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 March 31, 2018

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 12b-2 of the Exchange Act. (Check one):

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

Emerging growth company [ ]

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

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

As of May 10, 2018, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was XXX.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018

INDEX

Part I – FINANCIAL INFORMATION
COCRYSTAL PHARMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 1,249	$ 748
Restricted cash	29	29
Prepaid expenses and other current assets	203	105
Mortgage note receivable, current portion	-	1,294
Total current assets	1,481	2,176
Property and equipment, net	109	119
Deposits	31	31
In process research and development	53,905	53,905
Goodwill	65,195	65,195
Total assets	$ 120,721	$ 121,426
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 810	$ 837
Derivative liabilities	548	569
Total current liabilities	1,358	1,406
Long-term liabilities		
Deferred rent	25	31
Convertible notes payable	2,039	1,007
Deferred tax liability	13,163	13,582
Total long-term liabilities	15,227	14,620
Total liabilities	16,585	16,026
Commitments and contingencies		
Common stock, $0.001 par value; 800,000 shares authorized; 24,402 and 24,275 issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	24	24
Additional paid-in capital	243,708	243,419
Accumulated deficit	(139,596)	(138,043)
Total stockholders' equity	104,136	105,400
Total liabilities and stockholders' equity	$ 120,721	$ 121,426

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)
(in thousands)

	Three months ended March 31,	
	2018	2017
Operating expenses		
Research and development	$ 877	$ 2,071
General and administrative	1,190	1,050
Total operating expenses	2,067	3,121
Loss from operations	(2,067)	(3,121)
Other income (expense)		
Interest income (expense)	(32)	2
Gain on disposal of mortgage note	106	-
Change in fair value of derivative liabilities	21	571
Total other income, net	95	573
Loss before income tax benefit	(1,972)	(2,548)
Income tax benefit	419	-
Net loss and comprehensive loss	$ (1,553)	$ (2,548)
Net loss per common share:		
Loss per share, basic	$ (0.06)	$ (0.11)
Weighted average common shares outstanding, basic	24,384	23,801
Loss per share, fully diluted	$ (0.06)	$ (0.11)
Weighted average common shares outstanding, diluted	24,384	23,801

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	capital	Deficit	Equity
Balance as of December 31, 2017	24,275	$ 24	$ 243,419	$ (138,043)	$ 105,400
Stock-based compensation	-	-	105	-	105
Exercise of common stock options	127	-	184	-	184
Net loss	-	-	-	(1,553)	(1,553)
Balance as of March 31, 2018	24,402	$ 24	$ 243,708	$ (139,596)	$ 104,136

See accompanying notes to condensed consolidated financial statements

COCRYSTAL PHARMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three months ended March 31,	
	2018	2017
Operating activities:		
Net loss	$ (1,553)	$ (2,548)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	15	26
Stock-based compensation	105	212
Interest income	32	-
Gain on mortgage note receivable	(106)	-
Change in deferred income tax	(419)	-
Change in fair value of derivative liabilities	(21)	571
Changes in operating assets and liabilities:		
Accounts receivable	-	21
Prepaid expenses and other current assets	(98)	266
Accounts payable and accrued expenses	(27)	558
Deferred rent	(6)	(16)
Net cash used in operating activities	(2,078)	(2,052)
Investing activities:		
Purchase of fixed assets	(5)	(33)
Proceeds from mortgage note receivable	1,400	-
Net cash provided by (used in) investing activities	1,395	(33)
Financing activities:		
Proceeds from issuance of notes payable	1,000	-
Proceeds from exercise of stock options	184	-
Net cash provided by financing activities	1,184	-
Net increase (decrease) in cash, cash equivalent, and restricted cash	501	(2,085)
Cash, cash equivalent, and restricted cash at beginning of period	777	3,640
Cash, cash equivalent, and restricted cash at end of period	$ 1,278	$ 1,555

See accompanying notes to condensed consolidated financial statements.

Cocrystal Pharma, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)
(in thousands, except per share amounts)

Note 1- Organization and Significant Accounting Policies

Overview

Cocrystal Pharma, Inc. ("the Company") has been developing novel technologies and approaches to create first-in-class and best-in-class antiviral drug candidates since its initial funding in 2008. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and prophylaxis of viral diseases in humans. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

The Company 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. in a transaction accounted for as a reverse merger. Following the merger, the Company assumed Cocrystal Discovery, Inc.'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".

Cocrystal 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 that will transform the treatment and prophylaxis of hepatitis C, influenza and norovirus. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

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, the attainment of profitable operations are dependent on future events, including, among other things, its ability to access potential markets, secure financing, develop a customer base, attract, retain and motivate qualified personnel, and develop strategic alliances. Through March 31, 2018, the Company has primarily funded its operations through equity offerings. In late 2017 and early 2018, we borrowed $2 million and issued convertible notes. See Note 12 "Subsequent Events."

As of March 31, 2018, the Company had an accumulated deficit of $139,596. During the three-month period ended March 31, 2018, the Company had a loss from operations of $2,067. Cash used in operating activities was approximately $2,078 for the three months ended March 31, 2018. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. 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. 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.

On January 18, 2018, the Board of Directors of the Company filed an amendment (the "Amendment") with the Delaware Secretary of State to affect a one-for-thirty reverse split (the "Reverse Stock Split") of the Company's class of Common Stock. The Amendment took effect on January 24, 2018. The Reverse Stock Split did not change the authorized number of shares of Common Stock. Pursuant to the terms of the Company's outstanding convertible notes, its options and warrants have been proportionately adjusted to reflect the Reverse Stock Split, and, pursuant to their terms, a proportionate adjustment was made to the per share exercise price and number of shares issuable under all of the Company's outstanding stock options, convertible notes and warrants to Common Stock, and the number of shares reserved for issuance pursuant to the Company's equity compensation plans have been reduced proportionately.

All per share amounts and number of shares in the consolidated financial statements and related notes have been retroactively restated to reflect the Reverse Stock Split.

Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), have been condensed or omitted pursuant to those rules and regulations. We believe disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to fairly state the financial position, results of operations and cash flows with respect to the interim condensed consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire fiscal year. All intercompany accounts and transactions have been eliminated in consolidation. Reference is made to the audited annual financial statements of Cocrystal Pharma, Inc. included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed on March 21, 2018 ("Annual Report"), which contain information useful to understanding the Company's business and financial statement presentations. The condensed consolidated balance sheet as of December 31, 2017 was derived from the Company's most recent audited financial statements, but does not include all disclosures required by GAAP for a year-end balance sheet. Our significant accounting policies and practices are presented in Note 2 to the financial statements included in the Form 10-K.

Segments

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.

Use of Estimates

Preparation of the financial statements in conformity with U.S. 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. We continually evaluate estimates used in the preparation of the condensed consolidated financial statements for reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. The significant areas of estimation include determining the deferred tax valuation allowance, estimating accrued clinical expenses, the inputs in determining the fair value of the in-process research and development ("IPR&D") and goodwill as part of the annual impairment analysis, the inputs in determining the fair value of equity-based awards and warrants issued as well as the values ascribed to assets acquired and liabilities assumed in business combinations. Actual results may differ from estimates made.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash.

Risks and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, regulatory approvals, competition from current treatments and therapies and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals.

Products developed by the Company will require approvals from the U.S. Food and Drug Administration (the "FDA") and other international regulatory agencies prior to commercial sales in their respective markets. The Company's products may not receive the necessary clearances and if they are denied clearance, clearance is delayed or the Company is unable to maintain clearance, the Company's business could be materially adversely impacted.

Property and Equipment

Property and equipment, which consists of lab equipment, computer equipment, and office equipment, are stated at cost and depreciated over the estimated useful lives of the assets (three to five years) using the straight-line method.

Goodwill and In-Process Research and Development

The Company's intangible assets determined to have indefinite useful lives including IPR&D and goodwill, are tested for impairment annually, or more frequently if events or circumstances indicate that the assets might be impaired. Such circumstances could include but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. IPR&D acquired in a business combination is capitalized as an intangible asset and tested for impairment at least annually until commercialization, after which time the IPR&D is amortized over its estimated useful life.

Goodwill and in-process research and development are evaluated for impairment first by a qualitative assessment to determine the likelihood of impairment. If it is determined that impairment is more likely than not, the Company will then proceed to the two-step impairment test. The impairment test compares the carrying amount of the IPR&D asset to its fair value. If the carrying amount exceeds the fair value of the asset, such excess is recorded as an impairment loss.

The Company has established November 30th as the date for its annual impairment test of goodwill and IPR&D.

Long-Lived Assets

The Company regularly reviews the carrying value and estimated lives of all of its long-lived assets, including property and equipment, to determine whether indicators of impairment may exist, which warrant adjustments to carrying values or estimated useful lives. The determinants used for this evaluation include management's estimate of the asset's ability to generate positive income from operations and positive cash flow in future periods as well as the strategic significance of the assets to the Company's business objective. Should an impairment exist, the impairment loss would be measured based on the excess of the carrying amount over the asset's fair value.

Mortgage Note Receivable

The Company records its mortgage note receivable at the amount advanced to the borrower, which includes the stated principal amount and certain loan origination and commitment fees that are recognized over the term of the mortgage note. Interest income is accrued as earned over the term of the mortgage note. The Company evaluates the collectability of both interest and principal of the note to determine whether it is impaired. The note is considered to be impaired if, based on current information and events, the Company determines that it is probable that it would be unable to collect all amounts due according to the existing contractual terms. Upon determination that the note is impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the note's effective interest rate or to the fair value of the Company's interest in the underlying collateral, less the cost to sell. As discussed in Note 8, the mortgage note receivable was collected in full during the three months ended March 31, 2018.

Research and Development Expenses

All research and development costs are expensed as incurred.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings. The Company recognizes an uncertain tax position in its financial statements when it concludes that a tax position is more likely than not to be sustained upon examination based solely on its technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. The Company elects to accrue any interest or penalties related to income taxes as part of its income tax expense.

Stock-Based Compensation

The Company recognizes compensation expense using a fair-value-based method for costs related to stock-based payments, including stock options. The fair value of options awarded to employees is measured on the date of grant using the Black-Scholes option pricing model and is recognized as expense over the requisite service period on a straight-line basis.

Use of the Black-Scholes option pricing model requires the input of subjective assumptions including expected volatility, expected term, and a risk-free interest rate. The Company estimates volatility using a blend of its own historical stock price volatility as well as that of market comparable entities since the Company's common stock has limited trading history and limited observable volatility of its own. The expected term of the options is estimated by using the Securities and Exchange Commission Staff Bulletin No. 107's *Simplified Method for Estimate Expected Term*. The risk-free interest rate is estimated using comparable published federal funds rates.

Convertible Notes Payable

The Company accounts for convertible notes payable (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with ASC 470-20, *Debt with Conversion and Other Options*. Accordingly, the Company records, when necessary, discounts to convertible notes payable for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company determined that the embedded conversion options in its issued convertible notes payable do not meet the definition of a derivative liability.

Common Stock Purchase Warrants and Other Derivative Financial Instruments

We classify as equity any contracts that require physical settlement or net-share settlement or provide us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement) provided that such contracts are indexed to our own stock as defined in ASC 815-40, *Contracts in Entity's Own Equity*. We classify as assets or liabilities any contracts that require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside our control) or give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). We assess classification of our common stock purchase warrants and other freestanding derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

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 November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash ("ASU No. 2016-18"). The guidance requires that an explanation is included in the cash flow statement of the change in the total of (1) cash, (2) cash equivalents, and (3) restricted cash or restricted cash equivalents. The ASU also clarifies that transfers between cash, cash equivalents and restricted cash or restricted cash equivalents should not be reported as cash flow activities and requires the nature of the restrictions on cash, cash equivalents, and restricted cash or restricted cash equivalents to be disclosed. For public companies, the standard will take effect for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 with earlier application permitted. We early adopted ASU 2016-18 at December 31, 2017 and disclosure revisions have been made for the years presented on the Consolidated Statements of Cash Flows. All prior periods have been adjusted

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 and there was no impact to its consolidated financial statements. 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 January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminates step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value. The Company adopted this standard as of January 1, 2017 and there was no impact to its consolidated financial statements. 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 of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity may still perform the optional qualitative assessment for a reporting unit to determine if it is more likely than not that goodwill is impaired. The ASU eliminates the requirement to perform a qualitative assessment for any reporting unit with zero or negative carrying amount. Therefore, the same one-step impairment assessment will apply to all reporting units. However, for a reporting unit with a zero or negative carrying amount, the ASU adds a requirement to disclose the amount of goodwill allocated to it and the reportable segment in which it is included. This ASU will be effective for the Company for its annual or any interim goodwill impairment tests in the year beginning January 1, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has not yet determined when it will adopt the provisions of this ASU for future goodwill impairment tests.

In March 2018, the FASB issued ASU No. 2018-05, *Income Taxes* (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendments in this Update add various Securities and Exchange Commissions ("SEC") paragraphs pursuant to the issuance of SEC Accounting Bulleting No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("Act") ("SAB 118"). The SEC issued SAB 118 of the Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Act are incomplete by the due date of the financial statements and if possible provide a reasonable estimate. The Company has provided a reasonable estimate in the notes to the consolidated financial statements.

Note 2 – Fair Value Measurements

FASB Accounting Standards Codification ("ASC") Topic 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 categorizes its cash equivalents as Level 1 fair value measurements. The Company categorizes 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 5 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 March 31, 2018 and December 31, 2017, and their placement within the fair value hierarchy as discussed above (in thousands):

Description	March 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 1,278	$ 1,278	$ -	$ -
Total assets	$ 1,278	$ 1,278	$ -	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 548	$ -	$ -	$ 548
Total liabilities	$ 548	$ -	$ -	$ 548

Description	December 31, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 777	$ 777	$ -	$ -
Total assets	$ 777	$ 777	$ -	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 569	$ -	$ -	$ 569
Total liabilities	$ 569	$ -	$ -	$ 569

The Company has not transferred any financial instruments into or out of Level 3 classification during the three months ended March 31, 2018 or 2017. A reconciliation of the beginning and ending Level 3 liabilities for the three months ended March 31, 2018 and 2017 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2018	2017
Balance , January 1,	$ 569	$ 1,476
Estimated fair value of warrants exchanged for common shares	-	-
Change in fair value of warrants	(21)	(571)
Balance at March 31,	$ 548	$ 905

Note 3 – Convertible Notes Payable

On November 24, 2017, the Company entered into a Securities Purchase Agreement with two accredited investors, including the Company's Chairman of the Board, pursuant to which the Company sold an aggregate principal amount of $1,000,000 of its 8% convertible notes ("Nov 2017 Notes") due November 24, 2019. At the option of the Purchaser, the Nov 2017 Notes are convertible at $8.10 per share. In the event the Company completes a financing in which the Company receives at least $10,000,000 in gross proceeds and issues common stock or common stock equivalents to the investor (a "Financing") or there is a change of control of the Company (or sale of substantially all of the Company's assets), the outstanding principal amount of the Nov 2017 Notes shall automatically convert. Upon the closing of a Financing, the conversion price of the Nov 2017 Notes shall be the lesser of (i) $8.10 per share or (ii) the price per share of the securities sold in the Financing.

On January 31, 2018, the Company, entered into a Securities Purchase Agreement (the "SPA") with OPKO Health, Inc. (the "Purchaser"), pursuant to which the Company borrowed $1,000,000 from the Purchaser in exchange for issuing the Purchaser an 8% Convertible Note (the "Note") due January 31, 2020. At the option of the Purchaser, the Note is convertible at $8.10 per share. In the event the Company completes a financing in which the Company receives at least $10,000,000 in gross proceeds and issues common stock or common stock equivalents to the investor (a "Financing") or there is a change of control of the Company (or sale of substantially all of the Company's assets), the outstanding principal amount of the Note shall automatically convert. Upon the closing of a Financing, the conversion price of the Note shall be the lesser of (i) $8.10 per share and (ii) the price per share of the securities sold in the Financing.

The Company evaluated the embedded conversion features within the above convertible notes under ASC 815-15 and ASC 815-40 to determine if they required bifurcation as a derivative instrument. The Company determined the embedded conversion features do not meet the definition of a derivative liability, and therefore, do not require bifurcation from the host instrument. In addition, the down-round provision under which the conversion price could be affected by future equity offerings, qualified for a scope exception from derivative accounting with the Company's early adoption of ASU 2017-11, *Simplifying Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity*, during the year ended December 31, 2017. Since the embedded conversion features were not considered derivatives, the convertible notes were accounted for accordance with ASC 470-20, *Debt with Conversion and Other Options*.

See Note 12 "Subsequent Events."

Note 4 – Stockholders' equity

The Company has authorized up to 800,000,000 shares of common stock, $0.001 par value per share, and had 24,402,444 shares issued and outstanding as of March 31, 2018.

On January 18, 2018, the Board of Directors of the Company filed an amendment (the "Amendment") with the Delaware Secretary of State to effect a one-for-thirty reverse split of the Company's class of Common Stock. The Amendment took effect on January 24, 2018. No fractional shares will be issued or distributed as a result of the Amendment. There was no change in the par value of our common stock.

Shares of common stock authorized for future issuance as follows as of March 31, 2018 (in thousands):

	As of March 31, 2018
Stock options issued and outstanding	426
Authorized for future option grants	1,813
Warrants outstanding	209
Convertible notes	247
Total	2,695

See Note 12 "Subsequent Events."

Note 5 – Warrants

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the three months ended March 31, 2018 and 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, 2017	50	26	133	209
Warrants expired	-	-	-	-
Warrants exercised	-	-	-	-
Outstanding, March 31, 2018	50	26	133	209
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. The outstanding warrants are 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 fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of March 31, 2018:

	October 2013 warrants	January 2014 warrants
Strike price	$ 15.00	$ 15.00
Expected term (years)	5.57	5.80
Cumulative volatility %	86.73%	87.08%
Risk-free rate %	2.59%	2.61%

The Company's expected volatility is based on a combination of the Company's own historical volatility and the 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.

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 6 – Stock-based compensation

The Company recorded approximately $105,000 and $212,000 of stock-based compensation related to employee stock options for the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018, there was $441,000 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 1.0 year.

As of March 31, 2018, an aggregate of 2,239,000 shares of common stock were reserved for issuance under the Company's Equity Incentive Plans, including 426,000 shares subject to outstanding common stock options granted under the plan and 1,813,000 shares available for future grants. The administrator of the plan 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 three months ended March 31, 2018 (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, 2017	1,656	711	$ 8.39	$ 1,640
Exercised	-	(128)	1.45	-
Granted	-	-	-	-
Cancelled	157	(157)	3.01	-
Balance at March 31, 2018	1,813	426	$ 12.44	$ 1,192

As of March 31, 2018, options to purchase 425,637 shares of common stock, with an aggregate intrinsic value of $569,000, were outstanding that were fully vested or expected to vest with a weighted average remaining contractual term of 3.0 years. As of March 31, 2018, options to purchase 396,472 shares of common stock, with an intrinsic value of $569,000 were exercisable with a weighted average exercise price of $10.78 per share and a weighted average remaining contractual term of 2.7 years. The aggregate intrinsic value of outstanding and exercisable options at March 31, 2018 was calculated based on the closing price of the Company's common stock as reported on the NASDAQ markets on March 31, 2018 of $5.95 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 7 – 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. Because the inclusion of potential common shares would be anti-dilutive for the three months ended March 31, 2018, diluted net loss per common share is the same as basic net loss per common share for these periods.

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):

	Three months ended March 31,	
	2018	2017
Options to purchase common stock	426	779
Warrants to purchase common stock	209	209
Notes payable convertible to common stock	247	-
Total	882	988

Note 8 - Mortgage Note Receivable

In June 2014, the Company acquired a mortgage note from a bank for $2,626,290 which was collateralized by, among other things, the underlying real estate and related improvements. The property subject to the mortgage was owned by Daniel Fisher, one of the founders of Biozone. The property was also under lease to MusclePharm. The mortgage note had a maturity date of August 1, 2032 and bears an interest rate of 7.24%.

Shortly thereafter in 2014, Daniel Fisher and his affiliate, 580 Garcia Properties LLC (the primary obligor of the note), brought multiple lawsuits against the Company involving its predecessors and subsidiaries. The lawsuits were later settled and the complaints dismissed, without the Company making any payments to either Mr. Fisher or 580 Garcia Properties LLC. At the time of the note's acquisition, 580 Garcia Properties LLC was delinquent in its obligation to make monthly payments. In December 2015, the Company proceeded in accordance with rights of a secured real estate creditor under California law, to initiate private foreclosure proceedings. During 2017, the court enjoined the Company from proceeding with the foreclosure sale pending further developments in the litigation.

In February 2018, the Company, Daniel Fisher, and 580 Garcia Properties LLC resolved all outstanding claims and disputes. As part of this settlement, the Company received a payment of $1.4 million in exchange for the release of the aforementioned note and deed of trust.

Note 9 – 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 $13,163,000 as of March 31, 2018 and $13,583,000 December 31, 2017, which is related to acquired in-process research and development considered to be an indefinite-lived intangible.

The Company's effective income tax rate was 21.2% and 0% for the three-months ended March 31, 2018 and March 31, 2017, respectively. The primary driver of the effective tax rate for the three months ended March 31 2018 is the 21% tax rate for corporations (see discussion below). The primary driver of the effective tax rate for the three months ended March 31, 2017 is the valuation allowance offsetting the Company's net deferred tax assets.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under ASC 740. The Company is required to establish a valuation allowance for any portion of the asset that management concludes is more likely than not to be unrealizable. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment.

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 March 31, 2018 and December 31, 2017, the Company had no gross 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.

In December 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal revenue Code including a permanent reduction to the US corporate statutory rate from 35% to 21% effective for tax years beginning after December 31, 2017. In accordance with ASU 2018-05 and SAB 118, the Company recognized the provisional tax impacts to the re-measurement of our deferred tax assets and liabilities during the year ended December 31, 2017. As of March 31, 2018, we have not made any additional measurement-period adjustments related to these items. Such adjustments may be necessary in future periods due to, among other things, the significant complexity of the Act and anticipated actions the Company may take as a result of the Act. We are continuing to gather information and assess the application of the Act and expect to complete our analysis with the filing of our 2017 income tax returns.

Note 10 - Contingencies

From time to time, the Company is a party to, or otherwise involved in, legal proceedings 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.

Note 11 - 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. Currently, this facility is being leased on a month-to-month basis. On an annualized basis, rent expense for this location would be approximately $44,000. The total rent expense was $11,000 and $47,000 for the three months ended March 31, 2018 and 2017, respectively.

Note 12 – Subsequent events

On May 3, 2018, we closed a public offering receiving gross proceeds of approximately $8 million and net proceeds of $7.1 million. We sold 4,210,527 shares of common stock to the underwriter at approximately $1.767 per share which the underwriter sold to the public at $1.90 per share and issued the underwriter a warrant to purchase 84,211 shares of common stock at $2.09 per share over a four year period beginning November 3, 2018. The underwriter has a 45 day option to purchase an additional 631,578 shares of common stock solely to cover overallotments.

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 prophylaxis of hepatitis C, influenza and norovirus. 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 three 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 filed an Investigational New Drug ("IND") application with the U.S. Food and Drug Administration ("FDA") on February 28 and received notice from the FDA on March 29 that its IND was now open and the Company was cleared to initiate its Phase 2a clinical study evaluating CC-31244 for the treatment of HCV infected individuals. 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 plan to complete IND enabling studies and file an IND with the FDA this year.

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

Results of Operations for the Three Months Ended March 31, 2018 compared to the Three Months Ended March 31, 2017

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.

Total research and development expenses were approximately $877,000 for the three months ended March 31, 2018, compared with $2,071,000 for the three months ended March 31, 2017. This decrease of $1,194,000, or 58%, was due to the conclusion of phase I clinical trial during the 1st quarter of 2017 and lower pre-clinical testing.

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 approximately $1,190,000 for the three months ended March 31, 2018, compared with $1,050,000 for the three months ended March 31, 2017. The increase of $140,000, or 13%, was primarily due to the timing of state franchise fees and taxes.

Interest Income/(Expense)

Interest expense was $32,000 for the three months ended March 31, 2018, compared to $2,000 in interest income for the three months ended March 31, 2017. The 2017 amount reflects only interest earned through our bank accounts. In the 4th quarter of 2017 and again in the 1st quarter of 2018, the company issued convertible notes payable, causing interest expense to exceed interest income during 2018.

Other Income/Expense

Change in fair value of derivative liabilities for the three months ended March 31, 2018 was $22,000 compared to $571,000 for the three months ended March 31, 2017. In accordance with United States generally accepted accounting principles, we record other income or expense based upon the computed change in fair value of our outstanding warrants that are accounted for as liabilities. The fair value of our outstanding warrants is inversely related to the fair value of the underlying common stock; as such, an increase in the price of our common stock during a given period generally results in other expense. Conversely, a decrease in the price of our common stock generally results in other income, which is what occurred during both periods.

The Company also recognized a gain of $106,000 on the disposal of its mortgage note during 2018. The Company resolved all outstanding claims and disputes with 580 Garcia Properties, LLC. In exchange, the Company received $1,400,000 on February 9, 2018 from a third party. The Company was carrying the Mortgage Note at $1,294,000 asset on its December 31, 2017 balance sheet, resulting in the aforementioned gain.

Income Taxes

For the three months ended March 31, 2018, we recognized an income tax benefit of $419,000. No income tax benefit or expense was recognized for the three months ended March 31, 2017.

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 $13,163,000 as of March 31, 2018 and $13,582,000 as of December 31, 2017 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 months ended March 31, 2018, we had a net loss of approximately $1,553,000 compared to a net loss of approximately $2,548,000 for the same period in 2017. This overall decrease of $995,000 is primarily due to staff changes that led to a $373,000 reduction in personnel expenses, settlement of outstanding legal matters resulting in a $139,000 reduction in legal expenses, and a $579,000 reduction in R&D program spend as Phase I testing concluded during 2017. We believe investors should focus on our operating loss rather than net loss for the periods presented. Our operating loss, which does not include the change in the value of derivative liabilities, a non-cash expense, for the three months ended March 31, 2018, was $2,068,000 compared to $3,121,000 for the same period in 2017.

Liquidity and Capital Resources

Net cash used in operating activities was approximately $2,078,000 for the three months ended March 31, 2018 compared to $2,052,000 for the same period in 2017.

Net cash provided by investing activities was $1,395,000 for the three months ended March 31, 2018 compared to net cash used in investing activities of $33,000 for the same period in 2017. This increase in cash provided by investing activities was the result of the sale of its mortgage note asset for $1,400,000.

Net cash provided by financing activities was $1,184,000 for the three months ended March 31, 2018 compared to no cash provided by financing activities for the three months ended March 31, 2017. Net cash provided by financing activities during 2018 consisted of $1,000,000 in proceeds from the issuance of convertible notes and $184,000 in proceeds from 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 United States of America 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 year ended December 31, 2017, the Company recorded a net loss of approximately $0.6 million and used approximately $6.9 million of cash used in operating activities. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. 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. 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.

The net proceeds from our public offering provided us with less than what we estimate we need to operate over the next 12 months. If the overallotment option is exercised in full, we will receive approximately $8.2 million in net proceeds which may give us sufficient proceeds for that period. Either way, it is likely we will need to continue raising capital in the future as our clinical and pre-clinical activities continue.

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 offering and may seek additional capital through arrangements with strategic partners or from other sources. 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 very 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	$ 141	$ -	$ -	$ -

Other Potential Contractual Obligations

Cocrystal Pharma has an exclusive license from Emory University for use of certain inventions and technology related to inhibitors of hepatitis C virus that were jointly developed by Emory and Cocrystal Pharma 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, Cocrystal 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 Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements including statements regarding our drug development activities, 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 and prospectus supplement dated April 30, 2018. 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, 2017, 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, 2017, other than the following disclosures pertaining to the Business Combinations and Intangible Assets accounting policy: As of March 31, 2018, the Company had a goodwill balance of $65 million. The Company's annual impairment assessment date is November 30, 2017. Subsequent to March 31, 2018, the Company began to experience a decline in its stock price from a high of $6.43 at April 2, 2018 to a low of $1.91 on May 9, 2018. The Company believes this is attributed to several factors including the public offering effectuated on May 3, 2018 which raised dilution concerns, and the fact that our common stock is thinly traded. If the decline continues and is sustained it is most likely a triggering event to assess our goodwill and IPRD for impairment as of and for the period ended June 30, 2018. The possibility exists that we may conclude that our long-lived intangible assets are impaired as of June 30, 2018 by a material amount.

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, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2018. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, management concluded that our disclosure controls and procedures were not effective as of March 31, 2018 as a result of the material weaknesses in our internal control over financial reporting described below in the "Changes in Internal Control Over Financial Reporting".

Changes in Internal Control Over Financial Reporting

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, 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. During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2017, our management concluded that our Company has the following material weaknesses in internal control over financial reporting as of December 31, 2017:

Risk Assessment and Control Activities - Financial Reporting Process

We did not maintain an effective financial reporting process to prepare financial statements in accordance with U.S. GAAP. Specifically, the process lacked timely and documented financial statement reviews of information included in the financial statements and procedures to ensure all required disclosures were made in the financial statements.
This material weakness could result in a material misstatement to the Company's annual or interim financial statements that would not be prevented or detected.

Control Activities - Preparation and Review of Manual Account Reconciliations

Our design and maintenance of controls in the period-end financial reporting process, specifically the execution of controls over the preparation, analysis and review of account reconciliations, were ineffective. These control deficiencies resulted in adjustments to the 2017 consolidated financial statements related to stock-based compensation and the fair value of warrant liabilities.

This material weakness could result in a material misstatement to the Company's annual or interim financial statements that would not be prevented or detected.

Remedial Actions to Address Material Weaknesses

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, 2017 and the three months ended March 31, 2018, 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 is actively implementing a remediation plan to ensure that control deficiencies contributing to the material weakness are remediated such that these controls will operate effectively. Our efforts have focused on strengthening our finance organization and designing a suite of controls with respect to our stock-based compensation related processes and financial close processes, as well as implementing procedures to determine that related party transactions are appropriately authorized, identified, and disclosed in our financial statements. Consistent with the remediation plan as reported in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2017. During the year ended December 31, 2017 and the three months ended March 31, 2018 we have taken and expect to take the following remediation actions:

(i) the implementation of additional review procedures designed to enhance the control owner's execution of controls activities, including entity level controls, through the implementation of improved documentation standards evidencing execution of these controls, oversight, and training;

(ii) improvement of the control activities and procedures associated with the review of complex accounting areas, including proper segregation of duties and assigning personnel with the appropriate experience as preparers and reviewers over analyses relating to such accounting areas;

(iii) educating and re-training control owners regarding internal control processes to mitigate identified risks and maintaining adequate documentation to evidence the effective design and operation of such processes; and

(iv) implementing enhanced controls to monitor the effectiveness of the underlying business process controls that are dependent on the data and financial reports generated from the relevant information systems.

As discussed above, during 2017, our Board of Directors appointed a new Chief Financial Officer to assist in designing the implementation and execution of controls to prevent and detect control deficiencies. In order to consider this material weakness to be fully remediated, we believe that additional time is needed to incorporate all controls and processes as it relates to our internal control over financial reporting.

We believe that these actions, and the improvements we expect to achieve as a result, will effectively remediate the material weaknesses identified in 2017. However, the material weaknesses in our internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of these material weaknesses will be completed in 2018.

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 March 31, 2018, 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. The Company held 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 claimed the Company has direct responsibility over.

Because the Company intended to foreclose on the property and foreclosure was probable, the Company recognized an impairment on the mortgage note receivable of $1,176,000 in 2016 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 12 months, the asset was reclassified from long-term to current.

On or about February 8, 2018 a series of transactions concluded, involving the Company, Daniel Fisher, 580 Garcia Properties LLC, and others, by the terms of which, inter alia, the Company resolved all outstanding claims and disputes with Daniel Fisher, his spouse Sharon Fisher, and 580 Garcia Properties, LLC, and by which the Company received a payment of $1.4 million in exchange for the release of the aforementioned note and deed of trust, under which 580 Garcia Properties, LLC owed $1.3 million of principal and accrued interest.

ITEM 1.A RISK FACTORS

Investors should review the Risk Factors in our prospectus supplement dated April 30, 2018.

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: May 10, 2018

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

Dated: May 10, 2018

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

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
1.1	Underwriting Agreement between Cocrystal Pharma, Inc. and A.G.P./Alliance Global Partners	8-K	5/2/18	1.1	
2.1	Agreement and Plan of Merger	8-K	12/1/14	2.1	
3.1	Certificate of Incorporation	8-K	12/1/14	3.2	
3.1(a)	Certificate of Amendment to Certificate of Incorporation	8-K	12/1/14	3.3	
3.1(b)	Certificate of Amendment to Certificate of Incorporation	8-K	3/3/15	3.1	
3.1(c)	Certificate of Amendment to Certificate of Incorporation	8-K	1/24/18	3.1	
3.2	Bylaws	8-K	12/1/14	3.4	
10.1	Form of Securities Purchase Agreement	8-K	12/1/17	10.1	
10.2	Form of Convertible Note	8-K	12/1/17	10.2	
10.3	Form of Underwriter's Warrant	8-K	5/2/18	4.1	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive 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.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

** 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: May 10, 2018

/s/ Gary Wilcox

Gary Wilcox
Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James 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: May 10, 2018

/s/ James Martin

James Martin
Chief Financial Officer
(Principal Financial Officer)

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 March 31, 2018, 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: May 10, 2018

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2018, 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 Martin
James Martin
Chief Financial Officer
(Principal Financial Officer)

Dated: May 10, 2018