ProtoKinetix, Inc.
Form 10QSB
August 14, 2006

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

FORM 10-QSB

[**X**] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

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

For the transition period from _____ to _____

Commission File Number: 0-32917

PROTOKINETIX, INC.

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

Suite 1500-885 West Georgia Street
Vancouver, British Columbia Canada V6C3E

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (**604) 687-9887**
Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **$.0000053 par value common stock**

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes ___ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

42,690,169 common shares outstanding, $0.0000053 par value, at August 10, 2006.

Transitional Small Business Disclosure Format: Yes __ No **X**

PART I

ITEM 1. FINANCIAL STATEMENTS

Our Financial Statements and explanatory notes are attached on the "F" pages at the end of this Report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans, and expectations. These risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance. Forward-looking statements are only predictions. The forward-looking events discussed in this Quarterly Report, the documents to which we refer you, and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties, and assumptions about us. For these statements, we claim the protection of the "bespeaks caution" doctrine. The forward-looking statements speak only as of the date hereof, and we expressly disclaim any obligation to publicly release the results of any revisions to these forward-looking statements to reflect events or circumstances after the date of this filing.

Critical Accounting Policies

Our critical and significant accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition and depreciation methods. The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The accounting treatment of a particular transaction is specifically dictated by accounting principles, generally accepted in the United States of America, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any viable alternative would not produce a materially different result. See our audited financial statements and notes thereto which contain accounting policies and other disclosures required by accounting principles, generally accepted in the United States of America.

Overview

We are a biotechnical company headquartered in Vancouver, British Columbia that owns the world-wide rights to a family of synthetic anti-freeze glycoproteins (trademarked by us as AAGP™). We are dedicated to the commercial development of AAGP™ for use in human and veterinary medicine, food additives and supplements, and the biotechnology and cosmetic industry. We are making rapid and meaningful progress in this domain by coordinating a

team of world recognized intellectual talent in a networked environment. This team has been able to use previously published research on native antifreeze proteins and antifreeze glycoproteins as a guide to the expansion and development of markets for this valuable family of molecules.

The ProtoKinetix business plan is based primarily on the furtherance of certain intellectual property rights obtained by way of "sub-licenses" of technology from other companies. At present, although we have engaged the prestigious patent law firm of Cabinet-Moutard of Versaille, France, to file a number of international patent applications (consistent with our agreements with the licensors of various technologies we license), we have no finished commercial product or products, and have received no final patents awards or FDA approvals for any product or diagnostic procedures. We are focused on the research and development of one primary compound known as AFGP, which we have filed a trademark application for.

Employees

We currently have no full time employees. We operate with a skeletal management team headed by John Todd, M.D. In addition to Dr. Todd, we receive advice and counsel from our Scientific Advisory Board.

Our Main Project

We are currently developing and testing synthetic antifreeze glycoproteins (AFGP). ProtoKinetix has entered into agreements to acquire the exclusive right to develop products derived from patent pending technologies related to synthetic AFGPs. Our intellectual property rights were developed by Dr. Jean-Charles Quirion.

Background on our AFGP Project

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

A review of the scientific literature will confirm that there has been a great deal of interest around the world in these natural antifreeze glycoproteins which are able to protect a great many creatures which are subjected to freezing temperatures. A further review will also confirm that the natural antifreeze is able to preserve mammalian cells tissue and organs. The metabolic rate in living cells is reduced as the temperature is lowered. Keeping cells and tissue at a low temperature enables their preservation for a longer time than cells can be preserved for at a higher temperature. Yet, when cells are exposed to sub zero temperatures, they are destroyed by the formation of ice crystals which disrupts the cell membrane.

Scientists have conducted many experiments in which they extracted naturally occurring AFGP from a variety of fish and then used these naturally occurring antifreeze glycoproteins to reduce the temperature at which ice crystals are formed. It has been determined in experiments by many scientists that mammalian cells in a solution containing natural AFGP could be successfully preserved at temperatures several degrees below zero Celsius. At this temperature the metabolic rate of the cells is very low, and these cells can be preserved for a longer period of time at sub zero temperatures as long as the cells are not destroyed by the formation of ice crystals. However, until today, applications of AFGP were limited since researchers were unable to produce sufficient quantities or stable enough copies of these antifreeze glycoproteins for commercial applications, and the use of naturally occurring compounds extracted from fish is too labor and cost-intensive to be practical.

Researchers, headed by Dr. Jean Charles Quirion in Rouen, France have developed an innovative and patented chemical synthesis protocol for manufacturing and stabilizing AFGP molecules using a chemical bond that protects these compounds from degradation by naturally occurring enzymes. Dr. Quirion and his team have produced several synthetic antifreeze glycoproteins and have the ability to produce many more different types of these molecules. The synthetic AFGP which has been made has been tested and we were able to show:

- The molecules are stable down to a pH of 1.8
- There is no toxicity demonstrated in 2 separate trials
- The molecules tested have shown that they reduce the freezing point to minus 18 degrees Celcius
- We have been able to preserve red cells at temperatures below zero Celcius using 1 mg per ml of the synthetic antifreeze

Current research is being conducted to confirm the efficacy of these chemically synthesized new molecules and applications are being sought for the use of the synthetic AFGP to prolong the shelf-life of human blood and blood products as well as for other cell types, live vaccines, tissue and organs. The market for the preservation of blood and blood products is very large, as is the market for the preservation of human and animal cells for research purposes. The subzero cryopreservation of organs using our synthetic AFGP will be a major milestone in transplantation medicine

ProtoKinetix will continue to conduct research on the synthetic AFGP which are being manufactured. This work will be conducted by government agencies as well as by contract with private laboratory facilities.

Intellectual Property

As of the date of this Report, although our development agents, including the parties we have licensed AFGP technologies from, have applied to receive patents for technologies ProtoKinetix has licensed and continues to primarily base it's research efforts on, no patents have issued by a governmental or quasi-governmental agency. The references of applications that we have filed to date are PCT/IB2005/003940, filed on December 2, 2005 under the priority of the French patent application FR 0412782 which was filed on December 2, 2004.

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

Trade Secrets and Know-How

We believe that even if our intellectual property position is ultimately diminished as a result of our development agents and licensors to receive patent protection for the licenses ProtoKinetix has contracted to access, we have developed a substantial body of trade secrets and know-how relating to the development of AAGP™, including but not limited to the optimization of materials for efforts, and how to maximize sensitivity, speed-to-result, specificity, stability and reproducibility.

Competition

The markets that we are attempting to enter are multi-billion dollar international industries. They are intensely competitive. Many of our competitors (from every perspective) are substantially larger and have greater financial, research, manufacturing, and marketing resources.

Industry competition in general is based on the following:

- Scientific and technological capability;

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

We believe our scientific and technological capabilities are significant. Some of the results of our research are available at our website located at www.protokinetix.com.

Our ability to develop our research is in large measure dependent on our having additional resources and/or collaborative relationships, particularly where we can have our product development efforts funded on a project or milestone basis. We believe that our know-how with our AFGP project, in spite of not yet receiving any patent protected rights, has been instrumental in our obtaining the collaborations we have developed.

Although there is no such immediate need to make any regulatory filing in the United States or abroad, you should be aware that we have limited experience with regard to obtaining FDA or other required regulatory approvals, and no experience with obtaining pre-marketing approval of a biologic product. For this reason, should our research efforts continue to show promise, we will likely need to hire consultants to assist us with such governmental regulations.

Our access to capital is more challenging, relative to most of our competitors. This is a competitive disadvantage. We believe, however, that our access to capital may increase as we get closer to the development of a commercially viable product.

To date, we believe our research has enabled us to attract and retain qualified consultants. Because of the greater financial resources of many of our competitors, we may not be able to complete effectively for the same individuals to the extent that a competitor uses its substantial resources to attract any such individuals.

As is discussed above, with respect to the availability of patent protection, we do not have our own portfolio of patents or the financial resources to develop and/or acquire a portfolio of patents similar to those of our larger competitors. We have been able to obtain access to patent-pending technology by entering into licensing arrangements. However, there can be no certainty that any of the patent-pending technologies we have licensed will ever receive final approval by any patent office.

Plan of Operation

Our current operations are centered around our relationships with various research and development consultants who are conducting research on our behalf at discrete and established laboratories in various parts of the world. We intend to continue these efforts for the next 12 months and believe, that due to our relatively minimal cash obligations, that we can satisfy our cash requirements during this period. We intend to help meet our corporate obligations by selling our common stock. However our common stock is at a low price and is not actively traded.

Sales and Marketing

We are not currently selling or marketing any products.

Expenses

Expenses for the period ending June 30, 2006 arose primarily from professional and consulting fees. We incurred professional fees relating to costs associated with our being a reporting company under the Securities Exchange Act of 1934, as amended. We also incurred consulting fees which contributed to a net loss of $1,589,313 during the three month period ended June 30, 2006.

Liquidity and Capital Resources

At June 30, 2006, we had $342,899 in cash and $377,248 in total current assets. As of the date of this report, we do not believe that we require additional capital investments or borrowed funds to meet cash flow projections and carry forward our business objectives. In the event that we need to raise additional capital, there can be no assurance that we will be able to raise capital from outside sources in sufficient amounts to fund our new business.

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

Inflation

Although management expects that our operations will be influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations for the period ending June 30, 2006.

Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate our continuation as a going concern. The history of losses and our inability to make a profit from selling a good or service has raised substantial doubt about our ability to continue as a going concern.

Results of Operations for the Period Ending June 30, 2006

We had $0 in net revenues.

We had a $1,589,313 loss from continuing operations for the Period Ending June 30, 2006.

Operating expenses were $1,589,313 for the period ending June 30, 2006. These expenses were primarily incurred for professional fees, consulting services related to the operations of the Company's business, specifically, research and development related expenses, and other general and administrative expenses.

ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (“Exchange Act”) we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006, being the date of our most recently completed fiscal quarter. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to them to allow timely decisions regarding required disclosure.

During our most recently completed quarter ended June 30, 2006, there were no changes in our internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are not party to any legal proceedings and to our knowledge, no such proceedings are threatened or contemplated against us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not complete any sales of securities without registration under the Securities Act of 1933 during our first quarter ended June 30, 2006.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

No matters were submitted to our security holders for a vote during our first quarter ended June 30, 2006.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

Ex. #	Description
3(i).1	Certificate of Incorporation filed as an exhibit to the Company's registration statement on Form 10SB/A filed on July 24, 2001 and incorporated herein by reference.
3(ii).1	By-Laws filed as an exhibit to the Company's registration statement on Form 10SB/A filed on July 24, 2001 and incorporated herein by reference.
14.1	ProtoKinetix, Inc. Code of Ethics file as an exhibit to our annual report on Form 10-KSB filed on April 13, 2006.
31.1	Rule 13a-12(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

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

Protokinetix, Inc.

/s/ Dr. John Todd

_____

By: Dr. John Todd
Its: President, CEO and CFO

In accordance with the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/Dr. John Todd	Chief Executive Officer, President,	August 10, 2006
Dr. John Todd	Chief Financial Officer and Chairman Of The Board	

PROTOKINETIX, INC.

PROTOKINETIX, INC.
(A Development Stage Company)

BALANCE SHEET
June 30, 2006
(unaudited)

ASSETS		
Current Asset		
Cash		$ 342,899
Accounts receivable		34,149
Prepaid expenses		200
	Total current assets	377,248
Computer equipment, net		1,952
Intangible Assets		3,110,000
		$ 3,489,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Due to outside management consultants		$ 306,892
Accounts payable		95,453
	Total current liabilities	402,345
Long-term Debt		-
	Total liabilities	402,345
Stockholders' Equity		
Common stock, $.0000053 par value; 100,000,000 common shares authorized; 42,490,169 shares issued and outstanding		227
Common stock issuable: 1,650,000 shares		11
Additional paid-in capital		16,670,106
Deficit accumulated during the development stage		(13,583,489)
		3,086,855
		$ 3,489,200

See notes to Financial Statements

PROTOKINETIX, INCORPORATED
(A Development Stage Company)
STATEMENTS OF OPERATIONS
For the Three and Six Months Ended June 30, 2006 and 2005, and for the Period from December 23, 1999 (Date of Inception) to June 30, 2006
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	Cumulative During the Development Stage
Revenues	$ -	$ -	$ -	$ -	$ 2,000
General and administrative expenses					
Professional fees	102,504	95,496	204,529	171,186	2,631,222
Consulting fees	1,413,756	3,381,500	1,445,256	3,392,976	9,482,935
Research and development	27,250	24,466	64,313	167,268	684,495
General and Administrative	36,400	34,514	78,392	86,925	425,453
Impairment Loss	-	-	-	-	269,756
Interest	9,403	2,533	11,869	8,261	48,162
	1,589,313	3,538,509	1,804,359	3,826,616	13,542,023
Loss from continuing operations	(1,589,313)	(3,538,509)	(1,804,359)	(3,826,616)	(13,540,023)
Discontinued Operations					
Loss from operations of the discontinued segment		-		-	(43,466)
Net loss	$ (1,589,313)	$ (3,538,509)	$ (1,804,359)	$ (3,826,616)	$ (13,583,489)
Net Loss per Share (basic and fully diluted)	$ (0.04)	$ (0.10)	$ (0.04)	$ (0.11)	
Discontinued operations	0.00	(0.00)	0.00	(0.00)	
Net loss per common shares	$ (0.04)	$ (0.10)	$ (0.04)	$ (0.11)	
Weighted average shares outstanding	42,274,240	38,260,911	42,154,073	37,113,014	

PROTOKINETIX, INCORPORATED
(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2006, and for the Period From December 23, 1999 (Date of Inception) to June 30, 2006
(Unaudited)

	Common Stock		Common Stock Issuable		Additional Paid-in	Deficit Accumulated Stock Subscriptions	Deficit Accumulated During the Development	
	Shares	Amount	Shares	Amount	Capital	Receivable	Stage	Total
Issuance of common stock, December 1999	9,375,000	$50	-	$ -	$ 4,950	$ -	$ -	$5,000
Net loss for period							(35)	(35)
Balance, December 31, 2000	9,375,000	50	-	-	4,950		(35)	4,965
Issuance of common stock, April 2001	5,718,750	30			15,220			15,250
Net loss for year							(16,902)	(16,902)
Balance, December 31, 2001	15,093,750	80	-	-	20,170		(16,937)	3,313
Net loss for year							(14,878)	(14,878)
Balance, December 31, 2002	15,093,750	80	-	-	20,170		(31,815)	(11,565)
Issuance of common stock for services:								
July 2003	2,125,000	11			424,989			425,000
August 2003	300,000	2			14,998			15,000
September 2003	1,000,000	5			49,995			50,000
October 2003	1,550,000	8			619,992			620,000
Issuance of common stock	14,000,000	74			2,099,926			2,100,000

for licensing rights							
Common stock issuable for licensing rights			2,000,000	11	299,989		300,000
Shares cancelled on September 30, 2003	(9,325,000)	(49)			49		-
Net loss for year						(1,262,745)	(1,262,745)
Balance, December 31, 2003	24,743,750	131	2,000,000	11	3,530,108	(1,294,507)	2,235,690
Issuance of common stock for services:							
March 2004	1,652,300	9			991,371		991,380
May 2004	500,000	3			514,997		515,000
July 2004	159,756	1			119,694		119,695
August 2004	100,000	1			70,999		71,000
October 2004	732,400	4			479,996		480,000
November 2004	650,000	4			454,996		455,000
December 2004	255,000	1			164,425		164,426
Common stock issuable for AFGP license			1,000,000	5	709,995		710,000
Common stock issuable for Recaf License			400,000	2	223,998		224,000
Warrants granted (for 3,450,000 shares) for services, October 2004					1,716,253		1,716,253
Options granted for services, October 2004					212,734		212,734

Stock subscriptions receivable			1,800,000	10	329,990	(330,000)	-
Warrants exercised:							-
August 2004			50,000		15,000		15,000
October 2004			600,000	3	134,997		135,000
December 2004			1,000,000	5	224,995		225,000
Options exercised, December 2004			100,000	1	29,999		30,000
Net loss for period							(5,388,274)
Balance, December 31, 2004	28,793,206	$154	6,950,000	$ 37	$ 9,924,547	$ (330,000)	$(6,682,811)
Issuance of stock subscriptions receivable						$240,000	240,000
Issuance of common stock for licensing rights	2,000,000	11	(2,000,000)	(11)			-
Issuance of stock for warrants exercised	2,050,000	10	(2,050,000)	(10)			-
Options exercised, February 2005			35,000	1	10,499		10,500
May 2005	200,000	1			59,999		60,000
Note payable conversion, February 2005			285,832	1	85,749		85,750
Issuance of common stock for Note payable conversion April 2005	285,832	1	(285,832)	(1)			-

May 2005	353,090	2			105,925		105,927
Issuance of common stock for AFGP license	1,000,000	5	(1,000,000)	(5)			-
Issuance of common stock for stock subscriptions received	1,400,000	6	(1,400,000)	(6)		90,000	90,000
Issuance of stock for options exercised	135,000	2	(135,000)	(2)			-
Issuance of common stock for services:							
April 2005	30,000	1			14,999		15,000
May 2005	3,075,000	15			3,320,985		3,321,000
June 2005	50,000	1			50,499		50,500
August 2005	(250,000)	(1)			(257,499)		(257,500)
August 2005	111,111	1	(92,593)	(1)	15,000		15,000
October 2005	36,233	1	(36,233)	(1)	-		-
November 2005							
November 2005	311,725	2	(245,000)	(1)	36,249		36,250
December 2005	1,220,000	8			756,392		756,400
Common stock issuable for services rendered							
June 2005			200,000	1	149,999		150,000
August 2005			36,233	1	21,739		21,740
September 2005			125,000	1	74,999		75,000
September 2005(Proteocell)			100,000	1	57,999		58,000
			120,968	1	74,999		75,000

December 2005								
Net loss for the year							(5,096,296)	(5,096,296)
Balance, December 31, 2005	40,801,197	$220	608,375	$ 6	$ 14,503,079	$-	$(11,779,296)	$2,724,175
Common stock issuable:								
February 2006 private placement			900,000	2	352,145			352,147
February/March 2006 services			20,000	1	10,499			10,500
Warrants granted from private placement (450,000)					97,853			97,853
Issuance of common stock for services:								
March 2006	166,359	1	(108,375)	(1)	36,750			36,750
May 2006	1,266,278	7	(70,000)	(1)	792,750			792,756
June 2006	27,056		1,200,000	6	718,244			718,250