

ProtoKinetix, Inc.
Form 10-Q
November 13, 2017

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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

For the transition period from _____ to _____.

Commission file number:

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

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

412 Mulberry St.
Marietta, Ohio 45750
(Address of principal executive offices)

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

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

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

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

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

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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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 13, 2017, there were 250,352,433 shares of ProtoKinetix, Incorporated that were issued and outstanding.

PROTOKINETIX, INCORPORATED
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PROTOKINETIX, INCORPORATED
(A Development Stage Company)
BALANCE SHEETS
(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	\$386,142	\$371,029
Prepaid expenses and deposits (Notes 3 and 11)	97,723	70,384
Total current assets	483,865	441,413
Intangible assets (Note 4)	153,778	100,681
Total assets	\$637,643	\$542,094
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$19,818	\$45,295
Total current liabilities	19,818	45,295
Stockholders' Equity		
Common stock, \$0.0000053 par value; 400,000,000 common shares authorized; 250,352,433 and 237,952,433 shares issued and outstanding as at September 30, 2017 and December 31, 2016 respectively (Note 9)	1,339	1,273
Additional paid-in capital	30,242,806	29,115,795
Accumulated deficit	(29,626,320)	(28,620,269)
Total stockholders' equity	617,825	496,799
Total liabilities and stockholders' equity	\$637,643	\$542,094

Basis of Presentation – Going Concern Uncertainties (Note 1)

Commitments and Contingency (Note 11)

Subsequent Events (Note 12)

See Notes to Financial Statements

PROTOKINETIX, INCORPORATED
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(Unaudited)

For the Three and Nine Months Ended September 30, 2017 and 2016

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
EXPENSES				
Amortization – intangible assets (Note 4)	\$750	\$750	\$2,250	\$2,250
General and administrative	12,500	17,341	74,437	70,441
Professional fees (Note 10)	42,549	39,664	109,823	147,977
Research and development	72,857	174,957	228,130	355,089
Share-based compensation (Note 10)	170,536	199,365	587,077	574,128
	(299,192)	(432,077)	(1,001,717)	(1,149,885)
OTHER ITEM				
Foreign exchange loss	(100)	-	(4,334)	-
Net loss for the period	\$(299,292)	\$(432,077)	\$(1,006,051)	\$(1,149,885)
Net loss per common share (basic and diluted)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted average number of common shares outstanding (basic and diluted)	247,148,085	222,088,754	245,315,070	219,242,214

See Notes to Financial Statements

PROTOKINETIX, INCORPORATED
 STATEMENT OF STOCKHOLDERS' EQUITY
 (Unaudited)

For the Period from December 31, 2016 to September 30, 2017

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-in capital	deficit	Total
Balance, December 31, 2016	237,952,433	\$ 1,273	\$29,115,795	\$(28,620,269)	\$496,799
Issuance of common stock pursuant to private placement offering	8,000,000	43	319,957	-	320,000
Fair value of compensatory options issued	-	-	587,077	-	587,077
Issuance of common stock pursuant to private placement offering	4,400,000	23	219,977	-	220,000
Net loss for the period	-	-	-	(1,006,051)	(1,006,051)
Balance, September 30, 2017	250,352,433	\$ 1,339	\$30,242,806	\$(29,626,320)	\$617,825

See Notes to Financial Statements

PROTOKINETIX, INCORPORATED

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

(Unaudited)

For the Nine Months Ended September 30, 2017 and 2016

	Nine Months ended September 30, 2017	Nine Months ended September 30, 2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	\$(1,006,051)	\$(1,149,885)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization – intangible assets	2,250	2,250
Issuance and amortization of common stock for services	-	7,000
Fair value of compensatory options granted	587,077	574,128
Changes in operating assets and liabilities:		
Accounts receivable	-	8,023
Prepaid expenses and deposits	(42,953)	(91,032)
Accounts payable and accrued liabilities	(25,034)	(5,002)
Net cash used in operating activities	(484,711)	(654,518)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets	(40,176)	(7,589)
Net cash used in investing activities	(40,176)	(7,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock for cash	540,000	380,000
Net cash from financing activities	540,000	380,000
Net change in cash	15,113	(282,107)
Cash, beginning of period	371,029	371,072
Cash, end of period	\$386,142	\$88,965
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-
Supplementary information – non-cash transactions:		
Common stock issued for consulting services	\$-	\$7,000
Intangible asset costs previously included in accounts payable and accrued liabilities	3,631	-

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Intangible asset costs previously included in prepaid expenses and deposits	15,614	-
Intangible asset costs included in accounts payable and accrued liabilities	3,188	-

See Notes to Financial Statements

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PROTOKINETIX, INCORPORATED
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

Note 1. Basis of Presentation – Going Concern Uncertainties

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

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).

During the year ended December 31, 2016, the Company filed Form 51-105F1 – Notice – OTC Issuer Ceases to be an OTC Reporting Issuer with the British Columbia Securities Commission.

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 September 30, 2017. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared by the Company in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These financial statements should be read in conjunction with the Company's audited consolidated

financial statements and notes thereto for the year ended December 31, 2016, included in the Company's Annual Report on Form 10-K, filed February 21, 2017, with the Securities and Exchange Commission. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

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

Use of Estimates

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

Cash

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

Fair Value of Financial Instruments

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

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

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

Level 1 inputs are used to measure cash. At September 30, 2017 there were no other assets or liabilities subject to additional disclosure.

Income Taxes

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

tax position is required to meet before being recognized in the financial statements as well as provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years that the asset is expected to be recovered or the liability settled.

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Unaudited)

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

Intangible Assets – Patent and Patent Application Costs

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

As at September 30, 2017, 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 September 30, 2017.

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 55,100,000 stock options (September 30, 2016 – 28,600,000) and 6,500,000 warrants (September 30, 2016 – 6,500,000) 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. 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, INCORPORATED

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Unaudited)

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

Share-Based Compensation (cont'd)

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

Common Stock

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

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

Related Party Transactions

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

Recent Accounting Pronouncements

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

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

PROTOKINETIX, INCORPORATED

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Unaudited)

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

Recent Accounting Pronouncements (cont'd)

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

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

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

Note 3. Prepaid Expenses and Deposits

The following summarizes the Company's prepaid expenses and deposits outstanding as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Deposit on research agreement (Note 11(c))	\$ 97,723	\$ 54,770
Other prepaid expenses	-	15,614
	\$ 97,723	\$ 70,384

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

Note 4. Intangible Assets

Intangible asset transactions are summarized as follows:

	Patent Rights	Patent Application Rights	Total
Cost			
Balance, December 31, 2015	\$ 30,000	\$ 41,760	\$ 71,760
Additions	-	33,421	33,421
Balance, December 31, 2016	\$ 30,000	\$ 75,181	\$ 105,181
Additions	-	55,347	55,347
Balance, September 30, 2017	\$ 30,000	\$ 130,528	\$ 160,528

Accumulated amortization