,416,000	713,000
Impact of change of future tax rate	—	—
Adjustment to prior years provision versus statutory tax returns	89,000	69,000
Change in valuation allowance	100,000	100,000
Total income tax expense (recovery)	\$ —	\$ —

The Company's deferred tax assets that have not been recognized are as follows:

Tax benefit of net operating loss carry forward	\$ 6,200,000	\$ 6,100,000
Valuation allowance	(6,200,000)	(6,100,000)
	\$ —	\$ —

The Company has tax losses of approximately \$29,500,000 (December 31, 2019 - \$29,000,000) 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 \$6,200,000 (December 31, 2019 - \$6,100,000). The Company has provided a full valuation allowance against the deferred tax asset since it is more likely than not that the asset will not be realized. The difference between the Company's statutory income tax rate of (21%) and its effective rate of zero is primarily attributable to the valuation allowance provided on deferred taxes arising from net operating loss carry forwards.

Note 11. Subsequent Events

Subsequent to the year ended December 31, 2020, the Company:

- 1 Issued 3,528,572 shares of common stock to investors at \$0.07 per share for gross proceeds of \$247,000.
- 2 Cancelled 1,600,000 options for common shares exercisable at \$0.13 per share, expiring at May 6, 2023.

