

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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: 001-38418

COCRYSTAL PHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

35-2528215

(I.R.S. Employer
Identification No.)

19805 North Creek Parkway Bothell, WA
(Address of Principal Executive Office)

98011
(Zip Code)

Registrant's telephone number, including area code: **877-262-7123**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	COCP	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

As of May 13, 2024, the number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was approximately 10,173,790.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2024

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Part I – FINANCIAL INFORMATION

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 21,842	\$ 26,353
Restricted cash	75	75
Tax credit receivable	1,003	890
Prepaid expenses and other current assets	1,572	1,773
Total current assets	24,492	29,091
Property and equipment, net	244	271
Deposits	46	46
Operating lease right-of-use assets, net (including \$ 26 and \$42 to related party)	1,764	1,851
Total assets	<u>\$ 26,546</u>	<u>\$ 31,259</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,139	\$ 3,022
Current maturities of operating lease liabilities (including \$ 26 and \$42 to related party)	240	240
Total current liabilities	2,379	3,262
Long-term liabilities:		
Operating lease liabilities (including \$ 0 and \$0 to related party)	1,582	1,613
Total long-term liabilities	1,582	1,613
Total liabilities	<u>3,961</u>	<u>4,875</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 a par value: 150,000 shares authorized as of March 31, 2024, and December 31, 2023; 10,174 shares issued and outstanding as of March 31, 2024 and December 31, 2023	10	10
Additional paid-in capital	342,445	342,288
Accumulated deficit	(319,870)	(315,914)
Total stockholders' equity	22,585	26,384
Total liabilities and stockholders' equity	<u>\$ 26,546</u>	<u>\$ 31,259</u>

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	Three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Operating expenses:		
Research and development	2,950	3,907
General and administrative	1,208	1,204
Total operating expenses	<u>4,158</u>	<u>5,111</u>
Loss from operations	<u>(4,158)</u>	<u>(5,111)</u>
Other income (expense):		
Interest income (expense), net	220	-
Foreign exchange loss	(18)	(78)

Total other income (expense), net	202	(78)
Net loss	\$ (3,956)	\$ (5,189)
Net loss per common share, basic and diluted	\$ (0.39)	\$ (0.64)
Weighted average number of common shares, basic and diluted	10,174	8,143

See accompanying notes to condensed consolidated financial statements.

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COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the three months ended March 31, 2024 and 2023

(unaudited)
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2023	10,174	\$ 10	\$ 342,288	\$ (315,914)	\$ 26,384
Stock-based compensation	-	-	157	-	157
Net loss	-	-	-	(3,956)	(3,956)
Balance as of March 31, 2024	10,174	\$ 10	\$ 342,445	\$ (319,870)	\$ 22,585
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2022	8,143	\$ 8	\$ 337,489	\$ (297,930)	\$ 39,567
Stock-based compensation	-	-	291	-	291
Net loss	-	-	-	(5,189)	(5,189)
Balance as of March 31, 2023	8,143	\$ 8	\$ 337,780	\$ (303,119)	\$ 34,669

See accompanying notes to condensed consolidated financial statements.

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COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands)

	Three months ended March 31,	
	2024	2023
Operating activities:		
Net loss	\$ (3,956)	\$ (5,189)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	35	49
Stock-based compensation	157	291
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	201	19
Tax credit receivable	(113)	(240)
Decrease right of use assets	87	54
Accounts payable and accrued expenses	(883)	1,961
Decrease operating lease liabilities	(31)	(56)
Net cash used in operating activities	(4,503)	(3,111)
Investing activities:		
Purchases of property and equipment	(8)	(45)
Net cash used in investing activities	(8)	(45)
Financing activities:		
Payments on finance lease liabilities	-	(7)
Net cash used in financing activities	-	(7)
Net decrease in cash and restricted cash	(4,511)	(3,163)
Cash and restricted cash at beginning of period	26,428	37,219
Cash and restricted cash at end of period	\$ 21,917	\$ 34,056

See accompanying notes to condensed consolidated financial statements.

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COCRYSTAL PHARMA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (unaudited)

1. Organization and Business

Cocrystal Pharma, Inc. ("we", the "Company" or "Cocrystal"), a clinical stage biopharmaceutical company incorporated in Delaware, has been developing novel technologies and approaches to create first-in-class or 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 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's activities since inception have principally consisted 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 is 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, 2024, the Company has primarily funded its operations through equity offerings.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X set forth by the Securities and Exchange Commission ("SEC"). They do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the interim periods presented are not necessarily indicative of the results of operations for the entire fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2023 filed on March 28, 2024 ("Annual Report").

Principles of Consolidation

The consolidated financial statements include the accounts of Cocrystal Pharma, Inc. and its wholly owned subsidiaries: Cocrystal Discovery, Inc., Cocrystal Pharma Australia Pty Ltd. ("Cocrystal Australia"), RFS Pharma, LLC and Cocrystal Merger Sub, Inc. Intercompany transactions and balances have been eliminated. Cocrystal Discovery, Inc. conducts all of the Company's research and development activities and oversees ongoing clinical trials conducted by others. Cocrystal Australia operates clinical trials in Australia. The other two subsidiaries are inactive.

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Segments

The Company operates in only one segment. Management uses cash flows 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 Company's consolidated financial statements in conformance with U.S. GAAP requires the Company's management to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. The significant estimates in the Company's consolidated financial statements relate to the valuation of equity awards and warrant liabilities, recoverability of deferred tax assets, estimated tax credit receivable and estimated useful lives of fixed assets. The Company bases estimates and assumptions on historical experience, when available, and on various factors that it believes to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis, and its actual results may differ from estimates made under different assumptions or conditions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash deposited in accounts held at two U.S. financial institutions, which may, at times, exceed federally insured limits of \$250,000 for each institution where accounts are held. At March 31, 2024 and December 31, 2023, our primary operating accounts held approximately \$11,380,000 and \$16,322,000, respectively, and our collateral account balance was \$75,000 and \$75,000 at a different institution. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risks thereof.

Foreign Currency Transactions

The Company and its subsidiaries use the U.S. dollar as functional currency. Foreign currency transactions are initially measured and recorded in the functional currency using the exchange rate on the date of the transaction. Foreign exchange gains and losses arising from settlement of foreign currency transactions are recognized in profit and loss.

Cocrystal Australia maintains its records in Australian dollars. The monetary assets and liabilities of Cocrystal Australia are remeasured into the functional currency using the closing rate at the end of every reporting period. All nonmonetary assets and liabilities and related profit and loss accounts are remeasured into the functional currency using the historical exchange rates. Profit and loss accounts, other than those that are remeasured using the historical exchange rates, are remeasured into the functional currency using the average exchange rate for the period. Foreign exchange gains and losses arising from the remeasurement into the functional currency is recognized in profit and loss.

Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820 defines fair value, establishes a framework for measuring fair value under U.S. GAAP 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 and restricted cash as Level 1 fair value measurements. The Company categorizes its warrants potentially settleable in cash as Level 2 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 7 – Warrants.

At March 31, 2024 and December 31, 2023, the carrying amounts of financial assets and liabilities, such as cash, other current assets, and accounts payable and accrued expenses approximate their fair values due to their short-term nature. The carrying values of leases payable approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates.

The Company's derivative liabilities are considered Level 3 measurements.

Long-Lived Assets

The Company regularly reviews the carrying value and estimated lives 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.

Research and Development Expenses

Research and development costs consist primarily of fees paid to consultants and outside service providers, and other expenses relating to the acquisition, design, development and testing of the Company's clinical products. All research and development costs are expensed as incurred. Research and development costs are presented net of tax credits.

The Company's Australian subsidiary is entitled to receive government assistance in the form of refundable and non-refundable research and development tax credits ("Refundable Tax Credits") from the federal and provincial taxation authorities, based on qualifying expenditures incurred during the fiscal year. The Refundable Tax Credits are from the provincial taxation authorities and are not dependent on its ongoing tax status or tax position and accordingly are not considered part of income taxes. The Company records Refundable Tax Credits as a reduction of research and development expenses when the Company can reasonably estimate the amounts and it is more likely than not, they will be received. As of December 31, 2023, balance of Refundable Tax Credits was approximately \$786,000. The Company estimated and accrued Refundable Tax Credits for the three months ended March 31, 2024 of approximately \$194,000, resulting in a total balance of Refundable Tax Credits receivable of approximately \$ 980,000 as of the period then ended.

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.

As of March 31, 2024, the Company assessed its income tax expense based on its projected future taxable income for the year ending December 31, 2024 and therefore recorded no amount for income tax expense for the three months ended March 31, 2024. In addition, the Company has significant deferred tax assets available to offset income tax expense due to net operating loss carry forwards which are currently subject to a full valuation allowance based on the Company's assessment of future taxable income. Refer to our Annual Report on Form 10-K for the year ended December 31, 2023 for more information.

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 SEC Staff Bulletin No. 107's *Simplified Method for Estimate Expected Term*. The risk-free interest rate is estimated using comparable published federal funds rates.

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.

Net Income (Loss) per Share

The Company accounts for and discloses net income (loss) per common share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic income (loss) per common share is computed by dividing income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted net income (loss) per common share is computed by dividing net income (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 stock for all potential dilutive common shares outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants and the conversion of convertible notes payable.

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):

	March 31,	
	2024	2023
Outstanding options to purchase common stock	558	350
Warrants to purchase common stock	-	13
Total	558	363

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Recent Accounting Pronouncements

Authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to, have a material impact on the Company's consolidated financial statements and related disclosures.

3. Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the underlying assets (three to five years) using the straight-line method. As of March 31, 2024, and December 31, 2023, property and equipment consists of (table in thousands):

	March 31, 2024	December 31, 2023
Lab equipment (excluding equipment under finance leases)	\$ 1,765	\$ 1,757
Finance lease right-of-use lab equipment obtained in exchange for finance lease liabilities, net	162	162
Computer and office equipment	155	155
Total property and equipment	2,082	2,074
Less: accumulated depreciation and amortization	(1,838)	(1,803)
Property and equipment, net	\$ 244	\$ 271

Total depreciation and amortization expense were approximately \$ 35,000 and \$49,000 for the three months ended March 31, 2024 and 2023, which includes amortization expense of \$0 and \$1,000 for the three months ended March 31, 2024 and 2023, respectively, related to assets under finance lease. For additional finance leases information, refer to Note 9 – Commitments and Contingencies.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands) as of:

	March 31, 2024	December 31, 2023
Accounts payable	\$ 1,234	\$ 1,222
Accrued compensation	139	109
Accrued other expenses	766	1,691
Total accounts payable and accrued expenses	\$ 2,139	\$ 3,022

Accounts payable and accrued other expenses contain unpaid general and administrative expenses and costs related to research and development that have been billed and estimated unbilled, respectively, as of period-end.

5. Common Stock

As of March 31, 2024, the Company has authorized 150,000,000 shares of common stock, \$0.001 par value per share. The Company had 10,174,000 shares issued and outstanding as of March 31, 2024, and December 31, 2023.

The holders of common stock are entitled to one vote for each share of common stock held.

6. Stock Based Awards

Equity Incentive Plans

The Company adopted an equity incentive plan in 2015 (the "2015 Plan") under which 833,333 shares of common stock have been reserved for issuance to employees, and non-employee directors and consultants of the Company. Recipients of incentive stock options granted under the 2015 Plan shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the 2015 Plan is ten years. On June 16, 2021, the Company's stockholders voted to approve an amendment to the 2015 Plan to increase the number of shares of common stock authorized for issuance under the 2015 Plan from 416,667 to 833,333 shares. As of March 31, 2024, 275,000 shares remain available for future grants under the 2015 Plan.

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The following table summarizes stock option transactions for the 2015 Plan, collectively, for the three months ended March 31, 2024 (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, 2023	275	558	\$ 10.57	\$ -
Increase in authorized options	-	-	-	-
Exercised	-	-	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Cancelled	-	-	-	-
Balance at March 31, 2024	275	558	\$ 10.38	\$ -

The Company accounts for share-based awards to employees and nonemployee directors and consultants in accordance with the provisions of ASC 718, Compensation—Stock Compensation., and under the recently issued guidance following FASB's pronouncement, ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. Under ASC 718, and applicable updates adopted, share-based awards are valued at fair value on the date of grant and that fair value is recognized over the requisite service, or vesting, period. The Company values its equity awards using the Black-Scholes option pricing model, and accounts for forfeitures when they occur. For the three months ended March 31, 2024 and 2023, equity-based compensation expense recorded was approximately \$157,000 and \$291,000, respectively.

As of March 31, 2024, there was approximately \$ 560,000 of total unrecognized compensation expense related to non-vested stock options that is expected to be recognized over a weighted average period of 0.9 years. For options granted and outstanding, there were 558,000 options outstanding which were fully vested or expected to vest, with an aggregate intrinsic value of \$0, a weighted average exercise price of \$ 10.38 and weighted average remaining contractual term of 7.97 years at March 31, 2024. For vested and exercisable options, outstanding shares totaled 294,000, with an aggregate intrinsic value of \$0. These options had a weighted average exercise price of \$ 16.70 per share and a weighted-average remaining contractual term of 6.98 years at March 31, 2024.

The aggregate intrinsic value of outstanding and exercisable options at March 31, 2024 was calculated based on the closing price of the Company's common stock as reported on The Nasdaq Capital Market on March 31, 2024 of \$1.40 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.

Common Stock Reserved for Future Issuance

The following table presents information concerning common stock available for future issuance (in thousands) as of:

	March 31, 2024	March 31, 2023
Stock options issued and outstanding	558	350
Shares authorized for future option grants	275	484
Warrants outstanding	-	13
Total	833	847

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7. 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, 2024 (in thousands):

	Warrants Accounted for as: Equity		Warrants Accounted for as: Liabilities		Total
	May 2018 Warrants	October 2013 Warrants	January 2014 Warrants		
Outstanding, December 31, 2023	-	-	11		11
Exercised	-	-	-		-
Granted	-	-	-		-
Expired	-	-	(11)		(11)
Outstanding, March 31, 2024	-	-	-		-
Expiration date:	-	-	1/16/2024		1/16/2024

8. Licenses and Collaborations

Merck Sharp & Dohme Corp.

On January 2, 2019, the Company entered into an Exclusive License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck Sharp & Dohme LLC ("Merck") to discover and develop certain proprietary influenza A/B antiviral agents. Under the terms of the Collaboration Agreement, Merck funds research and development for the program, including clinical development, and will be responsible for worldwide commercialization of any products derived from the collaboration. Cocrystal is eligible to receive payments related to designated development, regulatory and sales milestones with the potential to earn up to \$156,000,000, as well as royalties on product sales. Merck can terminate the Collaboration Agreement at any time prior to the first commercial sale of the first product developed under the Collaboration Agreement, in its sole discretion, without cause.

On December 15, 2023, the Company received written notice from Merck of Merck's election to terminate the Exclusive License and Collaboration Agreement. The termination of the Agreement is effective on March 14, 2024. According to Merck's termination notice, Merck determined there were no existing conditions to continue the collaboration. The termination resulted from the inability to develop the compounds to meet a specific aspect of Merck's program. The pending patent applications on compounds covered by the Agreement and previously filed by Merck on behalf of both companies remain in place.

Kansas State University Research Foundation

Cocrystal entered into two License Agreement with Kansas State University Research Foundation (the "Foundation") on February 18, 2020 to further

develop certain proprietary broad-spectrum antiviral compounds for the treatment of norovirus and coronavirus infections.

On February 28, 2024, the Company provided notice to the Foundation of the Company's election to terminate the 2020 License Agreements. The terminations, which were made due to the Company's determination that further development efforts under the License Agreements would be futile, are effective on March 29, 2024.

9. Commitments and Contingencies

Commitments

In the ordinary course of business, the Company enters into non-cancellable leases to purchase equipment and for its facilities, including related party leases (see Note 10 – Transactions with Related Parties). Leases are accounted for as operating leases or finance leases, in accordance with ASC 842, Leases.

Operating Leases

The Company leases office space in Miami, Florida and research and development laboratory space in Bothell, Washington under operating leases that expire on August 31, 2024 and January 31, 2029, respectively. For operating leases, the weighted average discount rate is 6.0% and the weighted average remaining lease term is 6.3 years.

The following table summarizes the Company's maturities of operating lease liabilities, by year and in aggregate, as of March 31, 2024 (table in thousands):

2024 (excluding the three months ended March 31, 2024)	\$ 233
2025	344
2026	355
2027	365
2028	376
2029 and thereafter	513
Total operating lease payments	2,186
Less: present value discount	(364)
Total operating lease liabilities	\$ 1,822

As of March 31, 2024, the total operating lease liability of \$ 240,000 is classified as a current operating lease liability.

The operating lease liabilities summarized above do not include variable common area maintenance (the "CAM") charges, which are contractual liabilities under the Company's Bothell, Washington lease. CAM charges for the Bothell, Washington facility are calculated annually based on actual common expenses for the building incurred by the lessor and proportionately billed to tenants based on leased square footage. For the three months ended March 31, 2024 and 2023, approximately \$55,000 and \$22,000 of CAM was included in general and administrative operating expenses on the condensed consolidated statements of operations, respectively.

The minimum lease payments above include the amounts that would be paid if the Company maintains its Bothell lease for the five-year term, starting February 2024.

On September 1, 2021, the Company entered into a three-year lease extension with a limited liability company controlled by Dr. Phillip Frost, a director and a principal stockholder of the Company. On an annualized basis, straight-line rent expense is approximately \$62,000, including fixed and estimable fees and taxes.

On September 21, 2023, the Company amended the lease agreement with a North Creek Tec LLC, to expand its laboratory facility in Bothell – WA, with additional 6,000 sq ft for a period of 5 years that expires on January 31, 2029, with monthly lease payments under this lease total \$ 660,000. In addition, the Company amended the lease agreement to extend the original laboratory facility for an additional 7 years with monthly lease payments under this lease total \$1,498,000. Through January 2031. The minimum lease payment combined totals approximately \$ 380,000 annually.

For the three months ended March 31, 2024 and 2023, operating lease expense, excluding short-term leases, finance leases and CAM charges, totaled approximately \$87,000 and \$ 58,000, respectively, of which \$16,000 and \$16,000 for each period was to a related party.

Finance Leases

In April 2020, the Company entered into lease agreements to acquire lab equipment with 36 monthly payments of \$2,000 payable through March 31, 2023. The final payment under the lease agreement was made in March 2023. The Company is in contact with the lessor to transfer title of the equipment to the Company.

The leased lab equipment is depreciable over five years and is presented net of accumulated depreciation on the condensed consolidated balance sheets under property and equipment. As of December 31, 2023, total right-of-use assets lab equipment exchanged for finance lease liabilities was \$162,000 and accumulated depreciation for lab equipment under finance leases was \$ 162,000. The remaining lab equipment under the finance lease terminated on March 31, 2023, and due to the leased equipment's remaining 25 months of useful life, it was transferred to fixed assets at book value of \$32,000 and continues to depreciate.

Phase 2a Clinical Trial

On August 3, 2022 the Company engaged hVIVO, a subsidiary of London-based Open Orphan plc (AIM: ORPH), a rapidly growing specialist contract research organization ("CRO"), to conduct a Phase 2a clinical trial with the Company's novel, broad-spectrum, orally administered antiviral influenza candidate. The Company prepaid a reservation fee of \$1.7 million upon execution of the agreement. As of March 31, 2024 the Company expensed \$137,000 leaving a balance of \$1,146,000 in prepaid and other expenses. In addition, the Company incurred additional costs of \$ 837,000 on this agreement during the three months ending March 31, 2024.

The total estimated cost of the agreement (including the reservation fee) is approximately \$ 6.8 million.

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.

10. Transactions with Related Parties

On September 1, 2021, the Company entered into a three-year lease extension with a limited liability company controlled by Dr. Phillip Frost, a director and a principal stockholder of the Company. For the three months ended March 31, 2024 and 2023, rent expense was approximately \$16,000 for each period, including fixed and estimable fees and taxes.

On April 4, 2023, the Company entered into a Securities Purchase Agreement with two accredited investors (the "Purchasers") whereby the Purchasers agreed to purchase a total of 2,030,458 shares of unregistered common stock at a price of \$ 1.97 per share for a total purchase price of \$ 4,000,000 in two equal \$2,000,000 investments. The Purchasers were an entity controlled by a director and another investor who subsequently joined the Company's Board of Directors.

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

Overview

Cocrystal Pharma, Inc. (the "Company" or "Cocrystal") is a clinical-stage biotechnology company seeking to discover and develop novel antiviral therapeutics as treatments for serious and/or chronic viral diseases. We employ unique structure-based technologies and Nobel Prize winning expertise to create first- and best-in-class antiviral drugs. These technologies are designed to efficiently deliver small molecule therapeutics that are safe, effective and convenient to administer. We have identified promising preclinical and clinical-stage antiviral compounds for unmet medical needs including influenza virus, coronavirus, norovirus and hepatitis C virus ("HCV").

Impact of Inflation

The Company does not believe that inflation has had a material effect on its operations to date, other than the impact of inflation on the general economy. However, there is a risk that the Company's operating costs could become subject to inflationary pressures in the future, which could have a material effect on increasing the Company's operating costs, and which would put additional stress on the Company's working capital resources.

Research and Development Update

During the three months ended March 31, 2024 and more recently the Company continued to focus its research and development efforts primarily in three areas.

Influenza Program

We have several candidates under development for the treatment of influenza infection. CC-42344, a novel PB2 inhibitor, was selected as a preclinical lead for the treatment of pandemic and seasonal influenza A. Oral CC-42344 was advanced to a Phase 2a influenza human challenge clinical study in 2023 as described in more detail below. This drug 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, Tamiflu® and baloxavir resistant strains, and has favorable pharmacokinetic and drug resistance profiles. This drug candidate was specifically designed and developed using Cocrystal's proprietary structure-based drug discovery platform technology.

In March 2022 enrollment was initiated in a randomized, double-blind, placebo-controlled Phase 1 study of orally delivered CC-42344, which was conducted in Australia. Later that year we reported favorable safety and tolerability results from the Phase 1 study of CC-42344 for the treatment of both pandemic and seasonal influenza A.

In October 2023 we announced receipt of authorization from the United Kingdom Medicines and Healthcare Products Regulatory Agency (MHRA) to initiate a Phase 2a human challenge trial with oral CC-42344 as a potential treatment for pandemic and seasonal influenza A. In December 2023 we announced achievement of first-patient-in for this Phase 2a human challenge clinical trial. This ongoing randomized, double-blind, placebo-controlled study is evaluating the safety, tolerability, viral and clinical measurements of influenza A infection in subjects dosed with oral CC-42344 treatment. In May 2024 we announced completion of enrollment of 78 subjects, and topline clinical results from the Phase 2a trial are expected in 2024.

In addition to the oral CC-42344, we developed inhaled CC-42344 for the prophylactic treatment of pandemic and seasonal influenza A infections. Our preclinical data of the inhaled CC-42344 showed excellent antiviral activity in influenza H1N1-infected human upper airway epithelium with favorable safety profile. We completed inhalation formulation development and are evaluating plans to initiate a Phase 1 study in 2024.

We also continue developing novel broad-spectrum influenza antivirals targeting replication enzymes of influenza A and B strains.

Coronavirus and Norovirus Programs

In October 2022 we announced the selection of a novel, broad-spectrum antiviral drug candidate CDI-988 for clinical development as an oral treatment for SARS-CoV-2, the virus that causes COVID-19. CDI-988 targets a highly conserved region in the active site of SARS-CoV-2 main (3CL) protease required for viral replication and was discovered to exhibit pan-coronavirus activity against MERS-CoV, SARS-CoV, and common coronaviruses. This drug candidate was specifically designed and developed as a pan-viral protease inhibitor using Cocrystal's proprietary structure-based drug discovery platform technology.

Subsequent preclinical studies demonstrated that pan-coronavirus lead CDI-988 also showed broad-spectrum antiviral activity against the multiple pandemic norovirus proteases. High resolution crystal structures confirmed that CDI-988 binds to the highly conserved region of the norovirus protease active site. In August 2023 we announced the selection of pan-viral CDI-988 as a potential oral therapy for coronaviruses and norovirus.

In May 2023 we announced approval from the Australian Human Research Ethics Committee (HREC) to conduct a randomized, double-blind, placebo-controlled Phase 1 study of CDI-988. The study is designed to assess the safety, tolerability and pharmacokinetics of CDI-988.

In September 2023 we announced dosing of the first subjects in our Phase 1 clinical study with our oral, first-in-class pan-norovirus and pan-coronavirus 3CL protease inhibitor CDI-988. Topline clinical results from the Phase 1 trial are expected in 2024.

Therapeutic Targets

Influenza: A worldwide public health problem, including the potential for pandemic disease .

Influenza is a severe respiratory illness, caused primarily by influenza A or B virus. Influenza A viruses are the only influenza viruses known to cause influenza pandemics. Each year there are approximately 1 billion cases of seasonal influenza worldwide, with 3-5 million severe illnesses and up to 650,000 deaths, according to the World Health Organization ("WHO"). On average about 8% of the U.S. population contracts influenza each season, according to the Centers for Disease Control and Prevention ("CDC"). In addition to the health risk, influenza is responsible for approximately \$10.4 billion in direct medical costs in the U.S. annually, according to the National Institutes of Health ("NIH").

Currently, approved antiviral treatments for influenza are effective, but burdened with significant viral resistance. Strains of influenza virus that are resistant to the approved treatments oseltamivir phosphate (Tamiflu®) and zanamivir (Relenza®), baloxavir marboxil (Xofluza®) have appeared, and in some cases are predominated. For example, the predominant strain of the 2009 swine influenza pandemic was resistant to oseltamivir. Oseltamivir inhibits influenza neuraminidase enzymes, which are not highly conserved between viral strains. According to the WHO, approximately 15% of the H1N1 isolated circulating worldwide were oseltamivir resistant. Also, treatment-emergent resistance to recently approved baloxavir has been observed during clinical trials and the potential transmission of resistant influenza variants could significantly diminish baloxavir effectiveness.

The Company developed CC-42344, a novel PB2 inhibitor, as a lead candidate for the treatment of influenza A. We completed a Phase 1 study with oral CC-42344 and in December 2022 reported on favorable safety and tolerability results from the CC-42344 Phase 1 study. Upon approval of United Kingdom MHRA, we initiated a randomized, double-blind, placebo-controlled influenza Phase 2a human challenge study in the first half of 2023 and announced dosing of the first subjects in this study with oral CC-42344 in December 2023. Topline clinical results from the Phase 2a trial are expected in 2024.

Coronavirus: COVID-19 continues to be a global pandemic fueled by an emergence of new strains .

As a global pandemic with 774,631,044 COVID-19 confirmed cases globally, including 7,031,216 deaths, as of February 27, 2024, according to the data reported by the WHO. The COVID-19 pandemic and the measures taken by the federal, state and foreign governments to stop the spread of the virus have caused a significant disruption to the U.S. and global economy.

Coronaviruses (CoV) are a large family of RNA viruses that historically have been associated with illness ranging from mild symptoms similar to the common cold to more severe respiratory disease. Infection with the novel SARS-CoV-2 has been associated with a wide range of responses, from no symptoms to more severe disease that has included pneumonia, severe acute respiratory syndrome, kidney failure, and death. The incubation period for SARS-CoV-2 is believed to be within 14 days after exposure, with most illness occurring within about five days after exposure. SARS-CoV-2, like other RNA viruses, is prone to mutate over time, resulting in the emergence of multiple variants. Adaptive mutations in the viral genome can alter the virus's pathogenic potential. Even a single amino acid exchange can drastically affect a virus's ability to evade the immune system and complicate the vaccine and antibody therapeutics development against the virus. Based on the recent epidemiological update by the WHO, five SARS-CoV-2 VOCs (variants of concern) have been identified since the beginning of the pandemic. Also, as demonstrated in Delta and Omicron variants as well as the more recent JN.1 strain, some variations allow the virus to spread more easily and make it resistant to the treatments and vaccines.

On October 22, 2020, FDA approved the antiviral drug Veklury (remdesivir) for the treatment of COVID-19 requiring hospitalization. Remdesivir is a nucleotide prodrug that inhibits viral replication and was previously evaluated in clinical trials for Ebola treatment in 2014. On May 25, 2023, the FDA approved Paxlovid (nirmatrelvir tablets and ritonavir tablets, co-packaged for oral use) for use to treat COVID-19 for the treatment of mild-to-moderate COVID-19 in adults who are at high risk for progression to severe COVID-19, including hospitalization or death. For certain hospitalized adults with COVID-19, the FDA has also approved Olumiant (baricitinib) and Actemra (tocilizumab). In addition, the FDA issued emergency authorization use on several antibody and antiviral therapeutics, including and Lagevrio (molipiravir).

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We continue pursuing the development of novel antiviral compounds for the treatment of coronavirus infections using our established proprietary drug discovery platform. By targeting the viral replication enzymes and protease, we believe it is possible to develop an effective treatment for all coronavirus diseases including COVID-19, Severe Acute Respiratory Syndrome (SARS), and Middle East Respiratory Syndrome (MERS) - coronaviruses.

Norovirus: A worldwide public health problem responsible for close to 90% of epidemic, non-bacterial outbreaks of gastroenteritis around the world .

Norovirus is a very common and highly contagious virus that causes symptoms of acute gastroenteritis. among people of all ages. Norovirus infection can be much more severe and prolonged in specific risk groups including infants, children, the elderly, and people with immunodeficiency. Symptoms include nausea, vomiting, stomach pain and diarrhea as well as fatigue, fever and dehydration. Outbreaks occur most commonly in semi-closed communities, having become notorious for their occurrence in hospitals, nursing homes, childcare facilities, cruise ships, schools, disaster relief sites and military settings. In the United States alone, noroviruses are responsible for an estimated 21 million cases annually, including 109,000 hospitalizations, 465,000 emergency department visits and nearly 900 deaths, according to the CDC. The NIH estimates the annual burden to the United States at \$10.6 billion. Noroviruses are responsible for up to 1.1 million hospitalizations and 218,000 deaths annually in children in the developing world. In immunosuppressed patients, chronic norovirus infection can lead to a debilitating illness with extended periods of nausea, vomiting and diarrhea. There is currently no effective treatment or effective vaccine for norovirus, and the ability to curtail outbreaks is limited. We have a candidate norovirus therapeutic in clinical testing. A few companies have been developing vaccines and six candidate vaccines are in stages of clinical testing by Vaxart Pharmaceutical, Moderna, Hillevax, Takeda Pharmaceuticals, Anhui Zhifei Longcom Biopharmaceutical (China) and National Vaccine and Serum Institute (China).

By targeting viral replication enzymes and a viral protease, we believe it is possible to develop an effective treatment for all genogroups of norovirus. Also, because of the significant unmet medical need and the possibility of chronic norovirus infection in immunocompromised individuals, new antiviral therapeutic approaches may warrant an accelerated path to market. The Company is developing inhibitors of the RNA-dependent RNA polymerase and protease of norovirus. Similar to the HCV polymerases, these enzymes are essential to viral replication and are highly conserved between all noroviral genogroups. Therefore, an inhibitor of these enzymes might be an effective treatment or short-term prophylactic agent, when administered during a cruise or nursing home stay, for example. We have developed X-ray quality norovirus polymerase and protease crystals and have identified promising inhibitors. We are implementing the platform and approaches that have proven successful in our other antiviral programs.

In September 2023 we announced dosing of the first subjects in our Phase 1 clinical study with our oral, first-in-class pan-norovirus and pan-coronavirus 3CL protease inhibitor CDI-988. Topline clinical results from the Phase 1 trial are expected in 2024.

Hepatitis C: A large competitive market with opportunity for shorter treatment regimens ..

HCV is a highly competitive and changing market. Since 2014, several combinations of direct-acting antiviral agents ("DAAs") have been approved for the treatment of HCV infection. These include Harvoni (sofosbuvir/ledipasvir) 12 weeks of treatment, Viekira Pak (ombitasvir/paritaprevir/ritonavir, dasabuvir) twelve weeks of treatment, Epclusa (sofosbuvir/velpatasvir) twelve weeks of treatment, Zepatier (elbasvir/grazoprevir) twelve weeks of treatment and

Mavyret (glecaprevir/pibrentasvir) eight weeks of treatment. We believe the next improvements in HCV treatment will be ultra-short combination oral treatments of four to six weeks, which is the goal of our program.

We anticipate a significant global HCV market opportunity that will persist through at least 2036, given the large prevalence of HCV infection worldwide. The 2017 World Health Organization Global Hepatitis Report estimates that 71 million people worldwide have chronic HCV infections. In July 2023, WHO published that globally, an estimated 58 million people have chronic HCV infection, with about 1.5 million new infections occurring per year, and an estimated 3.2 million adolescents and children with chronic HCV infection.

We are targeting the viral NS5B polymerase with an NNI, which could be developed as part of an all-oral, pan-genotypic combination regimen. Our focus is on developing what is now called ultrashort treatment regimens from four to six weeks in length. Such a combination treatment CC-31244 with different classes of approved DAAs has the potential to change the paradigm of treatment for HCV with a shorter duration of treatment. Combination strategies with approved drugs could allow us to expand CC-31244 into the HCV antiviral therapeutic area globally and could lead to a high and fast cure rate, to improved compliance, and to reduced treatment duration. To our knowledge no competing company has yet developed a short HCV treatment of less than 8 weeks with a high (>95%) sustained virologic response (SVR) at week 12.

CC-31244, an HCV NNI, is a potential best in class pan-genotypic inhibitor of NS5B polymerase for the treatment of HCV. The Company completed a Phase 1a/b study in Canada in September 2016, with favorable safety results in a randomized, double-blinded, Phase 1a/b study in healthy volunteers and HCV-infected subjects. The Company completed a Phase 2a study in HCV genotype 1 subjects in the United States. Cocrystal presented the interim results from the Phase 1a/b study at the APASL in February 2017. HCV-infected subjects treated with CC-31244 had a rapid and marked decline in HCV RNA levels, and slow viral rebound after treatment. Results of this study suggest that CC-31244 could be an important component in a shortened duration all-oral HCV combination therapy. The Company has completed the Phase 2a final study report as filed with the FDA. See "Item 1 – Business – Research and Development Update – Hepatitis C" in our Annual Report on Form 10-K for the year ended December 31, 2023 for more information.

The Company has been seeking a partner for further clinical development of CC-31244 since completing Phase 2a trials.

Results of Operations for the Three Months Ended March 31, 2024 compared to the Three Months Ended March 31, 2023

Research and Development Expense

Research and development expense consists primarily of compensation-related costs for our employees dedicated to research and development activities and clinical trials, as well as lab supplies, lab services, and facilities and equipment costs related to our research and development programs.

Total research and development expenses for the three months ended March 31, 2024, and 2023 were \$2,950,000 and \$ 3,907,000, respectively. The decrease of \$957,000 was primarily due reduction of clinical preparation expenses as our Influenza CC-42344 product candidate moved into a Phase 2a clinical trial and our norovirus and coronavirus CDI-988 moved into a Phase 1 clinical trial.

General and Administrative Expense

General and administrative expenses include 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 for the three months ended March 31, 2024, and 2023 were \$1,208,000 and \$ 1,204,000, respectively, remaining stable between periods.

Interest Income, Net

Interest income for the three months ended March 31, 2024 and 2023 was \$220,000 and \$0, respectively. The interest income was primarily earned on cash held in interest bearing bank accounts.

Other Income (Expense)

During the period ending March 31, 2024, the 11,000 warrants accounted as liabilities expired; no warrants remain outstanding at this time.

In 2022, the Company established a wholly owned subsidiary in Australia, making it subject to foreign exchange rate fluctuations. Foreign exchange loss during the three months ended March 31, 2024, and 2023 was \$18,000 and \$78,000.

Income Taxes

No income tax benefit or expense was recognized for the three months ended March 31, 2024 and 2023. The Company's effective income tax rate was 0.00% and 0.00% for the three months ended March 31, 2024 and 2023. 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.

Net Loss

As a result of the above factors, net loss for the three months ended March 31, 2024 was \$3,956,000, compared with a net loss of \$5,189,000 for the three months ended March 31, 2023, respectively, as a result of developments related to our expenses described above.

Liquidity and Capital Resources

Net cash used in operating activities was \$4,503,000 for the three months ended March 31, 2024 compared with net cash used in operating activities of \$3,111,000 for the same period in 2023. This increase was primarily due to period expenses related to finalize our Influenza A Phase 2a clinical trial and preparation for our anticipated Influenza A Phase 1 inhaler administer medicine clinical trial and completion of our COVID-19 Phase 1 clinical trial.

We used \$8,000 net cash for investing activities during the three months ended March 31, 2024 compared with \$45,000 net cash used for the same period in 2023. For the three months ended March 31, 2024 the level of investments decreased compared with March 31, 2023 due to comparative reduction in purchases of laboratory equipment in 2024.

Net cash used in financing activities totaled \$0 for the three months ended March 31, 2024 compared with net cash used in financing activities of \$7,000 for the same period in 2023 due to sufficient capital resulting in a lack of financing activity in the 2024 period.

The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs. The Company had \$21,842,000 unrestricted cash on March 31, 2024. The Company believes it has sufficient cash to maintain planned operations for more than the next 12 months.

We have focused our efforts on research and development activities, including through collaborations with suitable partners. We have been profitable on a quarterly basis but have never been profitable on an annual basis. We have no products approved for sale and have incurred operating losses and negative operating cash flows on an annual basis since inception.

The Company's interim 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. Historically, public and private equity offerings have been our principal source of liquidity.

The Company is party to the At-The-Market Offering Agreement, dated July 1, 2020 ("ATM Agreement") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which the Company may issue and sell over time and from time to time, to or through Wainwright, up to \$10,000,000 of shares of the Company's common stock. During January 2021, the Company sold 1,030,000 shares of its common stock pursuant to the ATM Agreement for net proceeds of approximately \$2,072,000. On May 24, 2023, the Company filed a prospectus supplement covering sales under the ATM Agreement under which we may offer and sell shares of our common stock having an aggregate offering price of up to \$7,250,000 from time to time through Wainwright. There were no sales under the ATM Agreement during the three months ended March 31, 2024.

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 and 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, and any equity financing may be very dilutive to existing stockholders.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the future effectiveness of our product candidates, our plans for the future development of preclinical and clinical drug candidates, the expected time of achieving certain value driving milestones in our programs, including reporting the results of the Phase 2a clinical trial for the oral formulation of CC-42344 and commencing the Phase 1 clinical trial for an inhaled formulation of CC-442344 in our Influenza A program in 2024 and reporting Phase 1 clinical trial results for our oral formulation of CDI-988 for the treatment of coronavirus and norovirus in 2024, and progressing our programs in the clinical development process generally, our expectations regarding future operating results 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 risks and uncertainties arising from the risks arising from inflation, interest rate increases, the possibility of a recession and the economic impact of the wars in Israel and Ukraine on our Company, our collaboration partners, and on the U.S., U.K., Australia and global economies, including downturns in economic activity and capital markets, manufacturing and research delays arising from raw materials and labor shortages, supply chain disruptions and other business interruptions including any adverse impacts on our ability to obtain raw materials and test animals as well as similar problems with our vendors and our current and any future contract research organizations (CROs) and contract manufacturing organizations (CMOs), the ability of our CROs to recruit volunteers for, and to proceed with, clinical studies, and our collaboration partners' technology and software performing as expected, financial difficulties experienced by certain partners, the results of the studies for CC-42344 and CDI-988 and any future preclinical and clinical trials, general risks arising from clinical trials, receipt of regulatory approvals, regulatory changes, development of effective treatments and/or vaccines by competitors, including as part of the programs financed by governmental authorities and potential mutations in a virus we are targeting which may result in variants that are resistant to a product candidate we develop. 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, 2023. 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, 2023, we disclosed our critical accounting policies and estimates upon which our financial statements are derived.

Accounting estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

Readers are encouraged to review these disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 in conjunction with the review of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Co-Chief Executive Officers and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that our disclosure controls and procedures as of March 31, 2024 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal controls over financial reporting or in other factors that could materially affect, or are reasonably likely to affect, our internal controls over financial reporting during the quarter ended March 31, 2024. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 reporting period, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2023.

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 INFORMATION

During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 arrangement" as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
3.1	Certificate of Incorporation, as amended	10-Q	8/16/21	3.1	
3.1(a)	Certificate of Amendment to Certificate of Incorporation	8-K	10/3/22	3.1	
3.2	Amended and Restated Bylaws	8-K	2/19/21	3.1	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Executive Officer (302)				Filed
31.3	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished*
101.INS	Inline XBRL Instance Document				Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				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 stockholders who make a written request to our Corporate Secretary at Cocrystal Pharma, Inc., 4400 Biscayne Blvd, Suite 101, Miami, FL 33137.

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 13, 2024

By: /s/ Sam Lee

Sam Lee
President and Co-Chief Executive Officer
(Principal Executive Officer)

Dated: May 13, 2024

By: /s/ James Martin

James Martin
Chief Financial Officer and Co-Chief
Executive Officer
(Principal Executive Officer and Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Sam Lee, 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 13, 2024

/s/ Sam Lee

Sam Lee

President and Co-Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE 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 13, 2024

/s/ James Martin

James Martin
Co-Chief Executive Officer
(Principal Executive Officer)

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 13, 2024

/s/ James Martin

James Martin
Chief Financial Officer
(Principal Financial Officer)

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof, I, Sam Lee, 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/ Sam Lee

Sam Lee
President and Co-Chief Executive Officer
(Principal Executive Officer)

Dated: May 13, 2024

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, 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 and Co-Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Dated: May 13, 2024
