



GROSVENOR FINANCIAL PARTNERS, LLC

October 1, 2007

PROTOKINETIX (OTCBB: PKTX)

Price as of 9/28/07

\$0.24

Initial Report with a Price Target Price of \$1.32

As of 6/30/07 (except cap & range)

Rating:
Accumulate

Price Target: \$1.32

52-week range	\$0.18-\$0.62	Long-term debt	\$0
Shares Outstanding	45 million	Debt/Capital	NM
Insiders/Institutions	7%/11%	ROE Untaxed	NM
Public Float	37 million	Cash & Inv/Share	NM
Market Capitalization	\$11 million	Book Value/Share	Nil

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Company Description

ProtoKinetix, Inc. is a biotech company that owns worldwide rights to a family of synthetic anti-freeze glycoproteins trademarked by the Company as AAGPT™. These biomolecules have shown to have the unusual property of markedly slowing down the aging process in cells, and accordingly may have broad application in the multi-billion dollar skin care business. In addition, the properties of these substances may have application in the treatment of a broad array of diseases.

FYE Dec	2005A	2006A	2007 A/E
Earnings EPS	Begins Jan 1, '05	Begins Jan 1, '06	Begins Jan 1, '07
Q1 Mar	(.01)	(.01)	(.01) A
Q2 Jun	(.10)	(.04)	(.01) A
Q3 Sep	(.00)	(.01)	(.01) E
Q4 Dec	(.02)	.01	(.01) E
Year	(.13)	(.05)	(.04) E
P/E Ratio	NM	NM	NM

FYE Dec	2005A	2006A	2007 A/E
Revenues	Begins Jan 1, '05	Begins Jan 1, '06	Begins Jan 1, '07
Q1 Mar			
Q2 Jun	NO	MEANINGFUL	REVENUES
Q3 Sep		TO DATE	
Q4 Dec			
Year			

INVESTMENT SUMMARY

- **ProtoKinetix, Inc. is a developmental stage company that owns the worldwide rights to a class of biomolecules that has demonstrated its efficacy in dramatically slowing down the aging process in cell tissues; potential use in treating a number of serious diseases has also been indicated.**
- **The Company currently is in dialog with a number of cosmetic concerns regarding the use of its AAGPT™ glycoproteins (protein + carbohydrate molecule) as anti-aging agents for high-end skin care products.**
- **While these biomolecules do *not* reverse aging, they slow down the process almost to the point of suspension. Furthermore, they are broadly applicable in that they are soluble in almost any type of formulation, including those that are alcohol-, water-, and fat-based.**
- **The overall skin-care products business is estimated to be approaching \$6 billion, with the anti-aging sector growing at 11.2%, and the prestige sector at much higher rates (cosmeticsdesign.com).**
- **We speculate that at some point the Company will spin off its skin-care project to shareholders and engage in joint ventures with major cosmetics companies in order to most efficiently bring its anti-aging technology to the market place.**

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- In a recent report from the University of Helsinki, AAGP™ was shown to produce significant increases in stem cell viability and competence under both cryopreservation (-80 degrees C) and at refrigeration (+4 degrees C) temperatures, indicating the ability to maintain stem cells for future use in therapies.
- We are initiating with a “Buy” rating and a price target of \$1.32 a share. (Please refer to our Valuation section below)
- While skin care will likely be the most immediate source of revenues for the Company, there has as yet been no definitive plan nor timetable announced as to how ProtoKinetix is likely to proceed in this direction, so a prudent speculator must at least assume there will be significant delays.
- The usual risks associated with small biotech companies are applicable: drugs that are promising in early trials fail to live up to expectations in later clinical phases; uncertainty in the flow of partnering and milestone payments; dilution from frequent financing; regulatory twists and turns; the company runs out of money.

Valuation

ProtoKinetix is a unique situation for the high risk, small cap, speculative investor seeking a company with dynamic growth potential. Since inception in 1999, the Company has primarily focused on theoretical science, but is in now the process of redirecting its major efforts to the practical side of its business. After years of research, ProtoKinetix has been granted significant patent coverage that will permit it to apply the dynamic interlocking molecular structure of AAGP™ to provide a profound enhancement to a vast array of existing biotechnology regimens.

Certainly ProtoKinetix faces numerous challenges, obstacles and risks at this stage of the product cycle. We believe these risks can be managed to provide a balanced approach for the benefit of shareholders and strategic partners. ProtoKinetix maintains a highly efficient cost management structure in all of its endeavors. As a result management can mitigate some of the risk associated with development of products that can take several years to reach complete development of required testing and FDA approval.

At this juncture, it is virtually impossible to construct a sales model for various potential products, because of the presently nascent aspect of the Company's shift into applications with revenue prospects from research on projects that have in the past consumed capital. We think



that present valuation may to a large degree be derived from the stock's past price history, however. In 2004 the annual high for PKTX stock was over \$1.50 a share, and in 2005 the annual high was over \$1.20 per share. We calculate that an equivalent price today to account for the significant subsequent equity dilution would be about \$1.02 a share. We think that as soon as the Company's skin-care prospects become more defined that the market will start to discount a revenue stream, and perhaps add another \$0.30 to its share price. From this analysis we feel comfortable in projecting a future price of \$1.32 a share. Certainly it appears that ProtoKinetix is very undervalued relative to both its own past valuation and its greatly enhanced future prospects.



Courtesy bigcharts.com



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