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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2017**

or

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

For the transition period from ____ to ____

Commission File Number **333-184948**

Processa Pharmaceuticals, Inc.

(formerly Heatwurx, Inc.)
(Exact name of registrant as specified in its charter)

Delaware	**45-1539785**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7380 Coca Cola Drive, Suite 106,
Hanover, Maryland 21076
(Address of principal executive offices and Zip Code)

(443) 776-3133
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant 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) YES [X] NO [ ]

Indicate by check mark whether the registrant has been subject to such filing requirements for the past 90 days. YES [ ] NO [X]

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 (§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 [ ] NO [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company.

[ ] Large accelerated filer	[ ] Accelerated filer
[ ] Non-accelerated filer	[X] 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 Exchange Act).
YES [ ] NO [X]

The registrant has 246,907,902 shares of common stock outstanding as of November 20, 2017.

PROCESSA PHARMACEUTICALS, INC.
(formerly Heatwurx, Inc.)

FORM 10-Q

For the Quarter Ended September 30, 2017

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROCESSA PHARMACEUTICALS, INC.
(FORMERLY HEATWURX, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 80,262	$ 3,237
Total current assets	80,262	3,237
TOTAL ASSETS	$ 80,262	$ 3,237
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 95,568	$ 166,165
Accrued liabilities	19,746	134,513
Interest payable	-	108,608
Interest payable, related party	-	332,566
Income taxes payable	-	200
Senior secured notes payable, related party	-	962,361
Unsecured notes payable	-	420,000
Revolving line of credit	-	91,980
Revolving line of credit, related party	-	138,000
Total current liabilities	115,314	2,354,393
TOTAL LIABILITIES	115,314	2,354,393
STOCKHOLDERS' DEFICIT:		
Series D preferred stock, $0.0001 par value, 10,000,000 shares authorized; zero shares were issued and outstanding at September 30, 2017 and 178,924 shares were issued and outstanding at December 31, 2016; liquidation preference of zero at September 30, 2017 and $875,331 at December 31, 2016, respectively	-	18
Common stock, $0.0001 par value, 350,000,000 shares authorized; 24,690,790 issued and outstanding at September 30, 2017 and 11,017,388 issued and outstanding at December 31, 2016	2,469	1,102
Additional paid-in capital	16,998,820	14,329,057
Accumulated deficit	(17,036,341)	(16,681,333)
TOTAL STOCKHOLDERS' DEFICIT	(35,052)	(2,351,156)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 80,262	$ 3,237

The accompanying notes are an integral part of these unaudited consolidated financial statements.

PROCESSA PHARMACEUTICALS, INC.
(FORMERLY HEATWURX, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
REVENUE:				
Equipment sales	$ -	$ -	$ -	$ 5,000
Other revenue	-	-	-	-
Total revenues	-	-	-	5,000
COST OF GOODS SOLD	-	-	-	-
GROSS PROFIT	-	-	-	5,000
EXPENSES:				
Selling, general and administrative	163,771	4,395	187,640	88,194
Research and development	-	574	166	6,271
Total expenses	163,771	4,969	187,806	94,465
LOSS FROM OPERATIONS	(163,771)	(4,969)	(187,806)	(89,465)
OTHER INCOME AND EXPENSE:				
Gain on debt forgiveness	5,447	-	36,359	25,155
Interest expense	(44,158)	(63,322)	(169,513)	(182,062)
Total other income and expense	(38,711)	(63,322)	(133,154)	(156,907)
LOSS BEFORE INCOME TAXES	(202,482)	(68,291)	(320,960)	(246,372)
Income taxes	(1,931)	-	(1,931)	-
LOSS FROM CONTINUED OPERATIONS, net of tax	(204,413)	(68,291)	(322,891)	(246,372)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	-	(42)	-	1,214
NET LOSS	$ (204,413)	$ (68,333)	$ (322,891)	$ (245,158)
Preferred Stock Cumulative Dividend and Deemed Dividend	-	(10,824)	-	(32,234)
Net loss applicable to common stockholders	$ (204,413)	$ (79,157)	$ (322,891)	$ (277,392)
Net loss per common share basic and diluted from continuing operations	(0.02)	(0.01)	(0.03)	(0.03)
Net loss per common share basic and diluted from discontinued operations	0.00	0.00	0.00	0.00
Net loss per common share basic and diluted	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average shares outstanding used in calculating net loss per common share	11,158,191	11,017,388	11,064,838	11,017,388

The accompanying notes are an integral part of these unaudited consolidated financial statements.

PROCESSA PHARMACEUTICALS, INC.
(FORMERLY HEATWURX, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (322,891)	$ (245,158)
Less (income) loss from discontinued operations, net of tax	-	(1,214)
Loss from continuing operations	(322,891)	(246,372)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation expense	-	159
Gain on debt forgiveness	(36,359)	(25,155)
Amortization of discount on note payable	-	967
Stock-based compensation	-	6,691
Changes in current assets and liabilities:		
Decrease in prepaid and other current assets	-	47,722
(Decrease) increase in accounts payable	(34,238)	14,575
(Decrease) in income taxes payable	(200)	-
(Decrease) in accrued liabilities	(28,227)	(2,839)
Increase in interest payable	40,903	39,128
Increase in interest payable, related party	131,037	137,726
Net cash used in operating activities from continuing operations	(249,975)	(27,398)
Net cash used in operating activities from discontinued operations	-	(8,808)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets held for sale	-	17,000
Net cash provided by investing activities from continuing operations	-	17,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of senior secured notes payable	327,000	15,000
Net cash provided by financing activities from continuing operations	327,000	15,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	77,025	(4,206)
CASH AND CASH EQUIVALENTS, beginning of period	3,237	14,440
CASH AND CASH EQUIVALENTS, end of period	$ 80,262	$ 10,234

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1. PRINCIPAL BUSINESS ACTIVITIES:

Organization and Business - Processa Pharmaceuticals, Inc. (Formerly Heatwurx, Inc.) (“Processa,” the “Company”) is an asphalt repair equipment and technology company. Effective October 23, 2017 we changed our Company’s name to Processa Pharmaceuticals, Inc. See Note 9 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation - These unaudited interim condensed consolidated financial statements and related notes are presented in accordance with the accounting principles generally accepted in the United States (“U.S. GAAP”) and are expressed in U.S. dollars. Accordingly, they do not include all disclosures required in the annual financial statements by U.S. GAAP. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments considered necessary to present fairly in all material respects the financial position as of September 30, 2017.

The Company’s consolidated financial statements include Dr. Pave, LLC and Dr. Pave Worldwide, LLC; both wholly-owned subsidiaries of the Company, which are represented in the Company’s discontinued operations (Note 3). All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Interim Financial Statements - These financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2016, and have been prepared on a consistent basis with the accounting policies described in Note 2 - Summary of Significant Accounting Policies of the Notes to Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. Our accounting policies did not change in the three or nine months ended September 30, 2017. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or any future period.

Use of estimates - The preparation of 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Going Concern and Management’s Plan - The Company’s financial statements are prepared using U.S. GAAP and are subject to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company has previously relied exclusively on private placements with a small group of investors to finance its business and operations. The Company has had little revenue since inception. For the nine months ended September 30, 2017, the Company incurred a net loss from continuing operations of $322,891 and used $249,975 in net cash in operating activities from continuing operations. The Company had total cash on hand of $80,262 as of September 30, 2017. The Company does not currently have any revenue under contract nor does it have any immediate sales prospects. The Company has significantly reduced employees and overhead. The decision to cease operations of Dr. Pave, LLC and Dr. Pave Worldwide, LLC was made on December 31, 2015. These business components are captured within discontinued operations as of September 30, 2017 (Note 3). The Company has significantly scaled back operations to maintain only a minimal level of operations necessary and look for potential merger candidates. It is the Company’s intention to move forward as a public entity and to seek potential merger candidates. Subsequent to the close of the quarter ended September 30, 2017 the Company entered into an asset purchase agreement (refer to Note 9 below for further information).

During the nine months ended September 30, 2017, the Company received cash of $327,000 as part of the $2,000,000 senior secured debt offering commenced in February 2015. On September 29, 2017, the company converted then outstanding notes payable in the principal amount of $1,939,341 and accrued interest of $613,114 into 12,953,902 shares of common stock. In addition, the company converted 178,924 Series D shares plus accrued dividends of $118,658 into 719,500 shares of common stock.

The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be different should the Company be unable to continue as a going concern.

Cash and cash equivalents - The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Net income (loss) per share - The Company computes basic and diluted earnings per share amounts pursuant to ASC 260-10-45. Basic earnings per share is computed by dividing net income (loss) available to common shareholders, by the weighted average number of shares of common stock outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted earnings per share is computed by dividing net income (loss) available to common shareholders by the diluted weighted average number of shares of common stock during the period. The diluted weighted average number of common shares outstanding is the basic weighted number of shares adjusted for any potentially diluted debt or equity. The computation does not assume conversion, exercise or contingent exercise of securities since that would have an anti-dilutive effect on earnings during the three and nine months ended September 30, 2017 and 2016, respectively.

Subsequent events - The Company follows the guidance in ASC 855-10-50 for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Refer to Note 9 below for further information.

Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation. There was no change to the total amounts for the Company's balance sheets, income statements or statements of cash flows.

Recently Issued Accounting Pronouncements - From time to time, the Financial Accounting Standards Board ("FASB") or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update ("ASU"). The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. It has evaluated recently issued accounting pronouncements and determined that there was no material impact on its financial position or results of operations.

3. DISCONTINUED OPERATIONS:

In efforts to streamline operations and expenses the Company elected to discontinue the Dr. Pave and Dr. Pave Worldwide entities during 2015. The financial results of these events are represented in the discontinued operations included in the September 30, 2017 and 2016 financial statements.

The operating results of discontinued operations of Dr. Pave and Dr. Pave Worldwide for the three and nine months ended September 30, 2017 and 2016 are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	$ --	$ --	$ --	$ --
Expense	--	42	--	(1,750)
Net Loss, before Other income and expense and taxes	--	(42)	--	1,750
Other income (expense)	--	--	--	(536)
Income tax benefit	--	--	--	--
Net Income (Loss), net of tax	$ --	$ (42)	$ --	$ 1,214

The were no assets or liabilities from discontinued operations as of September 30, 2017 and December 31, 2016.

4. NOTES PAYABLE:

On September 29, 2017, principal of all existing notes payable in the amount of $1,939,341 and related accrued interest in the amount of $613,114 was converted to 12,953,902 shares of common stock. As of September 30, 2017, there were no notes outstanding.

5. STOCKHOLDERS' EQUITY:

The Company increased the authorized number of shares to 350,000,000 shares of common stock, $0.0001 par value per share, and 10,000,000 shares of Preferred stock, $0.0001 par value per share.

On September 29, 2017, the Company converted 178,924 shares of Series D Preferred Stock and all accrued dividends in the amount of $118,658 into 719,500 shares of common stock.

Stock Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, December 31, 2016	269,500	$ 1.88	2.04
Granted	--	--	
Exercised	--	--	
Cancelled	(269,500)	1.88	
Balance, September 30, 2017	--	--	--

On September 29, 2017, a former employee, forfeited her vested options for 37,500 shares with an exercise price of $3.00 per share and her vested options for 125,000 shares with an exercise price of $1.50 per share.

107,000 options were cancelled as a result of non-exercise prior to their expiration date.

The Company recognized no stock-based compensation expense during the three and nine months ended September 30, 2017 and no compensation during the three months, and $6,691 during the nine months, ended September 30, 2016, respectively.

As of September 30, 2017 there is no unrecognized compensation expense related to the issuance of the stock options.

Performance Stock Options

There were no performance stock options granted during the three and nine months ended September 30, 2017 and 2016.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	40,000	$ 2.00
Granted	--	--
Exercised	--	--
Cancelled	(40,000)	2.00
Balance, September 30, 2017	--	--

Warrants

There were no warrants issued during the three and nine months ended September 30, 2017.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, December 31, 2016	2,000,304	$ 2.36	0.63
Granted	--	--	
Exercised	--	--	
Cancelled	(723,181)	2.99	
Balance, September 30, 2017	1,277,123	$ 2.00	0.08

Warrants were cancelled as a result of non-exercise prior to their expiration date.

6. NET LOSS PER COMMON SHARE:

The Company computes loss per share of common stock using the two-class method required for participating securities. The Company's participating securities include all series of its convertible preferred stock. Undistributed earnings allocated to these participating securities are added to net loss in determining net loss applicable to common stockholders. Basic and Diluted loss per share are computed by dividing net loss applicable to common stockholder by the weighted-average number of shares of common stock outstanding.

Outstanding options and warrants underlying 1,277,123 shares do not assume conversion, exercise or contingent exercise in the computation of diluted loss per share because the effect would be anti-dilutive.

The calculation of the numerator and denominator for basic and diluted net loss per common share is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Net loss from continuing operations	$ (204,413)	$ (68,291)	$ (322,891)	$ (246,372)
Net loss from discontinued operations	--	(42)	--	1,214
Net Loss	(204,413)	(68,333)	(322,891)	(245,158)
Basic and diluted:				
Preferred stock cumulative dividend - Series D	--	(10,824)	--	(32,234)
Net loss applicable to common stockholders	$ (204,413)	$ (79,157)	$ (322,891)	$ (277,392)
Weighted average shares outstanding used in calculating net loss per common share	11,158,191	11,017,388	11,064,838	11,017,388

7. RELATED PARTY TRANSACTIONS:

Dividend and Interest activity

Justin Yorke is the manager of the JMW Fund, LLC, the San Gabriel Fund, LLC, and the Richland Fund, LLC, collectively known as the "Funds"; and is a director of the Company. John McGrain, our Interim Chief Executive Officer and Interim Chief Financial Officer is also a member of the JMW Fund, LLC, the San Gabriel Fund, LLC, and the Richland Fund, LLC. These funds own 14,180,543 shares of common stock and hold warrants to purchase 701,859 common shares in the aggregate.

The Company had secured notes payable with the Funds in the aggregate amount of $1,289,361; on September 29, 2017, the Company converted the principal and interest of $412,716 into 8,510,386 shares of common stock. The Funds also had an aggregate principal balance of $138,000 and accrued interest of $50,887 on the revolving line of credit converted to 944,436 shares of common stock on September 29, 2017. As of December 31, 2016, the Funds held an aggregate amount of $962,361 in secured notes payable and an aggregate outstanding balance of $138,000 on the revolving line of credit. The Funds earned interest from loans payable for the three and nine months ended September 30, 2017 of $36,149 and $131,038, respectively; and for the three and nine months ended September 30, 2016 of $47,836 and $144,891, respectively. Total accrued interest as of September 30, 2017 and December 31, 2016 was zero and $332,566, respectively.

8. SUPPLEMENTAL CASH FLOW INFORMATION:

	Nine Months ended September 30, 2017	Nine Months ended September 30, 2016
Cash paid for interest	$ --	$ 6,723
Cash paid for income taxes	1,931	--
Non-cash investing and financing transactions		
Series D Dividend payable in accrued expenses	--	32,234
Conversion of debt to common shares	(2,552,455)	--
Assumption of Revolving line of credit	--	229,980
Conversion of Series D Preferred shares to common shares	118,676	--

9. SUBSEQUENT EVENTS:

On October 5, 2017, we filed our report on Form 8-K, as amended by our filing made on October 17, 2017 (the “Form 8-K”), to disclose that we entered into an Asset Purchase Agreement on October 2, 2017 with Promet Therapeutics LLC, (“Promet”) and our wholly owned subsidiary, Processa Therapeutics LLC, (“Processa”). We closed on this agreement effective October 4, 2017. Under this agreement, we acquired all of the assets of Promet, in exchange for approximately 222,217,000 shares of the common stock of the Company, which, at the closing, constituted approximately 90% of our issued and outstanding common stock on a fully diluted basis. Also under this agreement John McGrain, our former Chief Executive Officer and Director agreed to indemnify and hold the Company harmless (the McGrain Indemnification) from all liabilities and claims exceeding $25,000 that arose out of the operations of Heatwurx through October 4, 2017. The amount of the McGrain Indemnification (i) shall not exceed $500,000 in the aggregate, and (ii) will lapse and be no longer effective on the earlier of (a) 180 days following October 4, 2017 or (b) the completion of an underwritten public offering of the securities of the Company. At the closing, Promet assigned to the Company all of the assets and operations of Promet that will going forward constitute our sole operating business (the Asset Purchase). In furtherance of the transaction requirements agreed upon by the parties, we also converted prior to September 30, 2017 approximately $2.5 million of unpaid debt evidenced by promissory notes in exchange for about 12.954 million shares of common stock and converted 178,924 shares of Series D Preferred Stock into 719,500 shares of common stock. Immediately following the closing on October 4, 2017 there were approximately 246,908,000 shares of common stock issued and outstanding of which the prior Heatwurx Inc. shareholders owned approximately, 24,691,000 shares after giving effect to shares issuances made for Series D Preferred stock and existing debt converted into common stock.

Following close of the Asset Purchase, as of October 4, 2017, John McGrain, our Chief Executive Officer and Director, submitted his resignation as a director and from all other offices of our Company, and Christopher Bragg, our director submitted his resignation as a director and from all other offices of our Company. Effective October 4, 2017 David Young, Patrick Lin and Virgil Thompson were appointed to our Board of Directors and David Young was appointed our Chief Executive Officer and Acting Chief Financial Officer. Justin Yorke continues to serve as director.

As of October 4, 2017 certain entities affiliated with John P. McGrain and Justin Yorke had purchased $1.25 million of our senior convertible notes (“Senior Notes”) in a bridge financing undertaken by us to support the Processa operations. Principal and interest under each Senior Note is due on earlier of (i) the next Private Investment in Public Equity (“PIPE”) financing we undertake, provided that financing yields gross proceeds of at least $4 million (in which event the Senior Notes will automatically convert into securities issued in that financing) or (ii) the one-year anniversary of that Senior Note. The Senior Notes bear interest at 8% per year, and are payable in kind (common stock), computed on a market valuation of $72 million. Holders of Senior Notes (a) may elect to receive 110% of principal plus accrued interest in the event there is a change of control prior to conversion of the Senior Notes, (b) are entitled to full ratchet anti-dilution protection in event of any sale of securities at a net consideration per share that is less than the applicable conversion price per share to the holder, (c) are entitled to certain registration rights for the securities underlying the Senior Notes and (d) have been granted certain preemptive rights pro rata to their respective interests through December 31, 2018.

Effective October 23, 2017 we changed our name to Processa Pharmaceuticals, Inc. and authorized a one for seven combination, or reverse split, of our shares. We have applied to the Financial Industry Regulatory Authority for implementation of the reverse split in trading markets and are awaiting approval of that request. As the reverse split has not yet been approved, these financial statements do not reflect any adjustments with respect to this event.

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

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and audited consolidated financial statements and related notes thereto included in our 2016 Annual Report on Form 10-K, and with the unaudited condensed consolidated financial statements and related notes thereto presented in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

The statements contained in this report that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, need for financing, competitive position, potential growth opportunities, potential operating performance improvements, ability to retain and recruit personnel, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "intends," "may," "should," "anticipates," "expects," "could," "plans," or comparable terminology or by discussions of strategy or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such forward-looking statements.

Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- the availability and terms of financing and capital and the general volatility of securities markets;
- risks related to natural disasters;
- litigation; and
- other risk factors discussed in the 2016 Annual Report on Form 10-K, filed by the Company with the Securities and Exchange Commission.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those expected. We disclaim any intention or obligation to update publicly or revise such statements whether as a result of new information, future events or otherwise.

Heatwurx, Inc. was incorporated under the laws of the State of Delaware on March 29, 2011 as Heatwurxaq, Inc. and subsequently changed its name to Heatwurx, Inc. on April 15, 2011.

Through the nine months ended September 30, 2017 we were an asphalt preservation and repair, equipment company. Our innovative, and eco-friendly hot-in-place recycling process corrects surface distresses within the top three inches of existing pavement by heating the surface material to a temperature between 325° and 375° Fahrenheit with our electrically powered infrared heating equipment, mechanically loosening the heated material with our processor/tiller attachment that is optimized for producing a seamless repair, and mixing in additional recycled asphalt pavement and a binder (asphalt-cement), and then compacting repaired area with a vibrating roller or compactor. We consider our equipment to be eco-friendly as the Heatwurx process reuses and rejuvenates distressed asphalt, uses recycled asphalt pavement for filler material, eliminates travel to and from asphalt batch plants, and extends the life of the roadway. We believe our equipment, technology and processes provide savings over other processes that can be more labor and equipment intensive.

Our hot-in-place recycling process and equipment was selected by the Technology Implementation Group of the American Association of State Highway Transportation Officials ("AASHTO TIG") as an "additionally Selected Technology" for the year 2012. We develop, manufacture and intend to sell our unique and innovative and eco-friendly equipment to federal, state and local agencies as well as contractors for the repair and rehabilitation of damaged and deteriorated asphalt surfaces.

During 2014, we acquired Dr. Pave, LLC a service company offering asphalt repair and restoration utilizing the Heatwurx asphalt repair technology and established a new entity Dr. Pave Worldwide LLC to house our franchise program providing franchisees with the exclusive Heatwurx equipment and processing. We launched our franchise sales program throughout the U.S. in the third quarter of 2014; however, to date, no franchises have been sold. The Company decided not to renew its franchise registrations throughout the U.S. due to the extensive costs. In 2015, we offered license agreements that grant licenses of Heatwurx equipment and supplies and the use of the Heatwurx intellectual property within a specified territory. We have one licensee as of September 30, 2017.

We believe that we are unable to achieve a level of revenues from our Heatwurx operations adequate to support our cost structure. Due to the slow growth in the service sector and the high cost of the franchise registrations, we discontinued the operations of Dr. Pave, LLC and Dr. Pave Worldwide LLC. In addition, we significantly scaled back all other operations to maintain only a minimal level of operations necessary to support our licensee while seeking potential merger candidates. The Company sold its remaining equipment and inventory to the licensee during 2016. Subsequent to the close of the quarter ended September 30, 2017, the Company entered into an asset purchase agreement, refer to Note 9 for further information.

Section 107 of the JOBS Act provides that an "emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out" of such extended transition period, and as a result, we will comply with new or revised standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Results of operations

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements included herewith. This discussion should not be construed to imply that results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future.

For the three months ended September 30, 2017 compared to the three months ended September 30, 2016

For the three months ended September 30, 2017, our net loss was approximately $204,000, compared to a net loss of approximately $68,000 including loss from discontinued operations of $42 for the same period of 2016. Further description of these losses is provided below.

Revenue

The Company recognized no revenue in the three months ended September 30, 2017 and September 30, 2016. The Company does not anticipate any future revenue from equipment sales during 2017.

Cost of goods sold

The Company had no cost of goods sold during the three months ended September 30, 2017 and 2016.

Selling, general and administrative

Selling, general and administrative expenses increased to approximately $164,000 for the three months ended September 30, 2017 from approximately $4,000 for the three months ended September 30, 2016. The increase in selling, general and administrative expenses is principally due to the use of consultants for accounting, tax and operational services of approximately $61,000; and an increase in legal and investor relations services of approximately $99,000 related to the transaction with Promet announced during the quarter.

Research and Development

The Company had no research and development costs during the three months ended September 30, 2017; a decrease from approximately $600 for the three months ended September 30, 2016, as a result of a reduction in legal patent costs.

For the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016

For the nine months ended September 30, 2017, our net loss was approximately $323,000; compared to a net loss of approximately $245,000 including income from discontinued operations of $1,214 for the same period of 2016. Further description of these losses is provided below.

Revenue

The Company recognized no revenue in the nine months ended September 30, 2017 and $5,000 for the nine months ended September 30, 2016. The Company anticipates no future revenue from equipment sales during 2017.

Cost of goods sold

The Company had no cost of goods sold during the nine months ended September 30, 2017 and 2016.

Selling, general and administrative

Selling, general and administrative expenses increased to approximately $188,000 for the nine months ended September 30, 2017 from approximately $88,000 for the nine months ended September 30, 2016. The increase in selling, general and administrative expenses is principally due to the use of legal services related to the reverse merger announced during the period of $95,000; an increase from the use of consultants for accounting, tax and operational services of approximately $13,000, offset by a decrease in office expenses of approximately $8,000 which includes commercial insurance, rent and other expenses.

Research and Development

The Company had research and development costs during the nine months ended September 30, 2017 of approximately $200; a decrease from approximately $6,000 for the nine months ended September 30, 2016, which resulted from significant reduction in patent applications being filed thereby reducing legal and filing fees associated therewith. The Company is only utilizing legal representation to maintain the existing patents.

Liquidity and capital resources

Overview

We have incurred operating losses, accumulated deficit and negative cash flows from operations since inception. As of September 30, 2017, we had an accumulated deficit of approximately $17,036,000. The Company had total cash on hand of approximately $80,000 as of September 30, 2017. During the quarter ended the Company worked with existing debt holders to convert the principal of all existing notes payable and related accrued interest into shares of common stock. In addition, all Series D preferred shares and accrued dividends were converted into shares of common stock.

Operating Activities

During the nine months ended September 30, 2017, the Company used approximately $250,000 in cash compared to cash used of approximately $27,000 for continuing operations and approximately $8,800 for discontinued operations during the nine months ended September 30, 2016. This increase in cash used for operating activities was due to the Company's efforts to reduce liabilities and pay down outstanding accounts payable. For the nine months ended September 30, 2017, the Company incurred a net loss from continuing operations of approximately $323,000. It is the Company's intention to move forward as a public entity and to seek potential merger candidates.

Investing Activities

There were no investing activities during the nine months ended September 30, 2017 compared to proceeds of $17,000 from the sale of assets held for sale during the nine months ended September 30, 2016.

Financing Activities

During the nine months ended September 30, 2017, the Company received $327,000 in cash from financing activities compared to $15,000 during the nine months ended September 30, 2016. This increase in cash received from financing activities was due to the Company receiving financial support from their small group of investors under the senior secured notes. On September 29, 2017 all then outstanding notes payable in the amount of $1,939,341 and related accrued interest in the amount of $613,114 were converted into 12,953,902 shares of common stock. In addition, the Company converted 178,924 shares of Series D Preferred Stock and all accrued dividends in the amount of $118,658 into 719,500 shares of common stock.

Cash Requirements

The Company is unable to achieve a level of revenues and cash flow from our Heatwurx operations adequate to support our cost structure. The Company worked with its debt and preferred shareholders to convert all outstanding debt and accrued interest and dividends into shares of common stock. The Company is no longer in default on its notes payable. The Company maintains only a minimal level of operations necessary while seeking potential merger candidates. Subsequent to the close of the quarter ended September 30, 2017, the Company entered into an asset purchase agreement. Refer to Note 9 of the Notes to Unaudited Condensed Consolidated Financial statements for further information.

Recent accounting pronouncements

There were no new accounting pronouncements issued during the three and nine months ended September 30, 2017 that had a material impact or are anticipated to have a material impact on our financial position, cash flows or operating results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we have elected not to provide the disclosure required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer, who also serves as our Chief Financial Officer, has concluded, based on evaluation, as of the end of the period covered by this report, that our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Exchange Act) are (1) not effective to ensure that material information required to be disclosed by us in reports filed or submitted by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission due to the material weakness noted below, and (2) lacking design to ensure that material information required to be disclosed by us in such reports is accumulated, organized and communicated to our management, including our principal executive officer and principal financial officer, as appropriated, to allow timely decisions regarding required disclosure.

Material Weakness and Related Remediation Initiatives

Our management concluded that as of September 30, 2017, the following material weakness existed: Due to the Company’s budget constraints, the Company’s accounting department does not maintain the number of accounting personnel (either in-house or external) necessary to ensure more complete and effective financial reporting controls. Through the efforts of management, external consultants, and our Director, we have developed a specific action plan to remediate the material weaknesses. Due to the significant reduction in operations, the Company was unable to remediate the material weakness during the nine months ended September 30, 2017.

We have fewer than 300 record holders and, are not a mandatory filer of reports under Section 13 or 15(d) of the Exchange Act. As a voluntary filer, we may choose to cease filing Exchange Act reports at any time.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting, as defined in Rules 13a-15(f) of the Exchange Act, during the three and nine months ended September 30, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

See “Item 1A - Risk Factors” as disclosed in Form 10-K as filed with the Securities and Exchange Commission on September 25, 2017.

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

None

ITEM 6. EXHIBITS

SEC Ref. No.	Title of Document
31.1	Rule 15d-14(a) Certification by Principal Executive Officer
31.2	Rule 15d-14(a) Certification by Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Processa Pharmaceuticals, Inc.

Date: November 20, 2017

By *<u>/s/ David Young</u>*
David Young, Chief Executive Officer and Acting Chief Financial Officer

Certification

I, David Young, certify that:

1. I have reviewed this Form 10-Q quarterly report of Heatwurx, Inc. for the quarter ended September 30, 2017;

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

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

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

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

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

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

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

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

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

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

Date: November 20, 2017

/s/ David Young
David Young, Chief Executive Officer
(Principal Executive Officer)

Certification

I, David Young, certify that:

1. I have reviewed this Form 10-Q quarterly report of Heatwurx, Inc. for the quarter ended September 30, 2017;

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

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

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

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

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

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

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

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

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

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

Date: November 20, 2017

/s/ David Young
David Young, 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 Heatwurx, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission (the “Report”), the undersigned principal executive officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 20, 2017

/s/ David Young
David Young, Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 Heatwurx, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission (the “Report”), the undersigned principal financial officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 20, 2017

/s/ David Young
David Young, Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.