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

# FORM 10-Q

[X] **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 PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number: 000-55158**

# COCRYSTAL PHARMA, INC.
(Exact Name of Registrant as Specified in Its Charter)

| **Delaware** | **35-2528215** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **1860 Montreal Road Tucker, Georgia** | **30084** |
| (Address of Principal Executive Offices) | (Zip Code) |

**(678)-892-8800**
(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 [X] 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 (Sec.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 [X] 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 12b2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer [ ] | Accelerated filer [X] |
| Non-accelerated filer [ ] | Smaller reporting company [ ] |
| *(Do not check if a smaller reporting company)* | Emerging growth company [ ] |

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

As of November 4, 2017, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 728,238,508.

**COCRYSTAL PHARMA, INC.**

**FORM 10-Q FOR THE QUARTER ENDED September 30, 2017**

**INDEX**

**Part I – FINANCIAL INFORMATION**
**Cocrystal Pharma, Inc.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
(in thousands)

| | September 30, 2017 (unaudited) | December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,345 | $ 3,640 |
| Accounts receivable | - | 21 |
| Prepaid expenses and other current assets | 240 | 517 |
| Mortgage note receivable, current portion | 1,294 | 1,294 |
| Total current assets | 2,879 | 5,472 |
| | | |
| Property and equipment, net | 243 | 280 |
| Deposits | 31 | 31 |
| In process research and development | 53,905 | 53,905 |
| Goodwill | 65,195 | 65,195 |
| Total assets | $ 122,253 | $ 124,883 |
| | | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 901 | $ 563 |
| Derivative liabilities | 855 | 1,476 |
| Total current liabilities | 1,756 | 2,039 |
| Long-term liabilities | | |
| Deferred rent | 37 | 63 |
| Deferred tax liability | 20,462 | 20,462 |
| Total long-term liabilities | 20,499 | 20,525 |
| | | |
| Total liabilities | 22,255 | 22,564 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value; 800,000 shares authorized; 728,239 and 714,032 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively | 728 | 714 |
| Additional paid-in capital | 242,510 | 239,035 |
| Accumulated deficit | (143,240) | (137,430) |
| Total stockholders' equity | 99,998 | 102,319 |
| | | |
| Total liabilities and stockholders' equity | $ 122,253 | $ 124,883 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Cocrystal Pharma, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(unaudited)
(in thousands)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Operating expenses | | | | |
| Research and development | $ 1,393 | $ 2,093 | $ 4,718 | $ 7,803 |
| General and administrative | 717 | (199) | 1,712 | 3,630 |
| Total operating expenses | 2,110 | 1,894 | 6,430 | 11,433 |
| | | | | |
| Loss from operations | (2,110) | (1,894) | (6,430) | (11,433) |
| | | | | |
| Other income (expense) | | | | |
| Interest income (expense), net | (2) | 51 | (1) | 141 |
| Change in fair value of derivative liabilities | (148) | (38) | 621 | 2,173 |
| Other income (expense), net | - | - | - | (1) |
| Total other income (expense), net | (150) | 13 | 620 | 2,313 |
| | | | | |
| Loss before income taxes | (2,260) | (1,881) | (5,810) | (9,120) |
| | | | | |
| Income tax expense | - | - | - | - |
| | | | | |
| Net loss and comprehensive loss | $ (2,260) | $ (1,881) | $ (5,810) | $ (9,120)) |
| | | | | |
| Net loss per common share: | | | | |
| Loss per share, basic | $ (0.00) | $ (0.00) | $ (0.01) | $ (0.01) |
| Weighted average common shares outstanding, basic | 728,032 | 707,478 | 720,284 | 702,634 |
| | | | | |
| Loss per share, fully diluted | $ (0.00) | $ (0.00) | $ (0.01) | $ (0.02) |
| Weighted average common shares outstanding, diluted | 728,032 | 707,478 | 720,284 | 703,417 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements*.

**Cocrystal Pharma, Inc.**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**(unaudited)**
**(in thousands)**

| | Common Stock | | Additional | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Paid in capital | Deficit | Equity |
| Balance as of December 31, 2016 | 714,032 | $ 714 | $ 239,035 | $ (137,430) | $ 102,319 |
| Exercise of common stock options | 1,707 | 2 | 78 | - | 80 |
| Stock-based compensation | - | - | 409 | - | 409 |
| Sale of common shares | 12,500 | 12 | 2,988 | - | 3,000 |
| Net loss | - | - | - | (5,810) | (5,810) |
| Balance as of September 30, 2017 | 728,239 | $ 728 | $ 242,510 | $ (143,240) | $ 99,998 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements*.

**Cocrystal Pharma, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(unaudited)
(in thousands)

| | Nine months ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Net loss | $ (5,810) | $ (9,120) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 77 | 159 |
| Stock-based compensation | 409 | 297 |
| Change in fair value of derivative liabilities | (621) | (2,173) |
| Change in deferred rent | (14) | (7) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 21 | 16 |
| Prepaid expenses and other current assets | 277 | (184) |
| Accounts payable and accrued expenses | 338 | (1,342) |
| Net cash used in operating activities | (5,323) | (12,354) |
| | | |
| Investing activities | | |
| Purchase of fixed assets | (40) | (49) |
| Long-term deposits | (12) | (23) |
| Principal payments received on mortgage note receivable | | 40 |
| Net cash used in investing activities | (52) | (32) |
| | | |
| Financing activities | | |
| Proceeds from issuance of common stock and warrants | 3,000 | 9,013 |
| Proceeds from exercise of stock options | 80 | 3 |
| Net cash provided by financing activities | 3,080 | 9,016 |
| | | |
| Net decrease in cash and cash equivalents | (2,295) | (3,370) |
| Cash and cash equivalents at beginning of period | 3,640 | 9,276 |
| Cash and cash equivalents at end of period | $ 1,345 | $ 5,906 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Cashless exercise of warrants | $ - | $ 35 |

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Cocrystal Pharma, Inc.**
**Notes to the Condensed Consolidated Financial Statements**
**September 30, 2017**
**(unaudited)**

**Note 1- Organization and Significant Accounting Policies**

**The Company**

Cocrystal Pharma, Inc. ("the Company") is a biotechnology company that develops novel medicines for use in the treatment of human viral diseases. Cocrystal has developed proprietary structure-based drug design technology and antiviral nucleoside chemistry to create antiviral drug candidates. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates designed to transform the treatment and/or prophylaxis of hepatitis C virus, influenza virus and norovirus. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

Cocrystal Pharma, Inc. was formerly incorporated in Nevada under the name Biozone Pharmaceuticals, Inc. On January 2, 2014, Biozone Pharmaceuticals, Inc. sold substantially all of its assets to MusclePharm Corporation ("MusclePharm"), and, on the same day, merged with Cocrystal Discovery, Inc. ("Discovery") in a transaction accounted for as a reverse merger. Following the merger, the Company assumed Discovery's business plan and operations. On March 18, 2014, the Company reincorporated in Delaware under the name Cocrystal Pharma, Inc.

Effective November 25, 2014, Cocrystal Pharma, Inc. and affiliated entities completed a series of merger transactions as a result of which Cocrystal Pharma, Inc. merged with RFS Pharma, LLC, a Georgia limited liability company ("RFS Pharma"). We refer to the surviving entity of this merger as "Cocrystal" or the "Company."

The Company operates in only one segment. Management uses cash flow as the primary measure to manage its business and does not segment its business for internal reporting or decision-making.

The Company's activities since inception have consisted principally of acquiring product and technology rights, raising capital, and performing research and development. Successful completion of the Company's development programs, obtaining regulatory approvals of its products and, ultimately, achieving profitable operations are dependent on, among other things, its ability to access potential markets, securing financing, attracting, retaining and motivating qualified personnel, and developing strategic alliances. Through September 30, 2017, the Company has funded its operations through equity offerings.

As of September 30, 2017, the Company had an accumulated deficit of $143.2 million. During the three and nine month periods ended September 30, 2017, the Company had losses from operations of $2.1 million and $6.4 million, respectively. Cash used in operating activities was approximately $5.3 million for the nine months ended September 30, 2017. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. The Company can give no assurances that any additional capital that it is able to obtain, if any, will be sufficient to meet its needs, or that any such financing will be obtainable on acceptable terms. If the Company is unable to obtain adequate capital, it could be forced to cease operations or substantially curtail its drug development activities. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company expects to continue to incur substantial operating losses and negative cash flows from operations over the next several years during its pre-clinical and clinical development phases.

***Basis of Presentation and Significant Accounting Policies***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statement presentation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for the nine month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or any future interim periods. All intercompany accounts and transactions have been eliminated in consolidation.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements and footnotes included in the Cocrystal Pharma, Inc. Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the U.S. Securities and Exchange Commission ("SEC"). The accompanying condensed consolidated balance sheet as of September 30, 2017 has been derived from the audited financial statements as of that date, but does not include all of the information and notes required by GAAP. The Company has evaluated subsequent events after the balance sheet date of September 30, 2017 through the date it has filed these unaudited condensed consolidated financial statements with the SEC and has disclosed all events or transactions that would require recognition or disclosures in these unaudited condensed consolidated financial statements.

Our significant accounting policies and practices are presented in Note 2 to the financial statements included in the Form 10-K.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (*Topic 842*). ASU 2016-02 impacts any entity that enters into a lease with some specified scope exceptions. This new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The guidance updates and supersedes Topic 840, *Leases*. For public entities, ASU 2016-02 is effective for fiscal years, and interim periods with those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company has not yet implemented this guidance. However, based on the Company's current operating lease arrangements, the Company does not expect the adoption of this standard to have a material impact on its financial statements based upon current obligations.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)*. This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The Company adopted this standard as of January 1, 2017. The Company has elected to adopt the provisions of ASU No. 2016-09 that allow for stock option forfeitures to be recorded as they occur; however, adoption of this provision had no impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*. This standard addresses the classification of eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact of this new guidance on our Condensed Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350)*. This standard simplifies how an entity is required to test for goodwill impairment. ASU 2017-04 will be effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted after January 1, 2017. We are currently evaluating the impact of this new guidance on our Condensed Consolidated Financial Statements.

In July 2017, the FASB issued ASU 2017-11, *Accounting for Certain Financial Instruments with Down Round Features and Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of this ASU addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of future equity offerings. Current accounting guidance requires financial instruments with down round features to be accounted for at fair value. Part II of the Update applies only to nonpublic companies and is therefore not applicable to the Company. The amendments in Part I of the Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity-classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. This Update is effective for public entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company has not yet determined when it will adopt the provisions of this Update and has not yet determined the impact on its consolidated financial statements upon adoption.

**Note 2 – Fair Value Measurements**

FASB Accounting Standards Codification ("ASC") 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 — quoted prices in active markets for identical assets or liabilities.

Level 2 — other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 — significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

The Company categorized its cash equivalents as Level 1 fair value measurements. The Company categorized its warrants potentially settleable in cash as Level 3 fair value measurements. The warrants potentially settleable in cash are measured at fair value on a recurring basis and are being marked to fair value at each reporting date until they are completely settled or meet the requirements to be accounted for as component of stockholders' equity. The warrants are valued using the Black-Scholes option-pricing model as discussed in Note 4 below.

The following table presents a summary of fair values of assets and liabilities that are re-measured at fair value at each balance sheet date as of September 30, 2017 and December 31, 2016, and their placement within the fair value hierarchy as discussed above (in thousands):

| Description | September 30, 2017 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 1,345 | $ 1,345 | $ - | $ - |
| Total assets | $ 1,345 | $ 1,345 | $ - | $ - |
| | | | | |
| Liabilities: | | | | |
| Warrants potentially settleable in cash | $ 855 | $ - | $ - | $ 855 |
| Total liabilities | $ 855 | $ - | $ - | $ 855 |

| Description | December 31, 2016 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 3,640 | $ 3,640 | $ - | $ - |
| Total assets | $ 3,640 | $ 3,640 | $ - | $ - |
| | | | | |
| Liabilities: | | | | |
| Warrants potentially settleable in cash | $ 1,476 | $ - | $ - | $ 1,476 |
| Total liabilities | $ 1,476 | $ - | $ - | $ 1,476 |

The Company has not transferred any financial instruments into or out of Level 3 classification during the nine months ended September 30, 2017 or 2016. A reconciliation of the beginning and ending Level 3 liabilities for the nine months ended September 30, 2017 and 2016 is as follows:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|---|---|---|
| | September 30, 2017 | September 30, 2016 |
| Balance, January 1, | $ 1,476 | $ 4,115 |
| Estimated fair value of warrants exchanged for common shares | - | (35) |
| Change in fair value of warrants | (621) | (2,173) |
| Balance at September 30, 2017 and 2016 | $ 855 | $ 1,907 |

**Note 3 – Stockholders' equity**

Common Stock — The Company has authorized up to 800,000,000 shares of common stock, $0.001 par value per share, and had 728,238,507 shares issued and outstanding as of September 30, 2017.

On April 20, 2017, the Company closed on proceeds of $3,000,000 in a private placement offering of 12,500,000 shares of the Company's common stock at a purchase price of $0.24 per share to three accredited investors, which included Chairman Dr. Raymond F. Schinazi and OPKO Health, Inc., of which the Company's director Dr. Phillip Frost is Chairman and Chief Executive Officer.

Shares of common stock authorized for future issuance as follows as of September 30, 2017 (in thousands):

| | As of September 30, 2017 |
|---|---|
| Stock options issued and outstanding | 21,344 |
| Authorized for future option grants | 49,668 |
| Warrants outstanding | 6,275 |
| Total | 77,287 |

The common stock authorized for future option grants was not reserved by the Company. The Company currently does not have enough common stock authorized to issue all the options authorized by the Company for future grants.

**Note 4 – Warrants**

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the nine months ended September 30, 2017 (in thousands):

| | **Warrants accounted for as: Equity** | **Warrants accounted for as: Liabilities** | | |
|---|---|---|---|---|
| | April 2013 warrants | October 2013 Series A warrants | January 2014 warrants | Total |
| Outstanding, December 31, 2016 | 1,500 | 775 | 4,000 | 6,275 |
| Warrants expired | - | - | - | - |
| Warrants exercised | - | - | - | - |
| Outstanding, September 30, 2017 | 1,500 | 775 | 4,000 | 6,275 |
| Expiration date | April 25, 2018 | October 24, 2023 | January 16, 2024 | |

Warrants consist of warrants potentially settleable in cash, which are liability-classified warrants, and equity-classified warrants.

*Warrants classified as liabilities*

Liability-classified warrants consist of warrants issued in connection with equity financings in October 2013 and January 2014 and potentially settleable in cash and were determined not to be indexed to the Company's own stock and are therefore accounted for as liabilities.

The estimated fair value of outstanding warrants accounted for as liabilities is determined at each balance sheet date. Any decrease or increase in the estimated fair value of the warrant liability since the most recent balance sheet date is recorded in the consolidated statement of comprehensive loss as changes in fair value of derivative liabilities.

The Company's expected volatility is based on a combination of implied volatilities of similar publicly traded entities given that the Company has limited history of its own observable stock price. The expected life assumption is based on the remaining contractual terms of the warrants. The risk-free rate is based on the zero coupon rates in effect at the balance sheet date. The dividend yield used in the pricing model is zero, because the Company has no present intention to pay cash dividends.

The fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of September 30, 2017:

| | October 2013 warrants | January 2014 warrants |
|---|---|---|
| Strike price | $ 0.50 | $ 0.50 |
| Expected term (years) | 6.1 | 6.3 |
| Cumulative volatility % | 88.00% | 89.00% |
| Risk-free rate % | 2.11% | 2.12% |

The Company's expected volatility is based on a combination of implied volatilities of similar publicly traded entities as well as including the Company's own common stock volatility, given that the Company has limited history of its own observable stock price. The expected life assumption is based on the remaining contractual terms of the warrants. The risk-free rate is based on the zero coupon rates in effect at the balance sheet date. The dividend yield used in the pricing model is zero, because the Company has no present intention to pay cash dividends.

*Warrants classified as equity*

Warrants that were recorded in equity at fair value upon issuance, and are not reported as liabilities on the balance sheet, are included in the above table which shows all warrants.

**Note 5 – Stock-based compensation**

The Company recorded approximately $142,000 and $409,000 of stock-based compensation related to employee stock options for the three and nine months ended September 30, 2017. For the three and nine months ended September 30, 2016, stock option expense was a ($1,138,000) and $297,000, respectively. During the third quarter of 2016, the Company reversed $1,392,000 in stock option expenses related to non-vested options issued to two executives that left the organization. Expense for the remaining employees were only $254,000, resulting in the negative stock option expense for the three months ended September 30, 2016.

As of September 30, 2017, there was $643,000 of unrecognized compensation cost related to outstanding options that is expected to be recognized as a component of the Company's operating expenses over a weighted average period of 1.50 years.

The administrator of the Company's stock option plans determines the times when an option may become exercisable at the time of grant. Vesting periods of options granted to date have not exceeded five years. The options generally will expire, unless previously exercised, no later than ten years from the grant date. The Company is using unissued shares for all shares issued for options and restricted share awards.

The following schedule presents activity in the Company's outstanding stock options for the nine months ended September 30, 2017 (in thousands, except per share amounts):

| | Number of shares available for grant | Total options outstanding | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Balance at December 31, 2016 | 48,368 | 24,351 | $ 0.30 | $ 5,457 |
| Exercised | - | (1,707) | 0.05 | - |
| Granted | - | - | - | - |
| Cancelled | 1,300 | (1,300) | 0.96 | |
| Balance at September 30, 2017 | 49,668 | 21,344 | $ 0.28 | $ 2,874 |

As of September 30, 2017, options to purchase 21,344,222 shares of common stock, with an aggregate intrinsic value of $2,874,000, were outstanding that were fully vested or expected to vest with a weighted average remaining contractual term of 4.1 years. As of September 30, 2017, options to purchase 20,464,222 shares of common stock with a weighted average exercise price of $0.24 per share and a weighted average remaining contractual term of 3.6 years were fully vested with an intrinsic value of $2,874,000.

The aggregate intrinsic value of outstanding and exercisable options at September 30, 2017 was calculated based on the closing price of the Company's common stock as reported on the OTCQB market on September 29, 2017 of $0.27 per share less the exercise price of the options. The aggregate intrinsic value is calculated based on the positive difference between the closing fair market value of the Company's common stock and the exercise price of the underlying options.

**Note 6 – Net Loss per Share**

The Company accounts for and discloses net loss per common share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares that would have been outstanding during the period assuming the issuance of common shares for all potential dilutive common shares outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants.

The following table sets forth the number of potential common shares excluded from the calculations of net loss per diluted share because their inclusion would be anti-dilutive (in thousands):

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Options to purchase common stock | 21,344 | 24,651 | 21,344 | 24,651 |
| Warrants to purchase common stock | 6,275 | - | 6,275 | 783 |
| Total | 27,619 | 24,651 | 27,619 | 25,434 |

**Note 7 - Mortgage Note Receivable**

In June 2014, the Company acquired a mortgage note from a bank for $2,626,290 which is collateralized by, among other things, the underlying real estate and related improvements. The property subject to the mortgage is owned by an entity managed by Daniel Fisher, one of the founders of Biozone, and to the Company's knowledge, is currently being occupied by Flavor Producers, Inc. in an instance where that company is not currently making rent payments. At September 30, 2017, the carrying amount of the mortgage note receivable was $1,294,000, consisting entirely of principal. The mortgage note has a maturity date of August 1, 2032 and bears an interest rate of 7.24%.

In 2014, Daniel Fisher and his affiliate, 580 Garcia Properties LLC, brought multiple lawsuits against the Company involving its predecessors and subsidiaries. The lawsuits have been settled and the complaints initiating them dismissed, without the Company making any payments to either Mr. Fisher or 580 Garcia Properties LLC. In addition, the mortgage note discussed above is a promissory note secured by a deed of trust under which 580 Garcia Properties LLC is the primary obligor. As of the time of the acquisition by the Company of the promissory note, 580 Garcia Properties LLC, was delinquent in its obligation to make certain monthly payments thereunder. Consequently, in December 2015, the Company issued notice of default letters to 580 Garcia Properties LLC, Daniel Fisher, and Sharon Fisher for said delinquencies, and proceeded in accordance with rights of a secured real estate creditor under California law, to initiate private foreclosure proceedings respecting the property, to foreclose under the promissory note secured by the deed of trust. A foreclosure sale was set in accordance with California law for January 27, 2017. Prior to the date of this foreclosure sale, Mr. Fisher filed a motion where he sought among other things an order of the court enjoining the foreclosure sale, alleging wrongdoing by the Company and Biozone Pharmaceuticals, Inc. and others that Mr. Fisher claims the Company has direct responsibility over. The court in the Fisher/Biozone Lawsuit heard oral argument on Mr. Fisher's motion on March 2, 2017. On March 23, 2017, the court ordered further briefing by March 30, 2017 on the issue of whether to enjoin the foreclosure sale. On April 5, 2017, the court in the Fisher/Biozone Lawsuit entered a preliminary injunction barring the foreclosure sale until further order, and since that time the Company has engaged in settlement discussions with Mr. Fisher and 580 Garcia Properties LLC and others, to discuss an overall resolution of Fisher/Biozone claims of money damages allegedly caused to it by the transfer of occupants at the property, and Company efforts to either bring the promissory note to a performing status or to otherwise monetize the Company's rights under the promissory note. The Company cannot offer any assurances as to when, or if, any settlement will be achieved, and the court has scheduled case management conferences to consider further proceedings, with the next case management conference set for November 30, 2017.

Because the Company intended to foreclose on the property and foreclosure was probable, in December 2016 the Company recognized an impairment on the mortgage note receivable of $1,176,000 to adjust the carrying value of the note to its fair value. The fair value of the note was determined by reference to the estimated fair value of the underlying property, which was determined based on analysis of comparable properties and recent market data. Furthermore, as a result of the Company's plan to divest of this asset within the next twelve months, we are no longer recording interest income and the asset was reclassified from long-term to current at December 31, 2016.

**Note 8 – Income Taxes**

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

As a result of the Company's cumulative losses, management has concluded that a full valuation allowance against the Company's net deferred tax assets is appropriate. The Company has recorded a net deferred tax liability of $20,462,000 as of September 30, 2017 and December 31, 2016 as it has not considered the deferred tax liability, which is related to acquired in-process research and development, to be a future source of taxable income in evaluating the need for a valuation allowance against its deferred tax assets due to the in-process research and development asset being considered an indefinite-lived intangible asset.

FASB ASC Topic 740, *Income Taxes* ("ASC 740"), prescribes a recognition threshold and a measurement criterion for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be considered more likely than not to be sustained upon examination by taxing authorities. The Company records interest and penalties related to uncertain tax positions as a component of the provision for income taxes. As of September 30, 2017 and December 31, 2016, the Company had no unrecognized tax benefits.

The Company currently files income tax returns in the United States federal and various state jurisdictions. The Company is not currently under examination in any jurisdiction.

**Note 9 - Contingencies**

As a publicly traded company, from time to time, the Company may be party to, or otherwise involved in, legal proceedings and inquiries from regulators arising in the normal course of business. As of the date of this report, except as described below, the Company is not aware of any proceedings, threatened or pending, against it which, if determined adversely, would have a material effect on its business, results of operations, cash flows or financial position.

In June 2014, the Company acquired a mortgage note from a bank, which is collateralized by, among other things, the underlying real estate and related improvements. At September 30, 2017, the carrying amount of the mortgage note receivable was $1,294,000, consisting entirely of principal. The Company is currently in legal proceedings regarding the mortgage note receivable and collateralized real estate (see Note 7).

**Note 10 - Transactions with Related Parties**

Since November 2014, the Company has leased its Tucker, Georgia facility from a limited liability company owned by one of Cocrystal's directors and principal shareholder, Dr. Raymond Schinazi. The annual expense for this lease is estimated to be $233,000. The present lease expired June 30, 2017 and the Company is currently on a month-to-month term. The total rent expense was $51,000 and $162,000 for the three and nine months ended September 30, 2017 and $59,000 and $177,000 for the three and nine months ended 2016, respectively.

Emory University: The Company has an exclusive license from Emory University for use of certain inventions and technology related to inhibitors of HCV that were jointly developed by Emory and Company employees. The License Agreement is dated March 7, 2013 wherein Emory agrees to add to the Licensed Patents and Licensed Technology Emory's rights to any patent, patent application, invention, or technology application that is based on technology disclosed within three (3) years of March 7, 2013. The agreement includes payments due to Emory ranging from $40,000 to $500,000 based on successful achievement of certain drug development milestones. Additionally, the Company may have royalty payments at 3.5% of net sales due to Emory with a minimum in year one of $25,000 and increase to $400,000 in year five upon product commercialization. One of the Company's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University and may share in these royalty payments with Emory.

On February 2, 2016, the Company entered into an agreement with Duke University and Emory University to license various patents and know-how to use CRISPR/Cas9 technologies for developing a possible cure for hepatitis B virus (HBV) and human papilloma virus (HPV). On September 25, 2017 ("Termination Date"), the Company mutually terminated the agreement with Duke University and there are no further rights or obligations under this license agreement after the Termination Date.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

Cocrystal is a biotechnology company working to develop novel medicines for use in the treatment of human viral diseases. Cocrystal has developed proprietary structure-based drug design technology and antiviral nucleoside chemistry to create first-in-class and best-in-class antiviral drug candidates. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and/or prophylaxis of hepatitis C virus, norovirus, and influenza virus. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

### Highlights

During the last nine months, the Company focused its research and development efforts primarily in three areas:

- **Hepatitis C.** Our Hepatitis C Virus ("HCV") Non-Nucleoside Polymerase Inhibitor CC-31244, is a potential best-in-class pan-genotypic inhibitor of NS5B polymerase for the treatment of hepatitis C infection. It has the potential to be an important component in an all-oral ultra-short HCV combination therapy. CC-31244 showed an acceptable safety profile in both healthy volunteers and HCV-infected patients. There were no serious adverse events or discontinuations due to adverse events. The mean HCV viral load reduction was 3 logs at 48 hours and a sustained post-treatment antiviral effect after seven days of treatment. The Company is in partnership discussions for further clinical development of CC-31244.

- **Influenza.** We have several preclinical candidates under development for the treatment of influenza infection. CC-42344, a novel PB2 inhibitor, has been selected as a preclinical lead. This candidate binds to a highly conserved PB2 site of influenza polymerase complex (PB1: PB2: PA), and exhibits a novel mechanism of action. CC-42344 showed excellent antiviral activity against influenza A strains, including avian pandemic strains and Tamiflu resistant strains, and has favorable pharmacokinetic profiles. We have initiated Investigational New Drug ("IND") enabling studies this year.

- **Norovirus Infections.** We continue to identify and develop nucleoside and non-nucleoside polymerase inhibitors.

**Results of Operations for the Three and Nine months Ended September 30, 2017 compared to the Three and Nine months Ended September 30, 2016**

**Research and Development Expense**

Research and development expense consists primarily of compensation-related costs for our employees dedicated to research and development activities and for our Scientific Advisory Board members, as well as lab supplies, lab services, and facilities and equipment costs. We expect research and development expenses to increase in future periods as we expand our clinical and pre-clinical development activities.

Total research and development expenses were approximately $1,393,000 for the three months ended September 30, 2017, compared with $2,093,000 for the three months ended September 30, 2016. The decrease of $700,000, or 33%, was due to the reduction in phase I clinical trials as these costs were primarily incurred during 2016.

Total research and development expenses were approximately $4,718,000 for the nine months ended September 30, 2017, compared with $7,803,000 for the nine months ended September 30, 2016. The decrease of $3,085,000 or 40%, was predominately due to the conclusion of phase I of clinical trials in 2016.

**General and Administrative Expense**

General and administrative expense includes compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses.

General and administrative expenses were $717,000 for the three months ended September 30, 2017, compared with negative expense of $199,000 for the three months ended September 30, 2016. This increase of $916,000, was primarily the result of the negative general and administrative expense for the three months ended September 30, 2016. This negative expense was due to reversal of stock-based compensation expense associated with options that were forfeited by two of the Company's executives that left the organization during the quarter which had not vested. Because we assumed a zero forfeiture rate and none of these options had vested prior to forfeiture, expense associated with these options that had been recorded in previous periods was reversed during the three months ended September 30, 2016.

General and administrative expenses were approximately $1,712,000 for the nine months ended September 30, 2017, compared with $3,630,000 for the nine months ended September 30, 2016. The decrease of $1,918,000, or 53%, was due to an insurance reimbursement of prior legal costs, a non-cash reversal of stock compensation expense related to unvested options for the former General Council and Interim CFO that left the Company during 2017, a decrease in compensation costs due to staffing turnover, and a general decrease in legal costs.

**Interest Income/Expense**

For the three months and nine months ended September 30, 2017, the Company had interest expense of $2,000 and $1,000, respectively. Conversely, for the three months and nine months ended September 30, 2016, the Company had interest income of $51,000 and $141,000, respectively. These amounts represent interest earned on the mortgage note the Company acquired in June 2014. The key objectives of our investment policy are to preserve principal and ensure sufficient liquidity, so our invested cash may not earn as high a level of income as longer-term or higher risk securities, which generally have less liquidity and more volatility.

**Other Income/Expense**

For the three months ended September 30, 2017 and 2016, the Company had total other income (expense), net, of ($150,000) and $13,000, respectively. For the nine months ended September 30, 2017 and 2016, the Company had other income, net, totaling $620,000 and $2,313,000, respectively. Other income (expense) consists primarily of the change in fair value of the outstanding warrants to purchase our common stock that are accounted for as liabilities. Under accounting principles generally accepted in the United States, we record other income or expense for the change in fair value of our outstanding warrants that are accounted for as liabilities during each reporting period. If the fair value of the warrants decreases during the period, we record other income. The fair value of our outstanding warrants is inversely related to the fair value of the underlying common stock; as such, a decrease in the fair value of our common stock during a given period generally results in other income while an increase in the fair value of our common stock results in other expense. This other income or expense is non-cash. We believe investors should focus on our operating loss rather than net loss for the periods presented. Our operating loss for the three and nine months ended September 30, 2017 was $2,110,000 and $6,430,000, respectively, compared to $1,894,000 and $11,433,000 for the same periods in 2016, respectively.

**Income Taxes**

As a result of our cumulative losses, we have concluded that a full valuation allowance against our net deferred tax assets is appropriate. We have recorded a net deferred tax liability of $20,462,000 as of September 30, 2017 and December 31, 2016 as we have not considered the deferred tax liability, which is related to acquired in-process research and development, to be a future source of taxable income in evaluating the need for a valuation allowance against our deferred tax assets due to the in-process research and development asset being considered an indefinite-lived intangible asset.

**Net Loss**

As a result of the above factors, for the three and nine months ended September 30, 2017, we had a net loss of $2,260,000 and $5,810,000 compared to a net loss of $1,881,000 and $9,120,000 for the same periods in 2016.

**Liquidity and Capital Resources**

Net cash used in operating activities was $5,323,000 for the nine months ended September 30, 2017 compared to $12,354,000 for the same period in 2016. For the nine months ended September 30, 2016, net cash used by operating activities consisted primarily of $5,810,000 in operating expenses net of changes in operating assets and liabilities.

Net cash used in investing activities was $52,000 for the nine months ended September 30, 2017 compared to $32,000 for the same period in 2016. For the nine months ended September 30, 2017, net cash used for investing activities consisted primarily of capital spending of $40,000 and the payment of long-term deposits of $12,000. For the nine months ended September 30, 2016, net cash used for investing activities of $32,000 consisted mostly of capital spending totaling $49,000 and payment of long-term deposits of $23,000, net of $40,000 in principal payments received on our mortgage note receivable.

Net cash provided by financing activities was $3,080,000 for the nine months ended September 30, 2016 compared to cash provided by financing activities of $9,016,000 for the same period in 2016. For the nine months ended September 30, 2017, cash provided by financing activities resulted from our sale of common stock, which resulted in proceeds of $3,000,000 and $80,000 from the exercising of stock options. Net cash provided by financing activities for the nine months ended September 30, 2016 amounted to approximately $9,013,000 in proceeds from sale of our common stock and $3,000 for the exercise of stock options.

We have a history of operating losses as we have focused our efforts on raising capital and research and development activities. The Company's consolidated financial statements are prepared using generally accepted accounting principles in the U.S. applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has never been profitable, has no products approved for sale, has not generated any revenues to date from product sales, and has incurred significant operating losses and negative operating cash flows since inception. For the nine months ended September 30, 2017, the Company recorded a net loss of approximately $5.8 million and used approximately $5.3 million of cash for operating activities.

As of September 30, 2017, the Company had $1.3 million in cash to fund its operations. The Company does not believe its current cash balances will be sufficient to allow the Company to fund its operating plan for the next twelve months. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations or substantially curtail its drug development activities. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities should the Company be unable to continue as a going concern.

As the Company continues to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of its product candidates, and achieving a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability, and unless and until it does, the Company will continue to need to raise additional capital. Management intends to fund future operations through additional private or public equity offerings. The Company continues to engage in preliminary discussions with potential investors and broker-dealers but no terms have been agreed upon. There can be no assurances, however, that additional funding will be available on terms acceptable to the Company, or at all. Any equity financing may be dilutive to existing shareholders.

**Tabular Disclosure of Contractual Obligations**

| Contractual Obligations ($ in thousands) | Payments due by period | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Operating Lease Obligations | $ 224 | $ 56 | $ - | $ - |

**Cautionary Note Regarding Forward-Looking Statements**

This report includes forward-looking statements including statements regarding our drug development activities, future equity offering, cash flow deficit and liquidity. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors that could cause actual results to differ from those in the forward-looking statements include the continued strength of the market for bio pharma equity offerings, unanticipated events which adversely affect the timing and success of our regulatory filings, failure to develop products which are deemed safe and effective and other issues which affect our ability to commercialize our product candidates. Further information on our risk factors is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2016. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

**Critical Accounting Policies and Estimates**

In our Annual Report on Form 10-K for the year ended December 31, 2016, we disclosed our critical accounting policies and estimates upon which our financial statements are derived. There have been no changes to these policies since December 31, 2016. Readers are encouraged to review these disclosures in conjunction with the review of this report.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There has been no material change in our assessment of sensitivity to market risk since our presentation set forth in Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

## ITEM 4. CONTROLS AND PROCEDURES

***Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, management concluded that our disclosure controls and procedures were not effective as of September 30, 2017 at the reasonable assurance level.

***Changes to the Company's Internal Control Over Financial Reporting***

The following changes that occurred during the nine months ended September 30, 2017 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 24, 2017, Curtis Dale, Interim Chief Financial Officer, tendered his resignation, at which time the Company initiated a search for a qualified replacement.

On February 12, 2017, Walt A. Linscott informed the Board of the Company of his resignation as General Counsel and Secretary of the Company, effective March 1, 2017.

On February 23, 2017, James Martin was appointed to serve as the Interim Chief Financial Officer. Mr. Martin has extensive experience in accounting and finance, as well as significant pharmaceutical industry knowledge.

During the year ended December 31, 2016, we concluded there were material weaknesses in the design and operating effectiveness of our internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. With the oversight of senior management and our audit committee, we took additional measures to remediate the underlying causes of the material weaknesses. During the year ended December 31, 2016, we worked with a third-party consultant to assist our management team in addressing the underlying cause of the material weaknesses primarily through the documentation of improved processes and documented procedures, which were designed and implemented by our management team. Management concluded that certain previously identified material weaknesses were not completely remediated as of December 31, 2016. Progress in addressing material weaknesses has also recently been hampered by the timing of the turnover in our management team, as described above, during the first quarter of 2017 and the effect of such timing on the transition of responsibilities related to the execution of control activities. Therefore, we identified several material weaknesses that still existed as of December 31, 2016 and which were reported in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 30, 2017.

We have begun procedures to enhance our internal control and are in the process of designing and implementing enhanced internal control to address these material weaknesses. After these enhanced internal control processes are implemented, we plan to test these controls to determine whether they are operating effectively and whether we can conclude that the material weaknesses previously identified have been remediated. The material weaknesses previously identified cannot be considered remediated until the controls have operated for a sufficient period of time and until management has concluded that the controls are operating effectively. Our goal is to remediate the material weaknesses by the end of 2017.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to, or otherwise involved in, legal proceedings arising in the normal course of business. During the quarter ended September 30, 2017, there were no material developments to our previously reported legal proceedings except the following:

In 2014, Daniel Fisher and his affiliate, 580 Garcia Properties LLC, brought multiple lawsuits against the Company involving its predecessors and subsidiaries. The lawsuits have been settled and the complaints initiating them dismissed, without the Company making any payments to either Mr. Fisher or 580 Garcia Properties LLC. In addition, the mortgage note discussed above is a promissory note secured by a deed of trust under which 580 Garcia Properties LLC is the primary obligor. As of the time of the acquisition by the Company of the promissory note, 580 Garcia Properties LLC, was delinquent in its obligation to make certain monthly payments thereunder. Consequently, in December 2015, the Company issued notice of default letters to 580 Garcia Properties LLC, Daniel Fisher, and Sharon Fisher for said delinquencies, and proceeded in accordance with rights of a secured real estate creditor under California law, to initiate private foreclosure proceedings respecting the property, to foreclose under the promissory note secured by the deed of trust. A foreclosure sale was set in accordance with California law for January 27, 2017. Prior to the date of this foreclosure sale, Mr. Fisher filed a motion where he sought among other things an order of the court enjoining the foreclosure sale, alleging wrongdoing by the Company and Biozone Pharmaceuticals, Inc. and others that Mr. Fisher claims the Company has direct responsibility over. The court in the Fisher/Biozone Lawsuit heard oral argument on Mr. Fisher's motion on March 2, 2017. On March 23, 2017, the court ordered further briefing by March 30, 2017 on the issue of whether to enjoin the foreclosure sale. On April 5, 2017, the court in the Fisher/Biozone Lawsuit entered a preliminary injunction barring the foreclosure sale until further order, and since that time the Company has engaged in settlement discussions with Mr. Fisher and 580 Garcia Properties LLC and others, to discuss an overall resolution of Fisher/Biozone claims of money damages allegedly caused to it by the transfer of occupants at the property, and Company efforts to either bring the promissory note to a performing status or to otherwise monetize the Company's rights under the promissory note. The Company cannot offer any assurances as to when, or if, any settlement will be achieved, and the court has scheduled case management conferences to consider further proceedings, with the next case management conference set for November 30, 2017.

### ITEM 1.A RISK FACTORS

None

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

All recent sales of unregistered securities have been previously reported.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

### ITEM 5. OTHER

None

### ITEM 6. EXHIBITS

The exhibits listed in the accompanying "Index to Exhibits" are filed or incorporated by reference as part of this Form 10-Q.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Cocrystal Pharma, Inc.**

Dated: November 8, 2017

By: */s/Gary Wilcox*
Gary Wilcox
Interim Chief Executive Officer
(Principal Executive Officer)

Dated: November 8, 2017

By: */s/ James Martin*
Chief Financial Officer
(Principal Financial Officer)

**EXHIBIT INDEX**

| | | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| Exhibit No. | Exhibit Description | Form | Date | Number | Filed or Furnished Herewith |
| 3.1 | Certificate of Incorporation, as amended | 10-K | 3/31/15 | 3.1 | |
| 3.2 | Amended and Restated Bylaws | 8-K | 12/1/14 | 3.6 | |
| 10.1 | James Martin Consulting Agreement* | 8-K | 2/24/17 | 10.1 | |
| 10.2 | Form of Securities Purchase Agreement dated April 20, 2017 | 8-K | 4/24/17 | 10.1 | |
| 10.3 | James Martin Offer Letter date May 26, 2017 | 8-K | 6/1/17 | 10.1 | |
| 31.1 | Certification of Principal Executive Officer (302) | | | | Filed |
| 31.2 | Certification of Principal Financial Officer (302) | | | | Filed |
| 32.1 | Certification of Principal Executive Officer and Principal Financial Officer (906) | | | | Furnished** |
| 101.INS | XBRL Instance Document | | | | Filed |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | Filed |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | Filed |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | Filed |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | Filed |

* Represents management contracts or compensatory plan

** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to our Corporate Secretary at Cocrystal Pharma, Inc., 1860 Montreal Road, Tucker GA 30084.

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Gary Wilcox, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017

*/s/ Gary Wilcox*
Gary Wilcox
Interim Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, James J. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2017

*/s/ James J. Martin*

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Gary Wilcox, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Gary Wilcox*
Gary Wilcox
Interim Chief Executive Officer
(Principal Executive Officer)

Dated: November 8, 2017

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, James Martin, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ James J. Martin*
James Martin
Chief Financial Officer
(Principal Financial Officer)

Dated: November 8, 2017