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 March 31, 2018

or

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

For the transition period from ____ to ____

Commission File Number 333-184948

Processa Pharmaceuticals, 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
(443) 776-3133

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]
	Emerging growth company [X]

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. [X]

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 35,272,626 shares of common stock outstanding as of May 21, 2018.

PROCESSA PHARMACEUTICALS, INC.
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PART 1: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Processa Pharmaceuticals, Inc.
Consolidated Balance Sheets

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,776,639	$ 2,847,429
Due from related party	26,684	62,709
Prepaid expenses	40,189	41,446
Total Current Assets	1,843,512	2,951,584
Property And Equipment		
Software	19,740	19,740
Equipment	9,327	9,327
Total Cost	29,067	29,067
Less: accumulated depreciation	5,358	3,246
Property and equipment, net	23,709	25,821
Other Assets		
Security deposit	5,535	5,535
Intangible asset, net of accumulated amortization	11,013,494	-
Total Other Assets	11,019,029	5,535
Total Assets	$ 12,886,250	$ 2,982,940
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Senior convertible notes, net of debt issuance costs	$ 2,484,710	$ 2,448,570
Accrued interest	87,293	35,693
Accounts payable	104,880	50,686
Due to related parties	436	436
Accrued expenses	170,310	64,428
Total Current Liabilities	2,847,629	2,599,813
Non-current Liabilities		
Accrued rent liability	6,642	9,963
Deferred tax liability	2,755,613	-
Total Liabilities	5,609,884	2,609,776
COMMITMENTS AND CONTINGENCIES - SEE NOTE		
Stockholders' Equity		
Common stock, par value $0.0001, 350,000,000 shares authorized; 35,272,626 issued and outstanding at March 31, 2018 and December 31, 2017	3,527	3,527
Preferred stock, par value $0.0001, 10,000,000 shares authorized; zero shares issued and outstanding	-	-
Additional paid-in capital	12,228,723	4,228,723
Accumulated deficit	(4,955,884)	(3,859,086)
Total Stockholders' Equity	7,276,366	373,164
Total Liabilities and Stockholders' Equity	$ 12,886,250	$ 2,982,940

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

Processa Pharmaceuticals, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Operating Expenses		
Research and development costs	$ 807,661	$ 139,922
General and administrative expenses	483,955	94,018
Total operating expenses	1,291,616	233,940
Operating Loss	(1,291,616)	(233,940)
Other Income (Expense)		
Interest expense	(87,740)	-
Interest income	1,024	1,498
Total other income (expense)	(86,716)	1,498
Net Operating Loss Before Income Tax Benefit	(1,378,332)	(232,442)
Income Tax Benefit	281,534	-
Net Loss	$ (1,096,798)	$ (232,442)
Net Loss per Common Share - Basic and Diluted	$ (0.03)	$ (0.01)
Weighted Average Common Shares Used to Compute Net Loss Applicable to Common Shares - Basic and Diluted	35,272,626	31,745,242

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

Processa Pharmaceuticals, Inc.
Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2017	35,272,626	$ 3,527	-	$ -	$ 4,228,723	$ (3,859,086)	$ 373,164
Recognize the fair value of exclusive license intangible asset acquired from CoNCERT in exchange for 2,090,301 common shares of Processa owned by Promet	-	-	-	-	8,000,000	-	8,000,000
Net Loss for the Three Months Ended March 31, 2018	-	-	-	-	-	(1,096,798)	(1,096,798)
Balance, March 31, 2018	35,272,626	$ 3,527	-	$ -	$ 12,228,723	$ (4,955,884)	$ 7,276,366

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

Processa Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (1,096,798)	$ (232,442)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,112	-
Amortization of intangible asset	25,435	-
Deferred income tax (benefit) expense	(281,534)	-
Amortization of debt issuance costs	36,140	-
Net changes in operating assets and liabilities:		
Prepaid expenses	1,257	18,147
Vendor deposit	-	227,657
Accrued interest	51,600	-
Accounts payable	54,194	4,397
Due from related parties	36,025	(95)
Accrued rent liability	-	6,642
Accrued liabilities	102,561	(83,004)
Net cash used in operating activities	(1,069,008)	(58,698)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(882)
Acquisition of intangible asset	(1,782)	-
Net cash used in investing activities	(1,782)	(882)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,070,790)	(59,580)
CASH AND CASH EQUIVALENTS		
BEGINNING OF PERIOD	2,847,429	1,071,894
END OF PERIOD	$ 1,776,639	$ 1,012,314
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Recognize exclusive license intangible asset acquired from CoNCERT	$ (11,037,147)	$ -
Recognize deferred tax liability for basis difference for intangible asset	3,037,147	
Recognize additional paid-in capital for consideration paid from the transfer of 2,090,301 common shares of Processa owned by Promet to CoNCERT	8,000,000	-
Cash paid for intangible asset acquired from CoNCERT	$ -	$ -

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

Note 1 - Organization and Summary of Significant Accounting Policies

Business Activities and Organization

Company Overview

Processa Pharmaceuticals, Inc. (the "Company" and formerly known as "Heatwurx") and its wholly-owned subsidiary, Processa Therapeutics LLC ("Processa"), a Delaware limited liability company, acquired all the net assets of a private company, including the rights to the CoNCERT Agreement mentioned below, Promet Therapeutics, LLC ("Promet"), a Delaware limited liability company on October 4, 2017 in exchange for 31,745,242 shares (post reverse split) of the common stock of the Company which, at the closing, constituted approximately 90% of the Company's issued and outstanding common stock on a fully diluted basis. Immediately following the closing, there were 35,272,626 shares (post reverse split) of common stock issued and outstanding. At the closing, Processa was assigned all of the assets and operations of Promet that constituted the operating business of Promet and Promet, which continues as an active company, received the Processa shares mentioned above and agreed to provide the Processa shares needed if the option in the CoNCERT Agreement (see below) was exercised. Upon closing on October 4, 2017, there was a change in control of the Company to Promet. The Company abandoned its prior business plan and adopted Promet's business plan focused on developing drugs to treat patients that have a high unmet medical need. Subsequent to closing and effective October 10, 2017, the Company changed its trading symbol to "PCSA" on the OTC Pink Marketplace ("OTCQB"). The Company effected a one-for-seven reverse split of its shares in December 2017. As a result, the 2017 consolidated financial statements have been retrospectively adjusted to reflect shares outstanding after the one-for-seven reverse split.

The net asset acquisition transaction was accounted for as a reverse acquisition. Prior to the acquisition, Heatwurx (subsequently renamed Processa Pharmaceuticals, Inc.) had nominal net liabilities and operations. It was considered a non-operating public shell corporation. Therefore, Promet was considered the accounting acquirer (and legal wholly-owned subsidiary of Heatwurx, now called Processa Pharmaceuticals, Inc.) and Heatwurx was considered the accounting acquiree (and legal acquirer). As a result, the consolidated financial statements of the Company reflect the financial condition, results of operations and cash flows of Promet for all periods presented prior to October 4, 2017 and Processa for the periods subsequent to October 4, 2017. The legal capital stock (number and type of equity interests issued) is that of Processa Pharmaceuticals, Inc., the legal parent, in accordance with guidance on reverse acquisitions accounted for as a capital transaction instead of a business combination (See Note 2 – Basis of Presentation and Earnings Per Share and Note 3 – Reverse Acquisition in Item 8 of the Company's annual Report on Form 10-K filed with the SEC on April 17, 2018).).

All references to the "Company" and Processa Pharmaceuticals, Inc. refer to Heatwurx, Inc., Processa Therapeutics, LLC, and the net assets acquired from Promet Therapeutics, LLC, which were assigned at acquisition to Processa Therapeutics, LLC and Promet's operations prior to October 4, 2017.

On March 19, 2018, Promet, Processa and CoNCERT Pharmaceuticals Inc. ("CoNCERT") amended the Option and License Agreement (the "Agreement") executed in October 2017. The Agreement was assigned to Processa and Processa exercised the exclusive option for the CTP-499 compound. The option was exercised in exchange for CoNCERT receiving (i) $8 million of common stock of Company that was owned by Promet (or 2,090,301 shares representing 6.58% of Promet's common stock holding or 5.93% of total the Company's common stock issued and outstanding), and (ii) 15% of any sublicense revenue earned by the Company for a period equivalent to the royalty term (as defined in the Agreement) until the earliest of (a) Processa raising $8 million of gross proceeds; and (b) CoNCERT can sell its shares of Processa common stock without restrictions pursuant to the terms of the amended Agreement. All other terms of the Agreement remain unchanged. As a result, the Company recognized an intangible asset and additional paid-in capital in the amount of $8 million resulting from Promet satisfying Processa's liability to CoNCERT. There was no change in the total shares issued and outstanding, however, Promet's controlling interest in Processa was reduced from 90% to 84%.

Description of Business

Processa is an emerging pharmaceutical company focused on the clinical development of drug products that are intended to improve the survival and/or quality of life for patients who have a high unmet medical need or who have no alternative treatment. Within this group of pharmaceutical products, we currently are developing one product for two indications (i.e., the use of a drug to treat a particular disease) and searching for additional products for our portfolio.

Processa's lead product, PCS-499 (previously known as CTP-499), is an oral tablet that is an analog of an active metabolite of an already approved FDA drug. The advantage of PCS-499 is that it potentially may work in many conditions because it has multiple pharmacological targets that it affects that are important in the treatment of these conditions. Based on its pharmacological activity, Processa has identified other unmet medical need conditions where the use of PCS-499 may result in clinical efficacy. These include Necrobiosis Lipoidica (NL) and Radiation-Induced Fibrosis (RIF) in head and neck cancer patients. Processa has met with the FDA on the NL condition and has developed a strategy for moving the program for NL forward starting with a Phase 2 clinical trial in NL patients in late 2018. Processa will meet with the FDA to further define the program for use of PCS-499 for the RIF condition in the next few months.

Processa is looking to acquire additional drug candidates to help patients who have an unmet medical need. Processa has evaluated over 50 potential assets for acquisition and are continuing to evaluate new assets to acquire.

Our operations are performed in the state of Maryland and are still in the organizational and research and development phase of operations. As a result, we have a limited operating history and only a preliminary business plan from which investors may evaluate our future prospects. We have not had any sources of revenue from inception (August 31, 2015) through March 31, 2018 and have a history of operating losses from operations. Our ability to generate meaningful revenue from any products in the United States depends on obtaining FDA authorization. Even if our products are authorized and approved by the FDA, we must still meet the challenges of successful marketing, distribution and consumer acceptance.

As of March 31, 2018, the Company had an accumulated deficit of approximately $5.0 million incurred since inception and expects to incur substantial operating losses for the foreseeable future. Our current capital is insufficient to fully fund our total business plan and the development of our planned product candidates for a period of one-year from the date these consolidated financial statements are available to be issued. Our ability to achieve revenue-generating operations and, ultimately, achieve profitability will depend on whether we can obtain additional capital when we need it, complete the development of our technology, receive regulatory approval of our planned product candidates and any stand along development planned product candidates into new or existing drugs which can be successfully commercialized. There can be no assurance that we will ever generate revenues or achieve profitability. These risks and other factors could have a material adverse effect on the Company and raise substantial doubt about our ability to continue as a going concern.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions of the Securities and Exchange Commission ("SEC") on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. All material intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company's financial position and of the results of operations and cash flows for the periods presented. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on April 17, 2018. The results of operations for the interim period shown in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year.

As a result of the modification of the Option and License Agreement with CoNCERT and the acquisition of an exclusive license intangible asset used in research and development activities described above, the Company adopted a new intangible asset policy and disclosure (See Note 1 – Intangible Assets and Note 2) and recognized a deferred tax liability for the acquired temporary difference between the financial reporting basis and the tax basis of the intangible asset (See Note 5).

Going Concern and Management's Plan

The Company's consolidated financial statements are prepared using U.S. GAAP and are based on the assumption that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company faces certain risks and uncertainties that are present in many emerging growth companies regarding product development and commercialization, limited working capital, recurring losses and negative cash flow from operations, future profitability, ability to obtain future capital, protection of patents, technologies and property rights, competition, rapid technological change, navigating the domestic and major foreign markets' regulatory and clinical environment, recruiting and retaining key personnel, dependence on third party manufacturing organizations, third party collaboration and licensing agreements, lack of sales and marketing activities and no customers or pharmaceutical products to sell or distribute. These risks and other factors raise substantial doubt about our ability to continue as a going concern.

The Company has relied exclusively on private placements with a small group of accredited investors to finance its business and operations. We do not have any prospective arrangements or credit facilities as a source of future funds. The Company has had no revenue since inception on August 31, 2015. The Company does not currently have any revenue under contract nor does it have any immediate sales prospects. As of March 31, 2018, the Company had an accumulated deficit of approximately $5.0 million incurred since inception. For the three months ended March 31, 2018, the Company incurred a net loss from continuing operations of approximately $1.1 million and used approximately $1.1 million in net cash from operating activities from continuing operations. The Company had total cash and cash equivalents of approximately $1.8 million as of March 31, 2018.

No additional sources of capital have been obtained or committed through the date these consolidated financial statements were available to be issued. We expect our operating costs to be substantial as we incur costs related to the clinical trials for our product candidates and that we will operate at a loss for the foreseeable future.

We are in the process of raising additional funds by potentially selling additional Senior Convertible Notes, convertible loans or other securities. However, no assurance can be given that we will be successful in raising adequate funds needed. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained.

Uncertainty concerning our ability to continue as a going concern may hinder our ability to obtain future financing, as well as adversely affect our collaborative drug development relationships. Continued operations and our ability to continue as a going concern are dependent on our ability to obtain additional funding in the near future and thereafter, and no assurances can be given that such funding will be available at all or will be available in sufficient amounts or on reasonable terms. Without additional funds from debt or equity financing, sales of assets, sales or out-licenses of intellectual property or technologies, or other transactions yielding funds, we will rapidly exhaust our resources and will be unable to continue operations. Absent additional funding, we believe that our cash and cash equivalents will not be sufficient to fund our operations for a period of one year or more after the date that these consolidated financial statements are available to be issued based on the timing and amount of our projected net loss from continuing operations and cash to be used in operating activities during that period of time.

As a result, substantial doubt exists about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued. The accompanying consolidated 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 based on the outcome of these uncertainties described above.

Use of Estimates

The preparation of the accompanying unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts (including assets, liabilities, revenues and expenses) and related disclosures, including contingent assets and liabilities. Estimates have been prepared on the basis of the most current and best available information. However, actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and money market funds. The Company considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash equivalents. Money market funds were $961,193 and $1,300,815 at March 31, 2018 and December 31, 2017, respectively.

Intangible Assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangible assets purchased from others for use in research and development activities and that have alternative future uses (in research and development projects or otherwise) are capitalized in accordance with ASC Topic 350, Intangibles – Goodwill and Other and those that have no alternative future uses (in research and development projects or otherwise) and therefore no separate economic value are research and development costs expensed as incurred. Amortization of intangibles used in research and development activities is a research and development cost.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life.

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. If the useful life is determined to be finite, the intangible is tested for impairment and the carrying amount is amortized over the remaining useful life in accordance with intangibles subject to amortization. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired.

Impairment of Long-Lived Assets and Intangibles Other Than Goodwill

The Company accounts for the impairment of long-lived assets in accordance with ASC 360, Property, Plant and Equipment and ASC 350, Intangibles – Goodwill and Other which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to expected future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amounts of the assets exceed the fair value of the assets based on the present value of the expected future cash flows associated with the use of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Based on management's evaluation, there was no impairment loss recorded for the three months ended March 31, 2018 and 2017, respectively.

Fair Value Measurements and Disclosure

The Company applies ASC 820, "Fair Value Measurements and Disclosures," which expands disclosures for assets and liabilities that are measured and reported at fair value on a recurring basis. Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants.

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly. Fair value determined through the use of models or other valuation methodologies.

Level 3 – Significant unobservable inputs for assets or liabilities that cannot be corroborated by market data. Fair value is determined by the reporting entity's own assumptions utilizing the best information available and includes situations where there is little market activity for the asset or liability.

The asset's or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The Company's policy is to recognize transfers between levels of the fair value hierarchy in the period the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, 2, or 3 during the periods presented.

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 and options. The diluted computation does not assume conversion, exercise or contingent exercise of securities since that would have an anti-dilutive effect on earnings (loss) during the three months ended March 31, 2018 and 2017.

Subsequent Events

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through May18, 2018, the date the financial statements were available to be issued, in accordance with ASC 855-10-50. Refer to Note 9 below for further information.

Recent 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.

From May 2014 through March 31, 2018, the FASB issued several ASUs related to ASU 2014-09, "Revenue from Contracts with Customers (Topic 606). The new guidance is effective for interim and annual periods beginning after December 15, 2017, although entities may adopt one year earlier if they choose. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The Company is currently in the pre-revenue stages of operations; therefore, we do not currently anticipate there would be any change to timing or method of recognizing revenue. As such, the adoption of this standard did not have a material impact on our results of operations, financial condition or cash flows.

In February 2016 through March 31, 2018, the FASB issued several ASUs related to ASU-2016-02, "Leases (Topic 842)." The guidance requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For operating leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; a single lease cost will be recognized, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and all cash payments will be classified within operating activities in the statement of cash flows. The amendments in Topic 842 are effective for the Company beginning January 1, 2019. The Company's office lease expires September 30, 2019. Management is currently evaluating the impact of adopting the new guidance on the Company's consolidated financial statements.

Note 2 – Intangible Asset

Intangible assets consist of the capitalized costs of $11,038,929, including transaction costs of $1,782, associated with the exercise of the option to acquire the exclusive license from CoNCERT related to patent rights and know-how to develop and commercialize compounds and products for CTP-499 (also known as the Company's lead product PCS-499) and each metabolite thereof and the related income tax effects. The capitalized costs include $3,037,147 associated with the initial recognition of an offsetting deferred tax liability related to the acquired temporary difference for an asset purchased that is not a business combination and has a tax basis of $1,782 in accordance with ASC 740-10-25-51 *Income Taxes.* In accordance with ASC Topic 730, *Research and Development*, the Company capitalized the costs of acquiring the exclusive license rights to CTP-499 as the exclusive license rights represent intangible assets to be used in research and development activities that have future alternative uses.

The negotiation of the modification to the Agreement was finalized in mid-February 2018 and the legal documents were executed and the option was exercised on March 19, 2018 in exchange for CoNCERT receiving (i) $8 million of common stock of Processa that was owned by Promet (or 2,090,301 shares representing 6.58% of Promet's common stock holding or 5.93% of total Processa common stock issued and outstanding), and (ii) 15% of any sublicense revenue earned by Processa for a period equivalent to the royalty term (as defined in the Agreement) until the earliest to occur of (a) Processa raising $8 million of gross proceeds; and (b) CoNCERT can sell its shares of Processa common stock without restrictions pursuant to the terms of the amended Agreement. All other terms of the Agreement remained unchanged. The license agreement was assigned to and deemed to have been exercised by the Company. As a result of the transaction, the Company recognized an intangible asset for the fair value of the common stock consideration paid of $8 million with an offsetting amount in additional paid-in capital resulting from Promet satisfying Processa's liability to CoNCERT.

The Company estimated the fair value of the common stock issued based on the market approach and CoNCERT's requirement to receive shares valued at $8 million. The market approach was based on the final negotiated number of shares of stock determined on a volume weighted average price of Processa common stock quoted on the OTCQB (principal market) over a 45 day period preceding the mid-February 2018 finalized negotiation of the modification to the option and license agreement with CoNCERT, an unrelated third party, for the exclusive license rights to CTP-499 However, Processa has less than 300 shareholders, the volume of shares trading for Processa's common stock is not significant and the OTCQB is not a national exchange, therefore the volume weighted average price quotes for the Processa stock are from markets that are not active and therefore are Level 2 inputs. The total cost recognized for the exclusive license acquired represents the allocated fair value related to the stock transferred to CoNCERT plus the recognition of the deferred tax liability related to the acquired temporary difference and the transaction costs incurred to complete the transaction as discussed above.

Intangible assets consist of the following:

	March 31, 2018	March 31, 2017
Gross intangible assets		
Exclusive license rights to CTP-499	$ 11,038,929	$ -
Less: Accumulated amortization	(25,435)	-
Total intangible assets, net	$ 11,013,494	$ -

Amortization expense was $25,435 and $0 for the three months ended March 31, 2018 and 2017, respectively. The weighted average amortization period for the intangible asset is 14 years based on the average remaining patent lives for CTP-499 and the estimated royalty period for a fully paid-up license under the terms of the license agreement. Amortization expense is included within research and development expense in the accompanying consolidated statements of operations. As of March 31, 2018, the estimated future amortization expense each year for the next five years and annual periods thereafter until fully amortized amounts to $788,495 per year.

Note 3 – Senior Convertible Notes

As of October 4, 2017, certain entities affiliated with current shareholders had purchased $1.25 million of our senior secured convertible notes ("Senior Notes") in a bridge financing undertaken by us to support the Processa operations. On November 21, 2017, additional third party accredited investors contributed $1.33 million in financing proceeds. As of March 31, 2018, $2.58 million of Senior Notes were issued and outstanding.

Principal and interest under each Senior Note is due on the earlier of (i) the mandatory and automatic conversion of the Senior Note into the next Private Investment in Public Equity ("PIPE") financing we undertake, provided the PIPE financing yields minimum gross proceeds and a pre-money valuation as defined in the financing agreement or (ii) the one-year anniversary of that Senior Note (Maturity Date). The Senior Notes bear interest at 8% per year and are payable in kind (in common stock). At the Maturity Date, the outstanding principal and accrued interest on the Senior Note will be automatically converted into shares of common stock of the Company equal to the lesser of (i) a pre-money valuation or (ii) any adjusted price resulting from the application of down round pricing during the anti-dilution period through December 31, 2018 as defined in the financing agreement. There can be no assurance that we will be successful in achieving the financing levels targeted under the Senior Convertible Notes or the PIPE financing.

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 conversation 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. The Senior Notes can be prepaid by the Company at any time following the date of issuance with seven days prior written notice to the note holder.

The Senior Notes are secured by a security interest in the assets of the Company and contain negative covenants that do not permit the Company to incur additional indebtedness or liens on property or assets owned, repurchase common stock, pay dividends, or enter into any transaction with affiliates of the Company that would require disclosure in a public filing with the Securities and Exchange Commission. Upon an event of default, the outstanding principal amount of the Senior Notes, plus accrued but unpaid interest and other amounts owing in respect thereof through the date of acceleration, shall become immediately due and payable in cash at the holder's election, if not cured within the cure period.

The Company retained Boustead Securities Ltd. ("Boustead"), a registered broker-dealer, as its exclusive financial adviser and has agreed to pay Boustead (i) six percent (6%) of gross proceeds received by the Company and (ii) warrants to purchase securities in the amount of three percent (3%) of the equity issued or issuable in connection with the Senior Notes bridge financing. These warrants will be issued upon achieving certain financing levels under the next PIPE financing we undertake. No additional funds have been raised since the November 21, 2017 financing proceeds. As a result, no warrants are issuable, and none have been issued as of March 31, 2018.

The Company incurred $154,800 in debt issuance costs on the Senior Notes with Boustead, which were reported as a reduction of the carrying amount of the Senior Convertible Notes on the face of the consolidated balance sheets. The debt issuance costs are amortized to interest expense using the interest method over the term of the Senior Convertible Notes. The effective interest rate on the Senior Notes was 7.72%before debt issuance costs since no payments of interest are due until maturity and 13.96%including the debt issuance costs based on the repayment terms of the Senior Notes.

Debt and accrued interest at March 31, 2018 and interest expense for the three months ended March 31, 2018 are as follows:

	Senior Convertible Notes	Unamortized Debt Issuance Costs	Senior Convertible Notes, Net	Accrued Interest	Interest Expense
Balance, December 31, 2017	$ 2,580,000	$ (131,430)	$ 2,448,570	$ 35,693	$ 59,063
Accrued interest	-	-	-	51,600	51,600
Amortize debt issuance costs	-	36,140	36,140	-	36,140
Balance, March 31, 2018	2,580,000	(95,290)	2,484,710	87,293	$ 87,740
Current portion	(2,580,000)	95,290	(2,484,710)	(87,293)	
Long-term portion	$ -	$ -	$ -	$ -	

Note 4 – Stockholders' Equity

On March 19, 2018, Promet, Processa and CoNCERT amended the Agreement executed in October 2017. The Agreement was assigned to Processa and Processa exercised the exclusive option for the CTP-499 compound (see Note 1 – Company Overview and Note 2 – Intangible Asset) in exchange for CoNCERT receiving, in part, $8 million of common stock of the Company that was owned directly by Promet (or 2,090,301 shares at $3.83 per share representing 6.58% of Promet's common stock holding or 5.93% of total the Company's common stock issued and outstanding) in satisfaction of the obligation due for the exclusive license for CTP-499 acquired by Processa. There was no change in the total shares issued and outstanding of 35,272,626, however, Promet's controlling interest was reduced from 90% to 84%. Promet contributed the payment of the obligation due for the exclusive license to the Company without consideration paid to them. As a result of the transaction, the Company recognized an exclusive license intangible asset with a fair value of $8 million and an offsetting increase in additional paid-in capital resulting from Promet satisfying Processa's liability to CoNCERT.

There were no changes in or issuances of preferred stock, stock options or warrants from December 31, 2017.

Note 5 – Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes.* Deferred income taxes are recorded for the expected tax consequences of temporary differences between the tax basis of assets and liabilities for financial reporting purposes and amounts recognized for income tax purposes. The Company records a valuation allowance to reduce the Company's deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

As required under ASC 740-270, *Interim Financial Reporting*, the Company has estimated its annual effective tax rate for the full fiscal year and applied that rate to its year-to-date consolidated pre-tax ordinary loss before income taxes in determining its benefit for income taxes. The Company recorded a benefit for income taxes of approximately $282,000 and $0 for the three-month period ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, and December 31, 2017, the Company maintained a valuation allowance equal to the full recorded amount of the Company's net deferred tax assets related to intangible start-up costs since it is more likely than not that such benefits will not be realized. The valuation allowance is reviewed quarterly and is maintained until sufficient positive evidence exists to support its reversal.

A deferred tax liability was recorded when CoNCERT sold its license and "Know-How" to Processa for stock in an Internal Revenue Code Section 351 transaction on March 19, 2018 (see Note 1 – Company Overview and Note 2 – Intangible Asset). A Section 351 transaction treats the acquisition of the license and Know-How for stock as a tax-free exchange. As a result, under ASC 740-10-25-51 *Income Taxes*, Processa recorded a deferred tax liability of $3,037,147 for the acquired temporary difference between the financial reporting basis of approximately $11,038,929 and the tax basis of approximately $1,782. The deferred tax liability may be offset by the deferred tax assets resulting from 2017 and 2018 taxable net operating losses. Thus, a partial release of valuation allowance occurred in Q1 2018 as it relates to the NOL. There remains a valuation allowance on intangible start-up costs. Under ACS 740-270 *Income Taxes – Interim Reporting*, the Company is required to project its 2018 federal and state effective income tax rate and apply it to the March 31, 2018 operating loss before income taxes. Based on the projection, the Company expects to recognize the tax benefit from the 2017 net operating loss carryover and the projected 2018 taxable loss, which resulted in the recognition of a deferred tax benefit shown in the consolidated statements of operations for 2018.

As discussed in Note 2 – Income Taxes in the consolidated financial statements included in Item 8 of the 2017 Form 10-K filed with the SEC on April 17, 2018, the historical information presented in the consolidated financial statements prior to October 4, 2017 is that of Promet in accordance with Accounting Standards Codification ("ASC") 805-40-45, *Business Combinations – Reverse Acquisitions.* Prior to the closing of the asset purchase transaction on October 4, 2017, Promet was treated as a partnership for federal income tax purposes and thus was not subject to income tax at the entity level. Therefore, no provision or liability for income taxes has been included in these consolidated financial statements through the date of the asset purchase on October 4, 2017.

The Company expects to be in an overall taxable loss position for 2018. However, the Company expects to recognize a deferred tax benefit in 2018 to the extent the 2017 net operating loss carryover and the 2018 net operating losses can be used to offset the deferred tax liability related to the intangible asset. No current income tax expense is expected for the foreseeable future as the Company expects to generate taxable net operating losses.

Note 6 – Net Loss per Share of Common Stock

The Company has preferred stock authorized but no preferred stock issued and outstanding at March 31, 2018 and 2017. There were no outstanding options or warrants issued at March 31, 2018 and 2017.

The Company has reported a loss from continuing operations and a loss from continuing operations available to common stockholders for all periods presented. As a result, there is no assumed conversion, exercise or contingent exercise of potential common shares included in the computation of the diluted per share amounts since it would have an antidilutive effect, therefore, basic and diluted loss per share are computed by dividing net loss applicable to common stockholders by the weighted-average number of shares of common stock outstanding.

The weighted-average shares of common stock used in calculating basic and diluted loss per share for the 2018 calculation uses the total shares issued and outstanding of 35,272,626. There has been no change in total shares issued and outstanding since December 31, 2017. The weighted-average shares of common stock used in calculating basic and diluted loss per share for the 2017 calculation uses the 31,745,242 shares issued to Promet in the asset purchase transaction for the period from January 1, 2017 through the acquisition date of October 4, 2017 in accordance with ASC 805-40-45, *Business Combinations – Reverse Acquisitions.* All shares were restated for the one-for-seven reverse split.

The calculation of the numerator and denominator for basic and diluted net loss per common share is shown in the following table.

	For the three months ended March 31,	
	2018	2017
Net loss from continuing operations applicable to common stockholders - basic and diluted	$ (1,096,798)	$ (232,442)
Total common shares issued and outstanding	35,272,626	31,745,242
Weighted average shares outstanding used in calculating net loss per common share - basic and diluted	35,272,626	31,745,242
Net loss per common share - basic and diluted	$ (0.03)	$ (0.01)

Note 7 – Related Party Transactions

A shareholder, Corlyst, LLC, reimburses the Company for shared costs related to payroll, health care insurance and rent based on actual costs incurred and recognized as a reduction of the general and administrative operating expenses being reimbursed in the Company's consolidated statements of operations. The reimbursed amounts totaled $26,684 and $29,430 for the three months ended March 31, 2018 and 2017, respectively. The receivable balances due from Corlyst at March 31, 2018 and December 31, 2017 were $26,684 and $62,709, respectively.

During 2016 and 2017, Corlyst paid certain operating expenses on behalf of the Company and the Company reimbursed Corlyst based on actual costs incurred at later dates. The accounts payable amounts due to Corlyst at March 31, 2018 and December 31, 2017 were $336 and $336, respectively. In addition, there was $100 due to an officer included in due to related parties as of March 31, 2018 and December 31, 2017.

A director of the Company is the manager of the JMW Fund, LLC, the San Gabriel Fund, LLC, and the Richland Fund, LLC, collectively known as the "Funds". In addition, the Funds own $1 million in Senior Convertible Notes at March 31, 2018 and December 31, 2017.

Entities affiliated with the Chairman of the Board of Directors, Chief Executive Officer and Interim Chief Financial Officer of the Company own $250,000 in Senior Convertible Notes at March 31, 2018 and December 31, 2017.

Note 8 – Commitments and Contingencies

Purchase Obligations

The Company enters into contracts in the normal course of business with contract research organizations and subcontractors to further develop its products. The contracts are cancellable, with varying provisions regarding termination. If a contract with a specific vendor were to be terminated, the Company would only be obligated for products or services that it received as of the effective date of the termination and any applicable cancellation fees. The Company had purchase obligations of approximately $1,006,000 and $896,000 at March 31, 2018 and December 31, 2017, respectively.

Cybersecurity Fraud

In January 2018, the Company incurred a loss of $144,200 due to fraud from a cybersecurity breach. As a result, we have implemented certain review and approval procedures internally and with our banks; our technology consultants have implemented system changes; and, we reported the fraud to our banks and the Federal Bureau of Investigation Cyber Crimes Unit. The Company does not have insurance coverage against the type of fraud that occurred, therefore, recovery of the loss is remote. While we are taking steps to prevent such an event from reoccurring, we cannot provide assurance that similar issues will not reoccur. Failure of our control systems to prevent or detect and correct errors or fraud could have a material and adverse effect on our financial condition. The loss is included in general and administrative expenses in the consolidated statement of operations for the three months ended March 31, 2018.

Note 9 – Subsequent Events

On May 15, 2018 Processa Pharmaceuticals (the "Company") entered into Subscription and Purchase Agreements (the "Purchase Agreements") with certain accredited investors and conducted a closing pursuant to which the Company sold 1,112,656 shares of the Company's Common Stock, par value $0.001 per share (the "Common Stock"), at a purchase price of $2.27 per share. In addition, each investor received a warrant to purchase one share of Common Stock for each Common Stock purchased by such investor at an exercise price equal to $2.724, subject to adjustment thereunder. The closing is the initial closing (the "Initial Closing") of the Company's previously announced private placement (the "Private Placement") of up to $8 million of Common Stock (the Maximum Offering Amount").

The Company received total gross proceeds of approximately $2.5 million from the Initial Closing, prior to deducting placement agent fees and estimated expenses payable by the Company associated with the Initial Closing. The Company currently intends to use the proceeds of the Private Placement to fund research and development of its lead product candidate, PCS-499, including clinical trial activities, and for general corporate purposes. Pursuant to the Purchase Agreements, the Company may periodically conduct additional closings until the earlier of June 29, 2018 or the Company has sold the Maximum Offering Amount.

The Securities were sold in a private placement pursuant to exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Rule 506 of Regulation D promulgated thereunder.

Boustead Securities acted as placement agent The placement agent received approximately $128,056 in connection with the Initial Closing and a Placement Agent Warrant to purchase up to 33,380 shares of Common Stock at an exercise price equal to $2.724.

Anti-Dilution Protection

The Common Stock, but not the Warrants, will have full ratchet anti-dilution protection rather than weighted-average anti-dilution protection. Except as provided, until the Company has issued equity securities or securities convertible into equity securities for a total of an additional $20.0 million in cash or assets, including the proceeds from the exercise of the Warrants issued in the Offering, in the event the Company issues additional equity securities or securities convertible into equity securities at a purchase price less than $2.27 per share of Common Stock, the Purchase Price shall be adjusted and new shares of Common Stock issued as if the Purchase Price was such lower amount (or, if such additional securities are issued without consideration, to a price equal to $0.01 per share).

The following issuances shall not trigger anti-dilution adjustment: (i) shares of Common Stock issued in the Private Placement and securities issuable upon exercise of the Warrants; (ii) securities issued upon the conversion of any outstanding debenture, warrant, option, or other convertible security; (iii) Common Stock issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock, provided that such securities have not been amended since the date of the Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversation price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities; (iv) shares of Common Stock (or options to purchase such shares of Common Stock) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Company's Board of Directors and (v) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such issuance shall only be to a person (or to the equity holders of a person) which is, itself or through its subsidiaries, believed by the Company to be an operating company or an owner of an asset in a business synergistic with the business of the Company.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may" or other similar expressions in this report on Form 10-Q. These statements may be found under the section of this report on Form 10-Q captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as in this report on Form 10-Q generally. In particular, these include statements relating to future actions, prospective products, applications, customers, technologies, future performance or results of anticipated products, expenses, and financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our limited operating history, limited cash and history of losses;
- our ability to achieve profitability;
- our ability to secure required FDA or other governmental approvals for our product candidates and the breadth of the indication sought;
- the impact of competitive or alternative products, technologies and pricing;
- whether we are successful in developing and commercializing our technology, including through licensing;
- the adequacy of protections afforded to us and/or our licensor by the anticipated patents that we own or license and the cost to us of maintaining, enforcing and defending those patents;
- our and our licensor's ability to protect non-patented intellectual property rights;
- our exposure to and ability to defend third-party claims and challenges to our and our licensor's anticipated patents and other intellectual property rights;
- our ability to obtain adequate financing to fund our business operations in the future;
- our ability to continue as a going concern; and
- other factors discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC (as amended) on April 17, 2018.

The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of this report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements included in this report on Form 10-Q or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, except to the extent required by federal securities laws. Actual future results may vary materially as a result of various factors, including, without limitation, the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC (as amended) on April 17, 2018. In light of these risks and uncertainties, we cannot assure you that the forward-looking statements contained in this report on Form 10-Q will in fact occur. You should not place undue reliance on these forward-looking statements.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, and similar sources.

In this Form 10-Q, "we," "us" and "our" refer to Processa Pharmaceuticals, Inc. and its subsidiary.

Overview

Processa is an emerging pharmaceutical company focused on the clinical development of drug products that are intended to improve the survival and/or quality of life for patients who have a high unmet medical need. Within this group of pharmaceutical products, we currently are developing one product for two indications (i.e., the use of a drug to treat a particular disease) and searching for additional products for our portfolio. We have evaluated over 50 potential new assets and are continuing to evaluate potential new assets to acquire.

On March 19, 2018, Promet, Processa and CoNCERT Pharmaceuticals Inc. ("CoNCERT") amended the Option and License Agreement (the "Agreement") executed in October 2017. The Agreement was assigned to Processa and Processa exercised the exclusive option for the CTP-499 compound. The option was exercised in exchange for CoNCERT receiving (i) $8 million of common stock of Company that was owned by Promet (or 2,090,301 shares representing 6.58% of Promet's common stock holding or 5.93% of total the Company's common stock issued and outstanding), and (ii) 15% of any sublicense revenue earned by the Company for a period equivalent to the royalty term (as defined in the Agreement) until the earliest of (a) Processa raising $8 million of gross proceeds; and (b) CoNCERT can sell its shares of Processa common stock without restrictions pursuant to the terms of the amended Agreement. All other terms of the Agreement remain unchanged. As a result, the Company recognized an intangible asset and additional paid-in capital in the amount of $8 million resulting from Promet satisfying Processa's liability to CoNCERT. There was no change in the total shares issued and outstanding, however, Promet's controlling interest in Processa was reduced from 90% to 84%.

Going Concern and Management's Plan

The Company's consolidated financial statements are prepared using U.S. GAAP and are based on the assumption that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company faces certain risks and uncertainties that are present in many emerging growth companies regarding product development and commercialization, limited working capital, recurring losses and negative cash flow from operations, future profitability, ability to obtain future capital, protection of patents, technologies and property rights, competition, rapid technological change, navigating the domestic and major foreign markets' regulatory and clinical environment, recruiting and retaining key personnel, dependence on third party manufacturing organizations, third party collaboration and licensing agreements, lack of sales and marketing activities and no customers or pharmaceutical products to sell or distribute. These risks and other factors raise substantial doubt about our ability to continue as a going concern.

The Company has relied exclusively on private placements with a small group of accredited investors to finance its business and operations. We do not have any credit facilities as a source of future funds. The Company has had no revenue since inception on August 31, 2015. The Company does not currently have any revenue under contract nor does it have any immediate sales prospects. As of March 31, 2018, the Company had an accumulated deficit of approximately $5.0 million incurred since inception. For the three months ended March 31, 2018, the Company incurred a net loss from continuing operations of approximately $1.1 million and used approximately $1.1 million in net cash from operating activities from continuing operations. The Company had total cash and cash equivalents of approximately $1.8 million as of March 31, 2018. We have not raised any additional financing proceeds through the date the consolidated financial statements were available to be issued. We expect our operating costs to be substantial as we incur costs related to the clinical trials for our product candidates and that we will operate at a loss for the foreseeable future.

We are in the process of raising additional funds by potentially selling additional Senior Convertible Notes, convertible loans or other securities. No assurance can be given that we will be successful in raising adequate funds needed. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained.

Uncertainty concerning our ability to continue as a going concern may hinder our ability to obtain future financing, as well as adversely affect our collaborative drug development relationships. Continued operations and our ability to continue as a going concern are dependent on our ability to obtain additional funding in the near future and thereafter, and no assurances can be given that such funding will be available at all or will be available in sufficient amounts or on reasonable terms. Without additional funds from debt or equity financing, sales of assets, sales or out-licenses of intellectual property or technologies, or other transactions yielding funds, we will rapidly exhaust our resources and will be unable to continue operations. Absent additional funding, we believe that our cash and cash equivalents will not be sufficient to fund our operations for a period of one year or more after the date that the consolidated financial statements are available to be issued based on the timing and amount of our projected net loss from continuing operations and cash to be used in operating activities during that period of time.

As a result, substantial doubt exists about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued. The consolidated financial statements included in Item 1 of Form 10-Q 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 based on the outcome of these uncertainties described above.

Critical Accounting Policies, Significant Judgments and Use of Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions. The accompanying unaudited consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2017. Except as otherwise disclosed related to the acquisition of the intangible asset and recognition of the deferred tax liability for the acquired temporary difference between the financial reporting basis and the tax basis of the intangible asset, there have been no material changes in our critical accounting policies and estimates in the preparation of our financial statements during the three months ended March 31, 2018 compared to those disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2017, as filed with the SEC on April 17, 2018.

Results of Operations

Comparison of the three months ended March 31, 2018 and 2017

The following table summarizes our net loss during the periods indicated:

	Three Months Ended March 31,		Change	
	2018	2017	Dollars	Percent
Operating Expenses				
Research and development costs	$ 807,661	$ 139,922	$ 667,739	477.2%
General and administrative expenses	483,955	94,018	389,937	414.7%
Total operating expenses	1,291,616	233,940	1,057,676	452.1%
Other Income (Expense)				
Interest Expense	(87,740)	-	(87,740)	
Interest Income	1,024	1,498	(474)	
Total other income (expense)	(86,716)	1,498	(88,214)	
Net Operating Loss Before Income Tax Benefit	1,378,332	232,442	1,145,890	493.0%
Income Tax Benefit	(281,534)	-	(281,534)	
Net Loss	$ 1,096,798	$ 232,442	$ 864,356	371.9%

Revenues. Processa had no revenues during the three months ended March 31, 2018 and 2017, respectively. The Company has had no revenue since inception on August 31, 2015. The Company does not currently have any revenue under contract nor does it have any immediate sales prospects.

Operating Expenses.

Research and Development Expenses. Our research and development costs are expensed as incurred. Research and development expenses primarily consist of (i) licensing of compounds for product testing and development, (ii) program and testing related expenses, (iii) amortization of the exclusive license intangible asset used in research and development activities, and (iv) internal research and development staff related payroll, taxes and employee benefits, external consulting and professional fees related to the product testing and development activities of the Company. Non-refundable advance payments for goods and services to be used in future research and development activities are recorded as prepaid expenses and expensed when the research and development activities are performed. Research and development expenses were approximately $808,000 and $140,000 for the three months ended March 31, 2018 and 2017, respectively, representing an increase of approximately $668,000 or 477.2%.

The increase in research and development expenses relate primarily to the substantial completion of the licensing, program and testing costs incurred under the Drexel agreement in 2016 and no replacement compound available for testing until the CoNCERT Pharmaceuticals, Inc. license and option agreement for the replacement compound CTP-499 was executed in October 2017. As a result, research and development expenses for licensing, program and testing costs were approximately $604,000 higher in 2018 compared to 2017. These costs were primarily related to the need to establish a new site to manufacture the tablets of CTP-499 since the original CoNCERT tablet manufacturing site could no longer be used. Once a vendor was chosen, the CoNCERT Option and License agreement allowed Processa to begin the transfer and development of the manufacturing and analytical processes. This manufacturing development and initial testing was required to ensure that the consistency of the product was maintained and similar to the CTP-499 tablets manufactured by CoNCERT. Processa moved forward with the manufacturing site change during the option period at risk believing that it would have the ability to exercise the option at some point in time, which Processa exercised in March 2018. As a result of exercising the option, the Company recognized approximately $25,000 of amortization expense on the intangible asset in 2018 with no similar cost in 2017.

In addition, research and development staff related payroll, taxes and employee benefits increased approximately $45,000 in 2018 compared to 2017 related to an increase in full-time equivalent staff and related costs. Professional fees increased slightly in support of the increased licensing, program and testing activities.

Our clinical trial accruals are based on estimates of patient enrollment and related costs at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions and Contact Research Organizations (CROs) that conduct and manage clinical trials on our behalf.

We estimate preclinical and clinical trial expenses based on the services performed, pursuant to contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on our behalf. In accruing service fees, we estimate the time period over which services will be performed and the level of patient enrollment and activity expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, we will adjust the accrual accordingly. Payments made to third parties under these arrangements in advance of the receipt of the related series are recorded as prepaid expenses until the services are rendered.

We expect research and development expenses to increase as we advance our lead candidates and pipeline product candidates. The funding necessary to bring a drug candidate to market is subject to numerous uncertainties. Once a drug candidate is identified, the further development of that drug candidate can be halted or abandoned at any time due to a number of factors. These factors include, but are not limited to, funding constraints, safety or a change in market demand. For each of our drug candidate programs, we periodically assess the scientific progress and merits of the programs to determine if continued research and development is economically viable. Certain of our programs may be terminated due to the lack of scientific progress and lack of prospects for ultimate commercialization.

General and Administrative Expenses. General and administrative expenses for the three months ended March 31, 2018 increased approximately $390,000, or 414.7% to approximately $484,000 compared to approximately $94,000 for the three months ended March 31, 2017. The increase in general and administrative expenses relate primarily to professional fees for legal, accounting, advisory and consulting costs of approximately $191,000 related to Company operations and costs of being a public company; a cybersecurity fraud loss of approximately $144,000 for which the Company does not have insurance coverage; increased internal general and administrative staff related payroll, taxes and employee benefits of approximately $40,000 due to an increase in full-time equivalent staff and related costs to support the growth in Company operations and public company reporting requirements. Cost reimbursements (payroll, health care and office rent) by Corlyst were comparable for the three months ended March 31, 2018 and 2017. Changes in other general and administrative expenses were not material and accounted for the balance of the increase in general and administrative expenses for the comparable periods.

We expect the general and administrative expenses and consulting costs to increase as we add staff to support the growing research and development activities of the Company and the administration required to operate as a public company. As a result of the cybersecurity breach, we implemented certain review and approval procedures internally and with our banks; our technology consultants have implemented system changes; and, we reported the fraud to our banks and the Federal Bureau of Investigation Cyber Crimes Unit. While we are taking steps to prevent such an event from reoccurring, we cannot provide assurance that similar issues will not reoccur. Failure of our control systems to prevent or detect and correct errors or fraud could have a material and adverse effect on our financial condition.

Other Income (Expense).

Interest Expense. Interest expense was approximately $88,000 and $0 for the three months ended March 31, 2018 and 2017, respectively. Interest expense represents accrued interest of approximately $52,000 and the amortization of debt issuance costs of approximately $36,000 on the $2.58 million issuance of 8% Senior Convertible Notes issued on October 4, 2017 ($1,250,000) and November 21, 2017 ($1,330,000). The interest accrues monthly at 8% annually on the principal balance outstanding and is payable in kind through the issuance of common stock of the Company at maturity, which is not later than one-year from the date of issuance of the Senior Convertible Notes. The debt issuance costs are amortized over a one-year period on the effective interest method. The principal balance of the Senior Convertible Notes is also automatically and mandatorily convertible into the common stock of the Company at maturity, except for a change in control event or default. There was no debt in 2017.

Interest Income. Interest income was approximately $1,000 and $1,500 for the three months ended March 31, 2018 and 2017, respectively. Interest income represents interest earned on money market funds and certificates of deposit which matured in 2017.

Income Tax Benefit. An income tax benefit of approximately $282,000 and $0 was recognized for the three months ended March 31, 2018 and 2017, respectively. A deferred tax liability was recorded when CoNCERT sold its license and "Know-How" to Processa for stock in an Internal Revenue Code Section 351 transaction on March 19, 2018. A Section 351 transaction treats the acquisition of the Know-How for stock as a tax-free exchange. As a result, under ASC 740-10-25-51 *Income Taxes*, Processa recorded a deferred tax liability of approximately $3,037,000 for the acquired temporary difference between the financial reporting basis of approximately $11,039,000 and the tax basis of approximately $2,000. The deferred tax liability may be offset by the deferred tax assets resulting from 2017 and 2018 taxable net operating losses. Under ACS 740-270 *Income Taxes – Interim Reporting*, the Company is required to project its 2018 federal and state effective income tax rate and apply it to the March 31, 2018 operating loss before income taxes. Based on the projection, the Company expects to recognize the tax benefit from the 2017 taxable net operating loss carryover and the projected 2018 loss, which resulted in the recognition of a deferred tax benefit shown in the consolidated statements of operations for 2018.

Prior to the asset purchase transaction on October 4, 2017, Promet was treated as a partnership for federal income tax purposes and thus was not subject to income taxes at the entity level. Therefore, no provision/benefit or liability for income taxes was included in the consolidated financial statements through October 4, 2017.

Financial Condition

Total assets increased by approximately $9.9 million to $12.9 million at March 31, 2018 compared to $3.0 million at December 31, 2017. This increase is primarily attributable to the acquisition of the exclusive license intangible asset from CoNCERT Pharmaceuticals, Inc. for the CTP-499 compound (also known as the Company's lead product PCS-499) in exchange for CoNCERT receiving $8 million of Processa common stock that was owned by Promet (or 2,090,301 shares), recognition of the approximately $3.0 million deferred tax liability related to the acquired temporary difference for the intangible asset between book and tax basis and transaction costs . The intangible asset is used in research and development activities and has alternative future uses (in research and development projects or otherwise). As a result, the acquisition cost of approximately $11 million are capitalized and amortized over the intangible asset's useful life in accordance with Topic 350, Intangibles – Goodwill and Other. The increase is partially offset by (i) the decrease in cash and cash equivalents of approximately $1.1 million used primarily to fund the loss from operations of approximately $1.4 million and (ii) the decrease in amounts due from Corlyst, a related party, of approximately $36,000.

We expect to continue to require significant future financing to fund our operating activities and to use cash in operating activities for the foreseeable future as we continue our research and development activities to develop products that can be commercialized to generate revenue. Absent additional financing, substantial doubt exists about the Company's ability to continue as a going concern as noted under Going Concern above.

Liabilities increased approximately $3.0 million at March 31, 2018 compared to December 31, 2017 related primarily to (i) the recognition of approximately $3.04 million for the deferred tax liability related to the acquired temporary difference for the intangible asset, partially offset by the recognition of approximately $282,000 of income tax benefit related to the release of the benefit from net operating losses and the amortization of the intangible asset; (ii) the increase in accrued interest of approximately $52,000 on the Senior Convertible Notes that is not due until maturity in October and November 2018, but will be paid through issuance of a variable number of common shares based on a valuation of the stock at that date; (iii) the decrease in unamortized debt issuance costs of approximately $36,000 on the Senior Convertible Notes; and (iii) an increase in accounts payable of approximately $54,000 and accrued expenses of approximately $106,000 related primarily to purchase obligations due to contract research organizations and professional fees related to being a public company and Processa filing its initial Form 10-K with the SEC.

The changes in stockholders' equity consist of the $1.1 million net loss for the three months ended March 31, 2018 in accumulated deficit and the fair value of the Promet common stock of $8 million or 2,090,301 shares exchanged with CoNCERT to acquire the exclusive license intangible asset recognized as an increase in additional paid-in capital.

Liquidity and Capital Resources

To date, we have funded our business and operations primarily through the private placement of equity securities and senior secured convertible notes. At March 31, 2018, we had $1.8 million in cash and cash equivalents compared to $2.9 million in cash and cash equivalents as of December 31, 2017 to be used to fund on-going operations. We do not believe we have sufficient cash resources to fund all necessary activities for the completion of the Phase 1 study for PCS-499 and the on-going general and administrative costs of the Company for a period of one year or more from the date the consolidated financial statements were available to be issued. We do not have any credit facilities as a source of future funds, and there can be no assurance that we will be able to raise sufficient additional capital on acceptable terms, or at all. As a result, substantial doubt exists about the Company's ability to continue as a going concern within one year after the date that this Form 10-Q is available to be issued.

We will seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. However, no assurance can be given that we will be successful in raising adequate funds needed. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained.

We believe that our existing cash and cash equivalents will not be sufficient to meet our anticipated cash needs for one year from the date the financial statements are available to be issued. Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for product development sooner than planned. We currently have no credit facility or committed sources of capital. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates and the extent to which we may enter into additional agreements with third parties to participate in their development and commercialization, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated clinical trials. Our future capital requirements will depend on many factors, including:

- the timing and extent of spending on our research and development efforts, including with respect to PCS-499 and our other product candidates;
- our ability to enter into and maintain collaboration, licensing and other arrangements and the terms and timing of such arrangements;
- the timing of the NDA submission and marketing approval for PCS-499, if any;

- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the receipt of any collaboration or milestone payments;
- the scope, rate of progress, results and cost of our clinical trials, preclinical testing and other related activities;
- the emergence of competing technologies or other adverse market developments;
- the time and costs involved in seeking and obtaining regulatory and marketing approvals in multiple jurisdictions for our product candidates that successfully complete clinical trials;
- the introduction of new product candidates and the number and characteristics of product candidates that we pursue;
- the potential acquisition and in-licensing of other technologies, products or assets.

We will need to raise additional capital to fund our operations in the near future. Funding may not be available to us on acceptable terms, or at all. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our clinical trials, or research and development programs. We may seek to raise any necessary additional capital through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

Cash Flows

The following table sets forth the primary sources and uses of cash and cash equivalents for each of the periods presented below.

	For the Three Months Ended March 31,	
	2018	2017
Net cash provided by (used in):		
Operating activities	$ (1,069,008)	$ (58,698)
Investing activities	(1,782)	(882)
Financing activities	-	-
Net increase in cash and cash equivalents	$ (1,070,790)	$ (59,580)

Net cash used in operating activities

Net cash used in operating activities was approximately $1.1 million and $59 thousand for the three months ended March 31, 2018 and 2017, respectively. The increase in cash used in operating activities in 2018 compared to 2017 is primarily related to the increased spending on research and development activities for PCS-499 licensing, program and testing costs, including internal staff costs and increased general and administrative costs related to internal staff growth, professional fees for legal, accounting, advisory and consulting costs for operations and the costs of being a public company. In addition, we incurred a cybersecurity fraud loss of approximately $144,000 in January 2018 which is recognized in general and administrative expenses.

Research and development contract and licensing costs incurred under the Drexel agreement was substantially completed in 2016 and the contract was officially terminated in June 2017. However, the CoNCERT Pharmaceuticals, Inc. license and option agreement for the replacement compound CTP-499 (also known as the Company's lead product PCS-499) was not executed until October 2017. As a result, research and development costs for program costs, testing and licensing was significantly lower in 2017 compared to 2018.

See the consolidated statements of cash flows in this report on Form 10-Q for the non-cash financing and investing activities related to the acquisition of the intangible asset from CoNCERT in 2018.

We anticipate our research and development efforts and on-going general and administrative costs will generate negative cash flows from operating activities for the foreseeable future. As the Company is still in the process of developing its products, we do not currently sell or distribute pharmaceutical products. We do not currently have sales or marketing capabilities.

Net cash used in investing activities

Net cash used in investing activities was insignificant for the three months ended March 31, 2018 and 2017. The costs incurred related to the transaction costs incurred to acquire the exclusive license intangible asset in 2018 (see Note 2 to the consolidated financial statements included in this Form 10-Q) and the purchase of property and equipment in 2017.

Net cash provided by (used in) financing activities

There were no financing activities for the three months ended March 31, 2018 and 2017. We expect that we will continue to seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations to fund future operations. However, no assurance can be given that we will be successful in raising adequate funds needed. Absent additional financing, substantial doubt exists about the Company's ability to continue as a going concern as noted under Going Concern above.

Off Balance Sheet Arrangements

At March 31, 2018 and 2017, we did not have any off-balance sheet arrangements.

Contractual Obligations and Commitments

During the three months ended March 31, 2018 our contractual obligations increased to $1,006,000. See Note 8 included in the consolidated financial statements in this Form 10-Q. There were no other significant changes in the other components of our "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K/A for the year ended December 31, 2017 filed with the SEC on April, 17, 2018.

Recently Issued Accounting Pronouncements

We are an "emerging growth company" as that term is defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (i.e., those that have not had a registration statement declared effective under the Securities Act of 1933, as amended (the "Securities Act"), or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are required to comply with such new or revised financial accounting standards.

From May 2014 through March 31, 2018, the FASB issued several ASUs related to ASU 2014-09, "Revenue from Contracts with Customers (Topic 606). The new guidance is effective for interim and annual periods beginning after December 15, 2017, although entities may adopt one year earlier if they choose. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The Company is currently in the pre-revenue stages of operations; therefore, we do not currently anticipate there would be any change to timing or method of recognizing revenue. As such, the adoption of this new standard did not have a material impact on our results of operations, financial condition or cash flows.

In February 2016 through March 31, 2018, the FASB issued several ASUs related to ASU-2016-02, "Leases (Topic 842)." The guidance requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For operating leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; a single lease cost will be recognized, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and all cash payments will be classified within operating activities in the statement of cash flows. The amendments in Topic 842 are effective for the Company beginning January 1, 2019. The Company's office lease expires September 30, 2019. Management is currently evaluating the impact of adopting the new guidance on the Company's consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information set forth in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 4. CONTROLS AND PROCEDURES

We have fewer than 300 stockholders on record 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.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC's") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2018, due to the material weaknesses in internal control over financial reporting that is described below. Notwithstanding the material weaknesses, management has concluded that the Company's unaudited consolidated financial statements for the periods covered by and included in this quarterly report on Form 10-Q are fairly stated in all material respects in accordance with U.S. generally accepted accounting principles ("GAAP") for each of the periods presented herein.

Internal Control Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As previously disclosed in Item 9A of our Form 10-K for the year ended December 31, 2017, (i) due to budget constraints and limited financial resources, 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 and disclosure controls and (ii) we incurred a loss of approximately $144,000 due to fraud from a cybersecurity breach. These control deficiencies did not result in a misstatement to our consolidated financial statements. However, these control deficiencies could have resulted in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute material weaknesses.

Remediation Plan and Activities

As we disclosed in our Item 9A of our Form 10-K for the year ended December 31, 2017, we developed remediation plans for the material weaknesses related to the inadequate number of accounting personnel (either in-house or external) necessary to ensure more complete and effective financial reporting and disclosure controls and the fraud from a cybersecurity breach. Due to the limited number of employees and limited financial resources to hire required accounting and finance staff to implement more complete and effective financial reporting and disclosure controls, the Company was unable to remediate the related material weakness through the date this report on Form 10-Q was available to be issued. However, management and external consultants, with participation and input from the board of directors, continue to monitor and provide oversight in the areas where material misstatements may occur to enable management to provide reasonable assurance that the Company's unaudited consolidated financial statements for the periods covered by and included in this quarterly report on Form 10-Q are fairly stated in all material respects in accordance with GAAP for each of the periods presented herein.

As we disclosed in our Item 9A of our Form 10-K for the year ended December 31, 2017, management and external consultants, with participation and input from the board of directors, commenced measures to remediate the material weakness related to the fraud from the cybersecurity breach during the three months ended March 31, 2018. These measures included the implementation of certain review and approval procedures internally and with our banks and, IT system changes to enhance system access controls and limit the ability of hackers to gain access to internal systems to provide preventative and detective measures to safeguard Company assets.

We are committed to maintaining a strong internal control environment with our limited financial resources and we will continue to address internal and disclosure control weaknesses, in a cost-effective manner, as necessary, to improve the effectiveness of our internal and disclosure controls. The remediation plans developed that we have implemented and plan to implement are subject to ongoing senior management review, as well as board of directors' oversight. We will not be able to conclude whether the steps we are taking will fully remediate these material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional implementation and evaluation time. We will continue to assess the effectiveness of our internal control over financial reporting and take steps to remediate the known material weakness in a cost-effective manner.

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 2018, we began to make changes in our internal control over financial reporting as noted above. Other than the remediation steps taken above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Our risk factors have not changed materially from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC (as amended) on April 17, 2018.

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

(a) Recent Sale of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the three months ended March 31, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

SEC Ref. No.	Title of Document
10.1	Boustead Engagement Letter
10.2	Form of Purchase Agreement
10.3	Form of Warrant
31.1	Rule 153-14(a) Certification by Principal Executive Officer
32.1	Section 1350 Certification of Principal Executive Officer
99.1	XBRL Files

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.

PROCESSA PHARMACEUTICALS, INC.

By: */s/ David Young*
David Young
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Dated: May 21, 2018

Boustead Securities

CONFIDENTIAL

July 12, 2017

Dr. David Young, CEO
Promet Therapeutics, LLC
7380 Coca Cola Drive, Suite 106
Hanover, MD 21076

Dear David:

We are pleased to submit the following agreement with respect to a strategic corporate merger transaction, related financing transactions and other activities described herein by and for Promet Therapeutics, LLC, a Delaware limited liability company and its consolidated subsidiaries (the "Company").

Boustead Securities, LLC ("Boustead") is pleased to act as exclusive financial advisor to the Company, subject to the terms and conditions outlined below, in connection with the Company's intention to pursue the activities described in Section 2 below. The exclusive, best efforts, engagement outlined in this letter has the objectives of completing a strategic merger transaction and providing growth capital for the Company's future clinical development and corporate operating plans.

This letter agreement ("Agreement") states certain conditions and assumptions upon which the proposed services by Boustead will be based. The final terms of any transaction will be dictated by investor interest, market conditions and the financial performance of the Company and its consolidated subsidiaries.

This Agreement will confirm the understanding and agreement between Boustead and the Company as follows:

1. **Advisory Services**: Boustead will provide advisory services to the Company in the areas of strategic corporate mergers & acquisitions, growth financing and/or capital placement transactions directly related to the merger transaction with Heatwurx and the minimum gross raise of USD$8,000,000 as described in the Heatwurx-Promet LOI. Boustead will also introduce institutional and accredited investors to the Company as appropriate during the normal course of business and act as coordinator for all activities within its purview. It is also understood that Boustead is acting as an advisor only, and shall have no authority to enter into any commitments on the Company's behalf, or to negotiate the terms of any transaction, or to hold any funds or securities in connection with any transaction or to perform any other acts on behalf of the Company without the Company's express written consent.

Boustead Securities, LLC
6 Venture, Suite 325
Irvine, CA 92618 USA

Direct phone: +1 310 383 7874
Email: pete@boustead1828.com
Web: www.boustead1828.com

Boustead will serve as exclusive financial advisor to the Company to:

(a) Advise on a strategic corporate merger transaction with HeatWurx, Inc. ("HeatWurx") and any other corporate transaction related to the structuring of the merged entity (the "Transaction")

(b) Secure financing (i.e., minimum gross raise of $8,000,000 as described in Heatwurx-Promet LOI) for the newly merged company in 1(a) on a best efforts basis, related to the sale of the Company's securities in a transaction or transactions exempt from registration under the Securities Act of 1933, as amended, and in compliance with the applicable laws and regulations of any jurisdiction in which securities are sold under this Agreement (each, a "Financing"). The Financing will be completed pursuant to a stock purchase agreement and other customary documents containing terms and conditions that are customary for a financing of the proposed size and nature.

2. **Fees and Expenses**: In connection with the services to be rendered hereunder, the Company agrees to pay Boustead the following fees and expenses:

   a) **Retainer:** Upon execution of this Agreement, the Company shall pay Boustead a Retainer of USD$25,000, which Retainer shall be credited against any success fee payable by the Company to Boustead under the terms of this Agreement.

   b) **Advisory Fee:** Upon execution of this Agreement, Boustead will be paid an Advisory Fee of USD$30,000 as compensation for Advisory Services for the Transaction in Section 1 (a) above. The payment of the Advisory Fee will be split on a 50% - 50% basis by the Company and HeatWurx, each party paying USD$15,000 to Boustead for a combined total of USD$30,000.

   c) **Success Fees**:

   Financing: For any equity investment into the Company, including preferred stock, common stock, convertible debentures, convertible debt, subordinated debt with warrants or any other securities convertible into common or preferred stock, or any other form of debt instrument involving any other form of equity participation, Boustead shall receive upon closing: (i) a success fee, payable in cash, equal to six percent (6%) of the gross amount to be disbursed

to the Company from such equity closing, plus (ii) placement agent warrants ("Boustead Warrants") in the same equity as issued by the Company equal to purchase three percent (3%) of the total number of shares issued and issuable by the Company to Investors under and in connection with the Financing, including (without limitation) shares issuable upon conversion or exercise of the securities sold in the Financing, at an exercise price equal to the purchase price per share sold in the Financing or, in the event that securities convertible into common stock are sold in the Financing, the conversion price of such securities. Any shares of stock issued to Boustead hereunder shall be subject to the rights, restrictions and obligations set forth in the Company's stock purchase and investor rights agreements.

For any equity investment as defined above, if the aggregate financing amount exceeds USD$8,000,000 ("Excess Investment"), the success fee on Excess Investment for existing shareholders, including related parties of existing shareholders, of the Company ("Existing Shareholders") is reduced to two percent (2%) in cash only. By way of example, if $9M is raised and Existing Shareholders invest $400,000, the Excess Investment will be $1M. $400,000 of the $1M will have a 2% cash success fee associated while the remaining $8.6M will have the 6%+3% associated with it. By way of a second example, if $8.5M is raised and Existing Shareholders invest $1.5M, the Excess Investment will be $0.5M. Only the total Excess Investment of $0.5M will have a 2% associated with it while all other investment will have the 6%+3% associated with it including the remaining $1M invested from the Existing Shareholders.

For any new equity investment brought in by the Frontcourt Group, the success fees will be split 50:50 between Frontcourt and Boustead.

Payment of Success Fees:

(i) **Cash Fee:** The cash portion of the Success Fee will be due and payable upon the closing of each Financing as the case may be and will be payable directly to Boustead from the escrow or clearing account established for such closing or in such other manner as may be acceptable to Boustead. Immediately prior to closing of a Financing, the Company will sign a payment authorization letter, in a form to be prepared at the sole discretion of Boustead, irrevocably instructing the Escrow or Closing Agent to deduct the Success Fees due to Boustead from the Financing and remit those Success Fees directly to Boustead.

(ii) **Warrants:** The Boustead Warrants will be due and payable upon the closing of each Financing and issued to Boustead in conjunction with the issuance of the other securities pursuant to the Financing. The Boustead Warrants will have a three (3) year term (or such longer term as is provided in any warrants issued in the Financing) and will provide for cashless exercise

(even if the Investors do not have such a right). The shares underlying the Boustead Warrants will be included in the first registration statement filed by the Company covering the securities issued in the Financing (or securities issuable upon conversion or exercise thereof). The Boustead Warrants will be transferable within Boustead's organization, at Boustead's discretion. The Boustead Warrants will contain such other terms and conditions no less favorable to Boustead than the term and conditions of any warrants issued to the Investors in the Financing.

d) **Expenses:** The Company also agrees to reimburse Boustead, at the close of the Financing upon presentation of an invoice, for all of its reasonable out-of-pocket expenses (including reasonable fees and expenses of its legal counsel) in connection with the performance of its services hereunder not to exceed a total of USD$4,000 without prior consent. Any expense exceeding USD$1,000 shall be pre-approved in writing by the Company. In the event any fee becomes delinquent, Boustead employs the same prudent collection procedures as other businesses and, if it becomes necessary to file suit or to engage a collection agency for the collection of any fees and/or expenses, the Company shall pay all related costs and expenses of such collection efforts, including reasonable attorney fees.

3. **Indemnification**: The Company agrees to indemnify Boustead as set forth in Schedule A annexed hereto and made a part hereof.

4. **Notices**: Any notices given hereunder shall be in writing and may be delivered by hand, email, fax or first class mail to the following addresses (or at such other email, fax number or address as shall hereafter be specified by such party by like notice):

If to the Company, to:
Dr. David Young, CEO
Promet Therapeutics, LLC
7380 Coca Cola Drive, Suite 106
Hanover, MD 21076
Email: david.young@prometherapeutics.com
Telephone Number: 443-631-6622

In the case of Boustead:
Keith Moore, CEO
Boustead Securities, LLC
6 Venture, Suite 325
Irvine, CA 92618
Fax Number: 815-301-8099
Email: keith@boustead1828.com

Notices shall be deemed to have been given contemporaneously in the case of fax

or email. Notices given by first class mail shall be deemed to have been given seven days after mailing. Evidence that the notice was properly addressed, stamped and mailed shall be prima facie evidence of mailing.

5. **Successors:** This Agreement shall be binding upon any and all successors and assigns of the Company (including any entity surviving any merger to which the Company is a party). It is expressly understood that Peter Conley will be the lead banker under this engagement.

6. **Term:** The term of this Agreement will expire upon the earlier to occur of (i) six (6) months from the date Boustead receives an executed copy of this Agreement from the Company or (ii) the mutual written agreement of the Company and Boustead (the "Initial Term"). The Initial Term may be extended for additional six (6) month period under the same terms and conditions as described herein (excluding the payment of the Due Diligence Fee) by mutual written agreement of the Company and Boustead (the "Subsequent Term"). The Initial Term and any Subsequent Term shall be known as the Term. During the one (1) year period following the Term, if the Company completes a Financing or Transaction with any party identified in writing by Boustead during Boustead's engagement hereunder (collectively, the "Identified Party(ies)"), Boustead shall be entitled to two percent (2%) cash only success fee(s) of cash invested from only those parties identified in writing by Boustead during Boustead's engagement hereunder.

   Boustead will provide to the Company within ten (10) business days after the expiration or termination of this Agreement a list of Identified Parties. Within ten (10) business day following the delivery of the Identified Parties list to the Company, the Company will provide Boustead with written notice of any objections to the inclusion of any person or entity in the Identified Parties list and state the basis for each objection in reasonable detail. The inclusion of a person or entity in the Identified Parties list shall be deemed conclusive in making a later determination as to whether a Success Fee is payable hereunder, unless the Company shall have made a timely and proper objection. The parties will cooperate to resolve the status of any person or entity as to which the Company shall have made a timely and proper objection.

7. **Future Services:** During the term of this Agreement, to the extent the Company or its consolidated subsidiaries require any services similar to those contemplated by this Agreement in connection any contemplated financing activities, merger or business combination transactions, the Company agrees to use reasonable good faith efforts to engage Boustead to provide such services. In the event the Company or its subsidiaries elect to engage Boustead to provide any such services, the terms and conditions relating to any such engagement will be outlined in a separate written agreement entered into between Boustead and the Company. Nothing contained herein shall be construed as either an express or implied guarantee by the Company that it will engage the future services of Boustead.

8. **Governing Law:** This Agreement may not be amended or modified except in writing signed by each of the parties and shall be governed by and construed and enforced in accordance with the laws of the State of California.

9. **USA Patriot Act:** Boustead is committed to complying with U.S. statutory and regulatory requirements designed to combat money laundering and terrorist financing. The USA Patriot Act requires that all financial institutions obtain certain identification documents or other information in order to comply with their customer identification procedures.

10. **Confidentiality:** All non-public information concerning the Company and its subsidiaries which is given to Boustead will be used by Boustead solely in the course of the performance of its services hereunder and will be treated confidentially by Boustead and any retained advisors and agents for as long as such information remains non-public. Except as otherwise required by law, Boustead will not use such information or disclose such information to a third party, other than its Representatives (as herein defined) who have a need to know such information in connection with the transaction contemplated by this Agreement and who agree to keep such information confidential.

    This Agreement is for confidential use of the Company and Boustead only and may not be disclosed by the Company to any person other than its attorneys, accountants and financial advisors, and only on a confidential basis in connection with the proposed transaction or financing, except where disclosure is required by law or is mutually consented to in writing by Boustead and the Company.

11. **Access to Information:** In connection with Boustead activities on the Company's behalf, the Company agrees that it will furnish Boustead with all information concerning the Company and the Financing that Boustead reasonably deems appropriate and that the Company will provide Boustead with reasonable access to its officers, accountants, attorneys and other professional advisors. The Company represents that all information made available to Boustead will be complete and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made. In rendering its services hereunder, Boustead will be utilizing and relying on the information without independent verification thereof or independent appraisal of any of the Company's assets.

12. **Disclosure:** During the Term and for sixty (60) days thereafter, the Company agrees not to issue any press releases or communications to the public relating to the Financing without Boustead prior approval or unless otherwise required by law, which will not be unreasonably withheld or delayed, and the Company agrees that such press release will state that the transaction and/or financing was arranged by Boustead, unless we mutually agree otherwise or unless otherwise

required by law. The Company further agrees that Boustead may, at its own expense, publicize its services to the Company hereunder, including, without limitation, issuing press releases, placing advertisements and referring to the Financing on Boustead website.

13. **Compliance with Laws**. Boustead represents and warrants that it shall conduct itself in compliance with applicable federal and state laws. Boustead represents that it is not a party to any other Agreement, which would conflict with or interfere with the terms and conditions of this Agreement.

14. **Assignment Permissable**. Boustead shall be permitted to assign its rights or delegate its obligations hereunder by operation of law, including as a result of the partial or total merger or consolidation of Boustead with another entity. Boustead reserves the right to assign a portion of this Agreement to one or more sub-agents with respect to any Financing or Transaction, subject to the prior written consent of the Company. Any approved sub-agent shall be paid a portion of Success Fees as may be determined by Boustead. The Company does acknowledge that Boustead may pay other consultants or agents in connection with the Financing(s) or Transactions.

15. **Amendments**. Neither party may amend this Agreement or rescind any of its existing provisions without the prior written consent of the other party.

16. **Governing Law; Dispute Resolution**. This Agreement shall be deemed to have been made in the State of California and shall be construed, and the rights and liabilities determined, in accordance with the law of the State of California, without regard to the conflicts of laws rules of such jurisdiction. Any controversy or claim relating to or arising from this Agreement (an "Arbitrable Dispute") shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the Judicial Arbitration and Mediation Services (the "JAMS") as such rules may be modified herein or as otherwise agreed by the parties in controversy. The forum for arbitration shall be Orange County, California. Following thirty (30) days' notice by any party of intention to invoke arbitration, any Arbitrable Dispute arising under this Agreement and not mutually resolved within such thirty (30) day period shall be determined by a single arbitrator upon which the parties agree.

    In the event the any Retainer or Fee becomes delinquent, Boustead employs the same prudent collection procedures as other businesses and, if it becomes necessary to file suit or to engage a collection agency for the collection of any fees and/or expenses, the Company shall pay all related costs and expenses of such collection efforts, including reasonable attorney fees.

17. **Waiver**. Neither Boustead nor the Company's failure to insist at any time upon strict compliance with this Agreement or any of its terms nor any continued

course of such conduct on their part shall constitute or be considered a waiver by Boustead or the Company of any of their respective rights or privileges under this Agreement.

18. **Severability**. If any provision herein is or should become inconsistent with any present or future law, rule or regulation of any sovereign government or regulatory body having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be rescinded or modified in accordance with such law, rule or regulation. In all other respects, this Agreement shall continue to remain in full force and effect.

19. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and will become effective and binding upon the parties at such time as all of the signatories hereto have signed a counterpart of this Agreement. All counterparts so executed shall constitute one Agreement binding on all of the parties hereto, notwithstanding that all of the parties are not signatory to the same counterpart. Each of the parties hereto shall sign a sufficient number of counterparts so that each party will receive a fully executed original of this Agreement.

20. **Entire Agreement**. This Agreement (together with Exhibit A hereto) constitutes the entire agreement between the Company and Boustead. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by any party hereto to any other party concerning the subject matter hereof. All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties concerning the subject matter hereof are merged herein and shall be of no further force or effect.

Signature page to follow

Please confirm that the foregoing is in accordance with our understanding by signing and returning one copy of this Agreement to Boustead to indicate the Company's acceptance of the terms set forth herein.

Very truly yours,

Accepted as of the date first above written:

Promet Therapeutics, LLC

By: _____
Name: Dr. David Young
Title: CEO

Boustead Securities, LLC

By: _____
Keith Moore,
CEO

By: _____
Peter Conley,
Managing Director
Head of IP Banking

Boustead Securities, LLC
6 Venture, Suite 325
Irvine, CA 92618 USA

Direct phone: +1 310 383 7874
Email: pete@boustead1828.com
Web: www.boustead1828.com

Schedule A

The Company agrees that it shall indemnify and hold harmless, Boustead Securities, LLC ("BSL"), its members, managers, officers, employees, agents, affiliates and controlling persons within the meaning of Section 20 of the Securities Exchange Act of 1934 and Section 15 of the Securities Act of 1933, each as amended (any and all of whom are referred to as an "Indemnified Party"), from and against any and all losses, claims, damages, liabilities, or expenses, and all actions in respect thereof (including, but not limited to, all legal or other expenses reasonably incurred by an Indemnified Party in connection with the investigation, preparation, defense or settlement of any claim, action or proceeding, whether or not resulting in any liability), incurred by an Indemnified Party with respect to, caused by, or otherwise arising out of any transaction contemplated by this Agreement or BSL's performing the services contemplated hereunder; provided, however, the Company will not be liable to the extent, and only to the extent, that any loss, claim, damage, liability or expense is finally judicially determined to have resulted primarily from BSL's gross negligence or bad faith in performing such services.

If the indemnification provided for herein is conclusively determined (by an entry of final judgment by a court of competent jurisdiction and the expiration of the time or denial of the right to appeal) to be unavailable or insufficient to hold any Indemnified Party harmless in respect to any losses, claims, damages, liabilities or expenses referred to herein, then the Company shall contribute to the amounts paid or payable by such Indemnified Party in such proportion as is appropriate and equitable under all circumstances taking into account the relative benefits received by the Company on the one hand and BSL on the other, from the transaction or proposed transaction under the Agreement or, if allocation on that basis is not permitted under applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and BSL on the other, but also the relative fault of the Company and BSL; provided, however, in no event shall the aggregate contribution of BSL and/or any Indemnified Party be in excess of the net compensation actually received by BSL and/or such Indemnified Party pursuant to this Agreement.

The Company shall not settle or compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action, claim, suit or proceeding in which any Indemnified Party is or could be a party and as to which indemnification or contribution could have been sought by such Indemnified Party hereunder (whether or not such Indemnified Party is a party thereto), unless such consent or termination includes an express unconditional release of such Indemnified Party, reasonably satisfactory in form and substance to such Indemnified Party, from all losses, claims, damages, liabilities or expenses arising out of such action, claim, suit or proceeding.

In the event any Indemnified Party shall incur any expenses covered by this Exhibit A, the Company shall reimburse the Indemnified Party for such covered expenses within ten (10) business days of the Indemnified Party's delivery to the Company of an invoice therefor, with receipts attached. Such obligation of the Company to so advance funds may be conditioned upon the Company's receipt of a written undertaking from the Indemnified Party to repay such amounts within ten (10) business days after a final, non-appealable judicial determination that such Indemnified Party was not entitled to indemnification hereunder.

The foregoing indemnification and contribution provisions are not in lieu of, but in addition to, any rights which any Indemnified Party may have at common law hereunder or otherwise, and shall remain in full force and effect following the expiration or termination of BSL's engagement and shall be binding on any successors or assigns of the Company and successors or assigns to all or substantially all of the Company's business or assets.

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is made and entered into as of _____, 2018 by and among Processa Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and the purchaser(s) identified on the signature pages hereto (each a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D promulgated thereunder, the Company desires to offer, issue and sell to the Purchasers (the "Offering"), and the Purchasers, severally and not jointly, desire to purchase from the Company, in the aggregate, a minimum of One Million, One Hundred One Thousand, Three Hundred Twenty Two (1,101,322) shares of the Company's common stock, par value $0.00001 per share (the "Common Stock"), and an equal number of Warrants (as defined below) (the "Minimum Offering Amount"), and up to a maximum of Three Million, Five Hundred Twenty-Four Thousand, Two Hundred Twenty-Nine (3,524,229) shares of Common Stock and an equal number of Warrants (the "Maximum Offering Amount").

WHEREAS, the Common Stock shall be sold in units ("Units") at a purchase price of $2.27 per unit (the "Purchase Price"), with each unit consisting of one share of Common Stock and one three-year warrant to purchase one share of Common Stock (the "Warrants"), with such Warrants having an exercise price equal to 120% of the Purchase Price.

WHEREAS, for purposes of this Agreement, the Units, the Common Stock, the Warrants and the shares of Common Stock into which the Warrants are exercisable being hereinafter collectively referred to as the "Securities".

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which is hereby acknowledged, the Company and each of the Purchasers agree as follows:

A. Purchase and Sale

(1) The introductory paragraphs of this Agreement are hereby incorporated into this Agreement as if fully set forth herein. Subject to the terms and conditions set forth in this Agreement, at the Closing the Company shall issue and sell to each Purchaser, and each Purchaser shall, severally and not jointly, purchase from the Company, the number of shares of Common Stock and number of Warrants set forth on such Purchaser's signature page to this Agreement. The Closing shall take place at the offices of Boustead Securities, LLC (the "Placement Agent") at 6 Venture, Suite 325, Irvine, CA 92618, on the Closing Date or at such other location or time as the parties may agree (the "Closing"). "Closing Date" means the business day on which all of the conditions set forth in Sections H(1) and H(2) hereof are satisfied or waived or such other date as the parties may mutually agree in writing; provided that the Closing Date shall not be later than June 29, 2018.

(2) Prior to or at the Closing, each Purchaser shall deliver or cause to be delivered to the Company the aggregate purchase price for the Units to be purchased by such Purchaser as set forth on the signature page of such Purchaser hereto (the "Investment Amount"). Wire transfer instructions are set forth in the Subscription Agreement (as defined herein). Each Purchaser's Investment Amount will be held in escrow with FinTech Clearing LLC for the Purchaser's benefit, and will be returned promptly, without interest or setoff, if this Agreement is not accepted by the Company, if the Minimum Offering Amount is not purchased by the Closing Date, or if the Offering is otherwise terminated pursuant to its terms by the Company.

(3) At the Closing, the Company shall deliver to the Purchasers a certificate stating that the representations and warranties made by the Company in Section C of this Agreement were true and correct in all material respects when made and are true and correct in all material respects on the Closing Date relating to the Securities purchased pursuant to this Agreement as though made on and as of such Closing Date (provided, however, that representations and warranties that speak as of a specific date shall continue to be true and correct as of the Closing with respect to such date). The foregoing obligations of the Company shall be conditions precedent to each Purchaser's obligation to complete the purchase of the Securities as contemplated by this Agreement.

(4) Each Purchaser acknowledges and agrees that the purchase of the Securities by such Purchaser pursuant to the Offering is subject to all the terms and conditions set forth in this Agreement.

(5) If the Offering is terminated for any reason, all funds received from the Purchaser will be returned without interest or offset, and this Agreement shall thereafter be of no further force or effect.

B. Representations and Warranties of the Purchaser

Each Purchaser, severally and not jointly, hereby represents and warrants to the Company as of the date hereof and as of the Closing Date, and agrees with the Company as follows:

(1) The Purchaser has carefully read this Agreement, the term sheet attached hereto as Exhibit A (the "Term Sheet"), the private placement memorandum dated January 29, 2018, the amendment to the Term Sheet and private placement memorandum dated March 29, 2018, the investor deck dated January 29, 2018 and the form of Warrant attached hereto as Exhibit B (collectively the "Offering Documents"), and is familiar with and understands the terms of the Offering, and the Purchaser also acknowledges having access to and reviewed or had the opportunity to access and review all of the information regarding the Company that is publicly available on the EDGAR database of the United States Securities and Exchange Commission ("SEC"), including but not limited to the Company's Form 8-K filed on October 12, 2017, as amended (collectively, the "Publicly Available Information"). The Purchaser fully understands all of the risks related to the purchase of the Securities. The Purchaser has carefully considered and has discussed, or has the opportunity to discuss, with the Purchaser's legal, tax, accounting and financial advisors, to the extent the Purchaser has deemed necessary, the suitability of an investment in the Securities for the Purchaser's particular tax and financial situation and has determined that the Securities being purchased by the Purchaser are a suitable investment for the

Purchaser. The Purchaser recognizes that an investment in the Securities involves substantial risks, including the possible loss of the entire amount of such investment. The Purchaser further recognizes that the Company has broad discretion concerning the use and application of the proceeds from the Offering.

(2) The Purchaser acknowledges that (i) the Purchaser has had the opportunity to request copies of any documents, records and books pertaining to this investment and (ii) any such documents, records and books that the Purchaser requested have been made available for inspection by the Purchaser, the Purchaser's attorney, accountant or other advisor(s). The Purchaser has requested, received, reviewed and considered all information it deems relevant in making an informed decision to purchase the Securities.

(3) The Purchaser and the Purchaser's advisor(s) have had a reasonable opportunity to ask questions of and receive answers from representatives of the Company or Persons (as defined below) acting on behalf of the Company concerning the Company, the Offering and the Securities and all such questions have been answered to the full satisfaction of the Purchaser. For purposes of this Agreement, "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(4) The Purchaser acknowledges and agrees that if the Minimum Offering Amount has not been purchased by June 29, 2018, each Purchaser's Investment Amount will be returned without interest or offset, and no Securities will be issued to any Purchaser in connection with the Offering. The Purchaser further acknowledges that purchases by the Company's officers and directors, if any, will be counted towards the Minimum Offering Amount.

(5) If the Purchaser is a natural Person, the Purchaser has reached the age of majority in the state in which the Purchaser resides. The Purchaser has adequate means of providing for the Purchaser's current financial needs and contingencies, is able to bear the substantial economic risks of an investment in the Securities for an indefinite period of time, has no need for liquidity in such investment and can afford a complete loss of such investment.

(6) The Purchaser has sufficient knowledge and experience in financial, tax and business matters to enable the Purchaser to utilize the information made available to the Purchaser in connection with the Offering, to evaluate the merits and risks of an investment in the Securities and to make an informed investment decision with respect to an investment in the Securities on the terms described in the Offering Documents. The Purchaser has independently evaluated the merits and risks of its decision to purchase the Securities pursuant to the Offering Documents, and the Purchaser confirms that it has not relied on the advice of the Company's or any other Purchaser's business and/or legal counsel in making its investment decision. Such Purchaser confirms that none of such Persons has made any representations or warranties to such Purchaser in connection with the transactions contemplated by the Offering Documents.

(7) The Purchaser will not sell or otherwise transfer the Securities without registration under the Securities Act and applicable state securities laws or an applicable exemption therefrom. The Purchaser acknowledges that neither the offer nor sale of the Securities has been registered under the Securities Act or under the securities laws of any state.

The Purchaser represents and warrants that the Purchaser is acquiring the Securities for the Purchaser's own account, for investment purposes and not with a view toward resale or distribution within the meaning of the Securities Act, except pursuant to sales registered or exempted under the Securities Act. The Purchaser is acquiring the Securities in the ordinary course of business. The Purchaser has not offered or sold the Securities being acquired nor does the Purchaser have any present intention of selling, distributing or otherwise disposing of such Securities either currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined event or circumstances in violation of the Securities Act. The Purchaser is aware that (i) the Securities are not currently eligible for sale in reliance upon Rule 144 (as defined below) and (ii) while the Company will make commercially reasonable efforts to register the Securities after the Registration Filing Date (as defined in Section E(1)), there is no guarantee that such efforts will be successful and the Purchaser may be required to satisfy the applicable Rule 144 holding period in order to sell or otherwise transfer the Securities.

(8) By making these representations herein, the Purchaser is not making any representation or agreement to hold the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an available exemption to the registration requirements of the Securities Act.

(9) The Purchaser understands that except for the registration contemplated in Section E hereof: (i) the Securities have not been registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) the Purchaser shall have delivered to the Company an opinion of counsel, in a form reasonably acceptable to the Company, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) the Purchaser provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the Securities Act (or a successor rule thereto) (collectively, "Rule 144"); and (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder.

(10) The Purchaser acknowledges that any certificates or other evidence that may be issued representing the Securities shall bear any legend required by the securities laws of any state and be stamped or otherwise imprinted with a legend substantially in the following form:

> The securities represented hereby have not been registered under the Securities Act of 1933, as amended, or any state securities laws and neither the securities nor any interest therein may be offered, sold, transferred, pledged or otherwise disposed of except pursuant to an effective registration under such act or an exemption from

registration, which, in the opinion of counsel reasonably satisfactory to this corporation, is available.

Certificates evidencing the Securities shall not be required to contain such legend or any other legend (i) following any sale of such Securities pursuant to Rule 144, or (ii) if such Securities have been sold pursuant to the Registration Statement (as hereafter defined), or (iii) such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the Staff of the SEC), in each such case (i) through (iii) to the extent determined by the Company's legal counsel in its sole discretion. Each Purchaser, severally and not jointly with the other Purchasers, agrees that the removal of such legend from certificates evidencing the Securities is predicated upon (i) the reliance by the Company that the Purchaser will sell such Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and/or (ii) that in the context of a sale under Rule 144, if requested by the transfer agent of the Securities, the Purchaser shall have signed and delivered a representation letter relating to the Purchaser's Securities.

(11) If this Agreement is executed and delivered on behalf of a partnership, corporation, trust, estate or other entity: (i) such partnership, corporation, trust, estate or other entity is duly organized and validly existing and has the full legal right and power and all authority and approval required (a) to execute and deliver this Agreement and all other instruments executed and delivered by or on behalf of such partnership, corporation, trust, estate or other entity in connection with the purchase of its Securities, and (b) to purchase and hold such Securities; (ii) the signature of the party signing on behalf of such partnership, corporation, trust, estate or other entity is binding upon such partnership, corporation, trust, estate or other entity; and (iii) such partnership, corporation, trust or other entity has not been formed for the specific purpose of acquiring such Securities, unless each beneficial owner of such entity is qualified as an accredited investor within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act and has submitted information to the Company substantiating such individual qualification.

(12) If the Purchaser is a retirement plan or is investing on behalf of a retirement plan, the Purchaser acknowledges that an investment in the Securities poses additional risks, including the inability to use losses generated by an investment in the Securities to offset taxable income.

(13) The information contained in the subscription agreement in the form of Exhibit C attached hereto (the "Subscription Agreement") delivered by the Purchaser in connection with this Agreement is complete and accurate in all respects. The Purchaser is (i) an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act ("Regulation D") on the basis indicated therein. The Purchaser is not required to be a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Purchaser will notify the Company immediately of any changes in any such information contained in such Purchaser's Subscription Agreement until such time as the Purchaser has sold all of its shares of Common Stock issuable upon the exercise of the Warrants or, if the shares of Common Stock are registered pursuant to Section E, until the Company is no longer required to keep the Registration Statement, as defined in Section E below, effective, except to the extent

that such changed information is not required under the Securities Act to be disclosed in an amendment or supplement to the Registration Statement.

(14) The Purchaser acknowledges that the Company will have the authority to issue additional shares of Common Stock and other securities of the Company in excess of the Securities being issued in connection with the Offering, and that the Company may issue additional shares of Common Stock and other securities of the Company from time to time, which may cause dilution of the existing shares of Common Stock and a decrease in the market price of such existing shares of Common Stock.

(15) The Purchaser acknowledges that the Company has existing contractual commitments to the Placement Agent for which the Company may be required to pay a commission upon the closing of the Offering up to six percent (6%) of the aggregate consideration received by the Company from the Offering and warrants equal to up to three percent (3%) of the aggregate consideration received by the Company from the Offering, which warrants, if any, would be on the same terms as the Warrants sold to the Purchasers in this Offering.

(16) The Purchaser understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Purchaser set forth herein and in the Subscription Agreement, and upon the documentary evidence of the Purchaser's accredited investor status provided pursuant to the Subscription Agreement, in order to determine the availability of such exemptions and the eligibility of the Purchaser to acquire the Securities

(17) The Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(18) This Agreement has been duly and validly authorized, executed and delivered on behalf of the Purchaser and shall constitute the legal, valid and binding obligations of such Purchaser enforceable against the Purchaser in accordance its terms.

(19) The execution, delivery and performance by the Purchaser of this Agreement and the consummation by the Purchaser of the transactions contemplated hereby will not (i) result in a violation of the organizational documents of the Purchaser or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Purchaser is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to the Purchaser, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations hereunder.

(20) The Purchaser acknowledges that any estimates or forward-looking statements included in the Company's Publicly Available Information were prepared by the Company in good faith but that the attainment of any such estimates or forward-looking statements cannot be guaranteed by the Company and should not be relied upon.

(21) No oral or written representations have been made, or oral or written information furnished, to the Purchaser or its advisers, if any, in connection with the Offering which are in any way inconsistent with the information contained in the Company's Publicly Available Information.

(22) Other than consideration that may be payable by the Company to the Placement Agent as disclosed in Section B(15), the Purchaser has not entered into any agreement or arrangement that would entitle any broker or finder to compensation by the Company in connection with the sale of the Securities to such Purchaser.

The Purchaser should check the Office of Foreign Assets Control ("OFAC") website at http://www.treas.gov/ofac before making the representations contained in Sections B(23) and B(24) hereof.

(23) The Purchaser represents that the amounts invested by it in the Offering were not and are not directly or indirectly derived from activities that contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations. Federal regulations and Executive Orders administered by OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC website at http://www.treas.gov/ofac. In addition, the programs administered by OFAC (the "OFAC Programs") prohibit dealing with individuals[1] or entities in certain countries regardless of whether such individuals or entities appear on the OFAC lists.

(24) To the best of the Purchaser's knowledge, none of: (1) the Purchaser; (2) any Person controlling or controlled by the Purchaser; (3) if the Purchaser is a privately-held entity, any Person having a beneficial interest in the Purchaser; or (4) any Person for whom the Purchaser is acting as agent or nominee in connection with this investment is a country, territory, individual or entity named on an OFAC list, or a person or entity prohibited under the OFAC Programs. Please be advised that the Company may not accept any amounts from a prospective investor if such prospective investor cannot make the representation set forth in the preceding paragraph. The Purchaser agrees to promptly notify the Company should the Purchaser become aware of any change in the information set forth in these representations. The Purchaser understands and acknowledges that, by law, the Company may be obligated to "freeze the account" of the Purchaser, either by prohibiting additional subscriptions from the Purchaser and/or segregating the assets in the account in compliance with governmental regulations. These

[1] These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

(25) To the best of the Purchaser's knowledge, none of: (1) the Purchaser; (2) any Person controlling or controlled by the Purchaser; (3) if the Purchaser is a privately-held entity, any Person having a beneficial interest in the Purchaser; or (4) any Person for whom the Purchaser is acting as agent or nominee in connection with this investment is a senior foreign political figure,[2] or any immediate family[3] member or close associate[4] of a senior foreign political figure, as such terms are defined in the footnotes below.

(26) If the Purchaser is affiliated with a non-U.S. banking institution (a "Foreign Bank"), or if the Purchaser receives deposits from, makes payments on behalf of, or handles other financial transactions related to a Foreign Bank, the Purchaser represents and warrants to the Company that: (i) the Foreign Bank has a fixed address, other than solely an electronic address, in a country in which the Foreign Bank is authorized to conduct banking activities; (ii) the Foreign Bank maintains operating records related to its banking activities; (iii) the Foreign Bank is subject to inspection by the banking authority that licensed the Foreign Bank to conduct banking activities; and (iv) the Foreign Bank does not provide banking services to any other Foreign Bank that does not have a physical presence in any country and that is not a regulated affiliate.

C. Representations and Warranties of the Company

Except as disclosed in the Company's Publicly Available Information and/or the private placement dated January 29, 2018, the Company hereby makes the following representations and warranties to the Purchasers. For purposes of this Section C, the phrase "to the knowledge of the Company" or any phrase of similar import shall be deemed to refer to the actual knowledge of David Young, the Company's Chief Executive Officer and Chairman, as well as any other knowledge that such individual would have possessed had he made reasonable inquiry with respect to the matters in question.

(1) Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to conduct its business as currently conducted. The Company is duly qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the property owned or leased or the nature of the business transacted by it makes qualification necessary, except where any failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect on (i) the business, properties, financial condition or results of operations of the Company or (ii) the transactions

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[2] A "senior foreign political figure" is defined as a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

[3] "Immediate family" of a senior foreign political figure typically includes the figure's parents, siblings, spouse, children and in-laws.

[4] A "close associate" of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

contemplated hereby and by the other Offering Documents or by the agreements and instruments to be entered into in connection herewith or therewith or on the ability of the Company to perform its obligations under the Offering Documents (a "Material Adverse Effect").

(2) Capitalization. Except as set forth in the private placement memorandum dated January 29, 2018 and as otherwise contemplated in this Agreement, (a) there are no other options, warrants, calls, rights, commitments or agreements of any character to which the Company is a party or by which either the Company is bound or obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the capital stock of the Company or obligating the Company to grant, extend or enter into any such option, warrant, call, right, commitment or agreement and (b) the issuance and sale of the Securities contemplated hereby will not give rise to any preemptive rights, rights of first refusal or other similar rights on behalf of any Person.

(3) Issuance of Securities. The Securities and the shares of Common Stock underlying the Securities and their issuance have been duly and validly authorized by all necessary action and no further action is required by the Company in connection therewith. The Securities and the shares of Common Stock underlying the Securities, when issued and paid for pursuant to this Agreement, will be validly issued, fully paid and non-assessable securities of the Company. The issuance of the Securities may result in the right of holders of other securities of the Company to adjust the exercise, conversion, exchange or reset price under such securities.

(4) Authorization; Enforceability. The Company has all corporate right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. All corporate action on the part of the Company necessary for the authorization, execution, delivery and performance of this Agreement by the Company has been taken and no further action is required by the Company in connection therewith. This Agreement has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (iii) laws, or public policy underlying such laws, relating to indemnification and contribution.

(5) No Conflict; Governmental and Other Consents.

(a) The execution and delivery by the Company of this Agreement, the issuance of the Securities by the Company, and the consummation of the transactions contemplated hereby will not result in the violation (i) assuming the accuracy of the representations and warranties of each Purchaser, of any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any court or governmental authority to or by which the Company is bound, or (ii) of any provision of the Certificate of Incorporation or Bylaws of the Company, and will not conflict with, or result in a breach or violation of, any of the terms or provisions of, or constitute (with due notice or lapse of time or both) a default under or give to others any rights of termination, amendment, acceleration or cancellation of, any lease, loan agreement, mortgage, security agreement,

trust indenture or other agreement or instrument to which the Company is a party or by which it is bound or to which any of its properties or assets is subject, nor result in the creation or imposition of any lien upon any of the properties or assets of the Company, except in each case to the extent that any such violation, conflict or breach would not be reasonably likely to have a Material Adverse Effect.

(b) Assuming the accuracy of the representations and warranties of each Purchaser party hereto, no consent, approval, authorization or other order of any governmental authority or stock exchange, or other third-party is required to be obtained by the Company in connection with the authorization, execution and delivery of this Agreement or with the authorization, issue and sale of the Securities, except such post-Closing filings as may be required to be made with the SEC, and with any state or foreign "Blue Sky" or securities regulatory authority, or as would not be reasonably likely to have a Material Adverse Effect on the Company.

(6) Litigation. There are no pending or, to the Company's knowledge, threatened legal or governmental proceedings against the Company or any of its officers or directors, which, if adversely determined, would individually or in the aggregate be reasonably likely to have a Material Adverse Effect on the Company. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its officers or directors, wherein an unfavorable decision, ruling or finding could adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under this Agreement. Neither the Company nor any director or officer thereof (in his or her capacity as such), is or has been the subject of any action involving a claim or violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty.

(7) Financial Information. The Company's financial statements that appear in the public filings of the Company as filed with the SEC have been prepared in accordance with United States generally accepted accounting principles ("GAAP"), except in the case of unaudited statements or as may be indicated therein or in the notes thereto, applied on a consistent basis throughout the periods indicated and such financial statements fairly present in all material respects the financial condition and results of operations and cash flows of the Company as of the dates and for the periods indicated therein (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(8) Absence of Certain Changes. Other than as publically disclosed in the Publically Available Information, since the date of the Company's most recent financial statements contained in the public filings of the Company as filed with the SEC, (i) there has not occurred any event not disclosed in the Company's Publicly Available Information that individually or in the aggregate has caused a Material Adverse Effect or any occurrence, circumstance or combination thereof that reasonably would be likely to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business or (B) liabilities that would not be required to be reflected in the Company's financial statements, (iii) the Company has not (A) declared or paid any dividends, (B) amended or changed the Certificate of Incorporation or Bylaws of the Company, or (C) altered its method of accounting or the identity

of its auditors and (iv) the Company has not made a material change in officer compensation except in the ordinary course of business consistent with past practice.

(9) Investment Company. The Company is not an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC thereunder.

(10) Subsidiaries. The Company is an approximately 90%-owned Subsidiary of Promet Therapeutics, LLC, a Delaware limited liability company. The Company does not own any Subsidiaries. For the purposes of this Agreement, "Subsidiary" shall mean any company or other entity of which at least 50% of the securities or other ownership interest having ordinary voting power for the election of directors or other Persons performing similar functions are at the time owned directly or indirectly by the Company.

(11) Certain Fees. Other than compensation that may payable pursuant to the Placement Agent pursuant to Section B(15) as a result of the Closing of the Offering, no brokers', finders' or financial advisory fees or commissions will be payable by the Company with respect to the transactions contemplated by this Agreement.

(12) No Violation or Default. The Company is not (i) in violation of any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any court, or (ii) in violation of any provision of its charter or bylaws, or (iii) in violation of or default under any lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which the Company is a party or by which it is bound or to which any of its properties or assets is subject, except in each case to the extent that any such violation or default is disclosed in the Company's Publicly Available Information or would not be reasonably likely to have a Material Adverse Effect.

(13) Taxes. The Company has filed or has valid extensions of the time to file all necessary material federal, state, and foreign income and franchise tax returns due prior to the date hereof and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of any material tax deficiency which has been or might be asserted or threatened against it which could reasonably be expected to result in a Material Adverse Effect.

(14) Insurance. The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Company believes are prudent and customary in the businesses in which the Company is engaged. The Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without an increase in cost significantly greater than general increases in cost experienced for similar companies in similar industries with respect to similar coverage.

(15) Intellectual Property Rights and Licenses. Except as disclosed in the Company's Publicly Available Information, the Company owns or possesses adequate rights or licenses to use any and all information, know-how, trade secrets, patents, copyrights, trademarks, service marks, trade names, domain names, software, formulae, methods, processes and other intangible properties ("Intangible Rights") that are of a such nature and significance to its business that the

failure to own or have the right to use or derivatize such items individually or in the aggregate would have a Material Adverse Effect. The Company has not received any notice that it is in conflict with or infringing upon the asserted intellectual property rights of others, and neither the use of the Intangible Rights nor the operation of the Company's businesses is infringing or has infringed upon any intellectual property rights of others. Except as disclosed in the Company's Publicly Available Information, all payments have been duly made that are necessary to maintain the Intangible Rights in force. Except as disclosed in the Company's Publicly Available Information, no claims have been made and no claims are threatened, that oppose or challenge the validity, scope or title to any Intangible Right of the Company. The Company has taken reasonable steps to obtain and maintain in force all licenses and other permissions under Intangible Rights of third parties necessary to conduct their businesses as heretofore conducted by them, now being conducted by them or are otherwise reasonably anticipated to be conducted, and the Company is not, has not been and does not anticipate being in material breach of any such license or other permission.

(16) Compliance with Law; Foreign Corrupt Practices. The Company is in compliance with all applicable laws, except for such noncompliance that individually or in the aggregate would not reasonably be likely to have a Material Adverse Effect. The Company has not received any notice of, nor does the Company have any knowledge of, any violation (or of any investigation, inspection, audit or other proceeding by any governmental entity involving allegations of any violation) of any applicable law involving or related to the Company which has not been dismissed or otherwise disposed of that individually or in the aggregate would be reasonably likely to have a Material Adverse Effect. The Company has not received notice or otherwise has any knowledge that the Company is charged with, threatened with or under investigation with respect to, any violation of any applicable law that individually or in the aggregate would reasonably be likely to have a Material Adverse Effect.

(17) Ownership of Property. Except as set forth in the Company's financial statements included in the Company's Publicly Available Information, the Company has (i) good and marketable fee simple title to its owned real property, if any, free and clear of all liens, except for liens which do not individually or in the aggregate have a Material Adverse Effect; (ii) a valid leasehold interest in all leased real property, and each of such leases is valid and enforceable in accordance with its terms (subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy), except as would not be reasonably likely to have a Material Adverse Effect, and (iii) good title to, or valid leasehold interests in, all of its other material properties and assets free and clear of all liens, except for liens which do not individually or in the aggregate have a Material Adverse Effect.

(18) No Integrated Offering. Neither the Company, nor, to its knowledge, any of its affiliates or other Person acting on the Company's behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the Offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act, when integration would cause the Offering not to be exempt from the registration requirements of Section 5 of the Securities Act.

(19) No Registration. Assuming the accuracy of the representations and warranties made by, and compliance with the covenants of, the Purchasers in Section B hereof (including but not limited to the Subscription Agreement) and as otherwise required under this Agreement, no registration of the Securities under the Securities Act is required in connection with the offer and sale of the Securities by the Company to the Purchasers.

(20) Transfer Taxes. On the Closing Date, all stock transfer or other taxes (other than income or similar taxes) which are required to be paid in connection with the sale and transfer of the Securities to be sold to each Purchaser hereunder will be, or will have been, fully paid or provided for by the Company, and all laws imposing such taxes will be or will have been complied with.

(21) Environmental Matters. The Company has obtained, or has applied for, and is in compliance with and in good standing under all permits required under Environmental Laws (except for such failures that individually or in the aggregate would not be reasonably likely to have a Material Adverse Effect) and the Company has no knowledge of any proceedings to substantially modify or to revoke any such permit. There are no investigations, proceedings or litigation pending or, to the Company's knowledge, threatened against the Company or any of the Company's facilities relating to Environmental Laws or hazardous substances that individually or in the aggregate would not be reasonably likely to have a Material Adverse Effect. "Environmental Laws" shall mean all federal, national, state, regional and local laws, statutes, ordinances and regulations, in each case as amended or supplemented from time to time, and any judicial or administrative interpretation thereof, including orders, consent decrees or judgments relating to the regulation and protection of human health, safety, the environment and natural resources.

(22) Publicly Available Information. The documents constituting the Company's Publicly Available Information, when they were filed with the SEC, conformed in all material respects to the requirements of the Securities Act or Exchange Act, as applicable.

(23) Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that except as set forth on the signature page of this Agreement, no Purchaser is (i) an officer or director of the Company, (ii) an "affiliate" of the Company (as defined in Rule 144) or (iii) to the knowledge of the Company, a "beneficial owner" of more than 10% of the shares of Common Stock (as defined for purposes of Rule 13d-3 of the Exchange Act). The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Offering Documents and the transactions contemplated hereby and thereby.

(24) Employee Relations. The Company is not a party to any collective bargaining agreement and, to its knowledge, its employees are not union members. The Company is in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any employees of the Company.

(25) Use of Proceeds. The Company intends to use the proceeds from the Offering for research and development, operating expenses and general working capital.

D. Understandings

Each of the Purchasers understands, acknowledges and agrees with the Company as follows:

(1) No federal, state or foreign agency or authority has made any finding or determination as to the accuracy or adequacy of the Offering Documents or as to the fairness of the terms of the Offering nor any recommendation or endorsement of the Securities. Any representation to the contrary is a criminal offense. In making an investment decision, the Purchasers must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved.

(2) The Offering is intended to be exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act and the provisions of Rule 506 of Regulation D, which is in part dependent upon the truth, completeness and accuracy of the statements made by the Purchaser herein and in the Subscription Agreement.

(3) Notwithstanding the registration rights provided herein, there can be no assurance that the Purchaser will be able to sell or dispose of the Securities. It is understood that in order not to jeopardize the Offering's exempt status under Section 4(a)(2) of the Securities Act and Regulation D, any transferee may, at a minimum, be required to fulfill the investor suitability requirements thereunder.

E. Registration

(1) The Company will file a registration statement on Form S-1 or other appropriate form in the sole discretion of the Company (the "Registration Statement") to register the Common Stock purchased pursuant to this Offering (excluding for this purpose any shares of Common Stock issued or issuable pursuant to the anti-dilution protection set forth in Section (G)(2)) and the Common Stock issuable upon the exercise of the Warrants (collectively, the "Registrable Securities") under the Securities Act within 30 days after the later of: (a) the filing of the Company's Form 10-K for the year ended December 31, 2017 with the U.S. Securities and Exchange Commission or (b) the last Closing Date for the Offering (the "Registration Filing Date") and will use commercially reasonable efforts to ensure that registration of the Registrable Securities becomes effective as soon as practical after the Registration Filing Date and thereafter to keep the Registration Statement effective until the due date for the Company's next Form 10-K. The Purchaser consents to the disclosure of its name and details of its purchase in the Registration Statement.

(2) Registration Expenses. The Company shall pay all fees and expenses incident to the performance of or compliance with this Agreement by the Company, including without limitation (a) all registration and filing fees and expenses, including without limitation those related to filings with the SEC, in connection with applicable state securities or "Blue Sky" laws, and to the OTC Bulletin Board (the "OTCBB"), (b) printing expenses (it being understood that the Company, at its option, may provide the Purchaser with electronic copies of any prospectus

or supplement), (c) fees and disbursements of counsel for the Company and (d) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, each Purchaser shall pay any and all costs, fees, discounts or commissions attributable to the sale of its respective shares of Common Stock received upon the exercise of the Warrants and all fees and expenses of its counsel and other advisors.

(3) Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless each Purchaser, the partners, members, officers and directors of each Purchaser and each Person or entity, if any, who controls such Purchaser or any of the foregoing within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities (collectively, "Losses") to which they may become subject (under the Securities Act or otherwise) insofar as such Losses (or actions or proceedings in respect thereof) arise out of, or are based upon, any material breach of this Agreement or any other Offering Document by the Company or any untrue statement or alleged untrue statement of a material fact contained in a registration statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or arise out of any failure by the Company to fulfill any undertaking included in a registration statement and the Company will, as incurred, reimburse such Purchaser, partner, member, officer, director or controlling Person for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that the Company shall not be liable in any such case to the extent that such Loss arises out of, or is based upon, an untrue statement or omission or alleged untrue statement or omission made in such registration statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Purchaser, partner, member, officer, director or controlling Person specifically for use in preparation of a registration statement, including but not limited to the Subscription Agreement, or any breach of this Agreement by such Purchaser; provided further, however, that the Company shall not be liable to any Purchaser of registrable Securities (or any partner, member, officer, director or controlling Person of such Purchaser) to the extent that any such Loss is caused by an untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus if either (i) (A) such Purchaser failed to send or deliver a copy of the final prospectus with or prior to, or, if Rule 172 is then in effect, such Purchaser failed to confirm that a final prospectus was deemed to be delivered prior to, the delivery of written confirmation of the sale by such Purchaser to the Person asserting the claim from which such Loss resulted and (B) the final prospectus corrected such untrue statement or omission, (ii) (X) such untrue statement or omission is corrected in an amendment or supplement to the prospectus and (Y) having previously been furnished by or on behalf of the Company with copies of the prospectus as so amended or supplemented or, if Rule 172 is then in effect, notified by the Company that such amended or supplemented prospectus has been filed with the SEC, such Purchaser thereafter fails to deliver such prospectus as so amended or supplemented, with or prior to, or, if Rule 172 is then in effect, such Purchaser fails to confirm that the prospectus as

so amended or supplemented was deemed to be delivered prior to, the delivery of written confirmation of the sale of a registrable Security to the Person asserting the claim from which such Loss resulted or (iii) such Purchaser sold registrable Securities in violation of applicable law.

(b) Indemnification by Purchasers. Each Purchaser, severally and not jointly, agrees to indemnify and hold harmless the Company (and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, each officer of the Company who signs the registration statement and each director of the Company), from and against any losses, claims, damages or liabilities to which the Company (or any such officer, director or controlling Person) may become subject (under the Securities Act or otherwise), insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any material breach of this Agreement by such Purchaser or any untrue statement or alleged untrue statement of a material fact contained in the registration statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in each case, on the Effective Date thereof, if, and to the extent, such untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information furnished by or on behalf of such Purchaser specifically for use in preparation of the registration statement, including, without limitation the Subscription Agreement, and such Purchaser will reimburse the Company (and each of its officers, directors or controlling Persons) for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that in no event shall any indemnity under this Paragraph be greater in amount than the dollar amount of the proceeds (net of (i) the purchase price of the registrable Securities included in the registration statement giving rise to such indemnification obligation and (ii) the amount of any damages such Purchaser has otherwise been required to pay by reason of such untrue statement or omission or alleged untrue statement or omission) received by such Purchaser upon the sale of such registrable Securities.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall be entitled to participate therein, and to the extent that it shall wish, assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof. After notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, such Indemnifying Party shall not be liable to such Indemnified Party for any legal expenses subsequently incurred by Indemnified Party in connection with the defense thereof. An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties. If there exists or shall exist a conflict of interest that would

make it inappropriate in the reasonable judgment of the Indemnified Party for the same counsel to represent both the Indemnified Party and such Indemnifying Party or any affiliate or associate thereof, the Indemnified Party shall be entitled to retain its own counsel at the expense of such Indemnifying Party; provided, further, that no Indemnifying Party be responsible for the fees and expense of more than one separate counsel for all Indemnified Parties. The Indemnifying Party shall not settle an action without the consent of the Indemnified Party, which consent shall not be unreasonably withheld, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding. All reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten business days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Paragraph (5)(a) or (b) is unavailable to an Indemnified Party (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or related to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Paragraph (5)(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Paragraph 5(d) was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Paragraph (5)(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provision of this Paragraph (5)(d), no Purchaser shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Purchaser from the sale of the registrable Securities subject to the Proceeding exceeds the amount of any damages that such Purchaser has otherwise been required to pay by reason

of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(4) Dispositions. Each Purchaser agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to the Registration Statement described in Section E(1). Each Purchaser further agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described herein, such Purchaser will discontinue disposition of such registrable Securities under the registration statement until such Purchaser's receipt of the copies of the supplemented prospectus and/or amended registration statement, or until it is advised in writing (the "Advice") by the Company that the use of the applicable prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus or registration statement. The Company may provide appropriate stop orders to enforce the provisions of this paragraph.

(5) Rule 144. Until such time as the Registrable Securities are eligible for unlimited resale pursuant to Rule 144 under the Securities Act, the Company agrees with each holder of Registrable Securities to use commercially reasonable efforts:

(a) to comply with the requirements of Rule 144(c) under the Securities Act with respect to current public information about the Company; and

(b) to file with the SEC all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time it is subject to such reporting requirements).

F. Covenants of the Company

The Company agrees to file one or more Forms D with respect to the Securities on a timely basis as required under Regulation D under the Securities Act to claim the exemption provided by Rule 506 of Regulation D. The Company, on or before the Closing Date, shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Purchasers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Purchasers on or prior to the Closing Date. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

G. Further Covenants of the Company

(1) The Company shall make a public announcement of the Closing of the Offering by filing with the SEC a Current Report on Form 8-K and issuing a press release within the time periods required under the federal securities laws.

(2) The shares of Common Stock issued in this Offering, but not the Warrants, will have full ratchet anti-dilution protection as follows:

(a) Except as provided in subsection (b) below, until the Company has issued equity securities or securities convertible into equity securities for a total of an additional $20.0 million in cash or assets, including the proceeds from the exercise of the Warrants issued in this Offering, in the event the Company issues additional equity securities or securities convertible into equity securities at a purchase price less than $2.27 per share of Common Stock, the Purchase Price shall be adjusted and new shares of Common Stock issued as if the Purchase Price was such lower amount (or, if such additional securities are issued without consideration, to a price equal to $0.01 per share). To illustrate, if a party purchased 1,000 shares in this Offering and the Company later issued shares for $2.00 per share, the party would receive an extra 135 shares of Common Stock ($2,270 divided by $2 minus 1,000).

(b) The following issuances shall not trigger anti-dilution adjustment: (i) shares of Common Stock issued in this Offering and securities issuable upon exercise of the Warrants; (ii) securities issued upon the conversion of any outstanding debenture, warrant, option or other convertible security; (iii) Common Stock issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities; (iv) shares of Common Stock (or options to purchase such shares of Common Stock) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Company's Board of Directors and (v) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a person (or to the equity holders of a person) which is, itself or through its subsidiaries, believed by the Company to be an operating company or an owner of an asset in a business synergistic with the business of the Company.

H. Conditions to Closing; Termination

(1) Conditions Precedent to the Obligations of the Purchasers to Purchase Securities. The obligation of each Purchaser to acquire Securities at the Closing is subject to the satisfaction or waiver by such Purchaser, at or before the Closing, of each of the following conditions:

(a) The representations and warranties of the Company contained herein shall be true and correct in all material respects (other than those representations and warranties that are qualified by "materiality" or Material Adverse Effect qualifiers shall be true and correct in all respects) as of the date when made and as of the Closing as though made on and as of such date (except to the extent that such representation or warranty speaks of an earlier date, in which case

such representation and warranty shall be true and correct in all material respects as of the Closing Date with respect to such date);

(b) The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Offering Documents to be performed, satisfied or complied with by it at or prior to the Closing;

(c) No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Offering Documents;

(d) Since the date of execution of this Agreement, no event or series of events shall have occurred that reasonably could have or result in a Material Adverse Effect;

(e) Trading in the Common Stock shall not have been suspended by the SEC or the OTCBB (except for any suspensions of trading of limited duration agreed to by the Company) at any time since the date of execution of this Agreement, and the Common Stock shall have been at all times since such date eligible for quotation on the OTCBB;

(f) The Company shall have delivered the items required to be delivered by the Company in accordance with Section A(3);

(g) The Company shall have commitments by the Purchasers to purchase not less than the Minimum Investment Amount in the Offering; and

(h) This Agreement shall not have been terminated as to such Purchaser in accordance with Section H(3).

(2) Conditions Precedent to the Obligations of the Company to sell Securities. The obligation of the Company to sell Securities at the Closing is subject to the satisfaction or waiver by the Company, at or before the Closing, of each of the following conditions:

(a) The representations and warranties of each Purchaser contained herein shall be true and correct in all material respects (other than those representations and warranties that are qualified by "materiality" or Material Adverse Effect qualifiers, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made on and as of such date;

(b) Each Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Offering Documents to be performed, satisfied or complied with by such Purchaser at or prior to the Closing;

(c) No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Offering Documents;

(d) Each Purchaser shall have delivered its Investment Amount in accordance with Section A(2);

(e) Each Purchase shall have executed and delivered a completed Subscription Agreement satisfactory to the Company in its sole discretion;

(f) The Company shall have commitments by the Purchasers to purchase not less than the Minimum Investment Amount in the Offering; and

(g) This Agreement shall not have been terminated as to such Purchaser in accordance with Section H(3).

(3) Termination. This Agreement may be terminated prior to Closing:

(a) By written agreement of the Purchasers and the Company; and

(b) By the Company or a Purchaser (as to itself but no other Purchaser) upon written notice to the other, if the Closing shall not have taken place by 6:30 p.m. Eastern time on or before June 29, 2018; provided, that the right to terminate this Agreement under this Section H(3) shall not be available to any Person whose failure to comply with its obligations under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such time.

In the event of a termination pursuant to Section H(3)(a), the Company shall promptly notify all non-terminating Purchasers. Upon a termination in accordance with this Section H(3), the Company and the terminating Purchaser(s) shall not have any further obligation or liability (including as arising from such termination) to the other and no Purchaser will have any liability to any other Purchaser under the Offering Documents as a result thereof.

I. Miscellaneous

(1) All pronouns and any variations thereof used herein shall be deemed to refer to the masculine, feminine, singular or plural, as identity of the Person or Persons may require.

(2) Any notice or other communication required or permitted to be given or delivered under this Agreement shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered by fax prior to 6:30 p.m. Eastern Time on a business day, (b) the next business day after the date of transmission, if such notice or communication is delivered by fax on a day that is not a business day or later than 6:30 p.m. Eastern Time on a business day, (c) upon receipt, if sent by an internationally recognized overnight delivery service (with charges prepaid), or (d) upon actual receipt by the party to whom such notice or other communication is required to be given:

(a) if to the Company, to it at:

Processa Pharmaceuticals, Inc.
7380 Coca Cola Drive, Suite 106
Hanover, Maryland 21076
Attention: Wendy Guy

or such other address as it shall have specified to the Purchaser in writing, with a copy (which shall not constitute notice) to:

Foley & Lardner LLP
One Independent Drive, Suite 1300
Jacksonville, Florida 32202
Attention: Michael Kirwan, Esq.

And, if such notice is being made prior to the Closing Date, with a copy to:

Boustead Securities, LLC
6 Venture, Suite 325
Irvine, California 92618
Attention: Peter Conley

(b) if to a Purchaser, to it at its address set forth on the signature page to this Agreement, or such other address as it shall have specified to the Company in writing.

(3) This Agreement shall not confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns.

(4) Failure of the Company to exercise any right or remedy under this Agreement or any other agreement among the Company and the Purchaser, or otherwise, or delay by the Company in exercising such right or remedy, will not operate as a waiver thereof. No waiver by the Company will be effective unless and until it is in writing and signed by the Company.

(5) This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of Delaware, and shall be binding upon the Purchaser, the Purchaser's heirs, estate, legal representatives, successors and assigns and shall inure to the benefit of the Company, its successors and assigns. The Company and each Purchaser hereby agree to submit to the jurisdiction of the courts of the State of Maryland with respect to any proceeding arising out of or relating to this Agreement, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(6) If any provision of this Agreement is held to be invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed modified to conform

with such statute or rule of law. Any provision hereof that may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provisions hereof.

(7) The parties understand and agree that, unless provided otherwise herein, money damages would not be a sufficient remedy for any breach of the Agreement by the Company or the Purchaser and that the party against which such breach is committed shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedies shall not, unless provided otherwise herein, be deemed to be the exclusive remedies for a breach by either party of the Agreement but shall be in addition to all other remedies available at law or equity to the party against which such breach is committed.

(8) The obligations of each Purchaser under this Agreement are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser hereunder, except as may result from the actions of any such Purchaser other than through the execution hereof. Nothing contained herein solely by virtue of being contained herein shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any similar entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated hereby.

(9) This Agreement, together with the agreements and documents executed and delivered in connection with this Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

(10) This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(11) The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(12) This Agreement and the other Offering Documents (including any schedules and exhibits hereto and thereto) supersede all other prior oral or written agreements between the Purchaser, the Company, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and other Offering Documents (including any schedules and exhibits hereto and thereto) and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any Purchaser makes any representation, warranty, covenant or undertaking with respect to such matters.

(13) No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Purchasers holding or being obligated to purchase at least a majority of the Securities. No consideration shall be offered or paid to any Purchaser to amend or consent to a waiver or modification of any provision of any Offering Document unless

the same consideration is also offered to all Purchasers who then hold the Securities. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

(14) No Purchaser may assign any of its rights under this Agreement.

(15) The representations and warranties of the parties contained herein or in any other agreements or documents executed in connection herewith shall survive the Closing.

(16) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

[Signature Pages to Follow]

SIGNATURE PAGE

The Purchaser hereby agrees to purchase the amount of Common Stock and Warrants in exchange for the Investment Amount, as set forth below, and agrees to be bound by the terms and conditions of this Agreement.

PURCHASER

1. Investment Amount: $_____

2. Number of Shares of Common Stock Purchased: _____ (this amount equals the Investment Amount divided by the Purchase Price)

3. Number of Warrants Purchased: _____ (this amount equals the Investment Amount divided by the Purchase Price)

_____
Signature of Purchaser
(and title, if applicable)

_____
Signature of Joint Purchaser
(if any)

_____
Taxpayer Identification or Social Security Number

_____
Taxpayer Identification or Social Security Number of Joint Purchaser (if any)

_____
Name (please print as name will appear on Common Stock)

_____
Number and Street

_____
City, State Zip Code

Are you an officer, director or 10% owner of the Common Stock of Processa Pharmaceuticals, Inc.? (Y/N): _____

ACCEPTED BY:

PROCESSA PHARMACEUTICALS, INC.

By: _____
Name: David Young
Title: Chief Executive Officer

Exhibit A

Term Sheet

Exhibit B

Form of Warrant

Exhibit C

Subscription Agreement

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

COMMON STOCK PURCHASE WARRANT

PROCESSA PHARMACEUTICALS, INC.

Warrant Shares: [_____]

Initial Exercise Date: November 15, 2018
Issue Date: May 15, 2018

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [ ] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the Initial Exercise Date and on or prior to 5:00 p.m. New York time on June 29, 2021 (the "Termination Date") but not thereafter, to subscribe for and purchase from Processa Pharmaceuticals, Inc., a Delaware corporation (the "Company"), up to [_____] shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Securities Purchase Agreement"), dated as of May 15, 2018, among the Company and the holders signatory thereto.

Section 2. Exercise.

(a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise in the form annexed hereto. Within two (2) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within two (2) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

(b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be **$2.724**, subject to adjustment hereunder (the "Exercise Price").

(c) Cashless Exercise. If, after the six month anniversary of the Initial Exercise Date, at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B)*(X)] by (A), where:

(A) = the last VWAP immediately preceding the date of delivery of the Notice of Exercise giving rise to the applicable "cashless exercise," as set forth in the applicable Notice of Exercise (to clarify, the "last VWAP" will be the last VWAP as calculated over an entire Trading Day such that, in the event that this Warrant is exercised at a time that the Trading Market is open, the prior Trading Day's VWAP shall be used in this calculation);

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 2(c). For avoidance of doubt, no "cashless exercise" under this Section 2(c) may occur (i) during the first six months following the Initial Exercise Date or (ii) after the six months following the Initial Exercise Date if there is not an effective registration statement registering the issuance of the Warrant Shares to the Holder.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:00 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

(d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) this Warrant is being exercised via "cashless exercise", and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is two (2) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date").The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(v) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price.

v. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vi. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

(e) Call Provision. If at any time prior to the expiration of, or the exercise by the Holder of this Warrant the closing price (as reported by the OTC Markets or a Trading Market, if listed) of Company's Common Stock is equal to 200% or more than the Exercise Price for twenty (20) consecutive Trading Days (the "Trading Price Condition"), the Company shall have the right to call, redeem and cancel this Warrant on the tenth day after written notice by the Company to the Holder and payment to the Holder in cash of $0.0001 per Warrant Share. To effectively exercise this call provision, such written notice of intent to exercise the call provision under this Section 2(e) must be provided by the Company no later than the close of business on the second Trading Day following satisfaction of the Trading Price Condition. The Holder may exercise this Warrant on a cash basis (or cashless basis if there is not an effective registration statement registering the issuance of the Warrant Shares to the Holder) after written notice by the Company, but before the tenth day after such written notice, which exercise shall nullify the Company's right to call, redeem and cancel this Warrant. Failure by the Company to provide timely notice shall preclude the Company from exercising this call provision with respect to the satisfaction of the Trading Price Condition over that twenty (20) consecutive Trading Day period but shall not preclude the Company from exercising this call provision with respect to satisfaction of the Trading Price Condition over any other subsequent twenty (20) consecutive Trading Days. The Company may not call, redeem or cancel any portion of this Warrant that may not be exercised during the ten (10) day notification period pursuant to the restrictions on exercise in Section 2(a).

Section 3. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(c) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number of email address as it shall appear upon the Warrant Register of the Company, (unless such notice is filed with the Commission, which in such case, no additional notice is required to be provided to the Holder), at least 10 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

(a) Transferability. This Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within two (2) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

(d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Securities Purchase Agreement.

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

(g) Non-waiver. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Securities Purchase Agreement.

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

(k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

(l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

(m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

PROCESSA PHARMACEUTICALS, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: PROCESSA PHARMACEUTICALS, INC.

1. The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

2. Payment shall take the form of (check applicable box):

   [ ] in lawful money of the United States; or

   [ ] if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

3. Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:

(Please Print)

Address:

(Please Print)

Dated: _____ __, _____

Holder's Signature: _____

Holder's Address: _____

_____

Exhibit 31.1

CERTIFICATIONS

I, David Young, Chief Executive Officer and Acting Chief Financial Officer of PROCESSA PHARMACEUTICALS, INC. certify that:

1. I have reviewed this quarterly report on Form 10-Q of PROCESSA PHARMACEUTICALS, 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. I am 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 Rules13a-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.

5. 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 registrant's board of directors (or persons performing 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 21, 2018
By: */s/ David Young*
David Young
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer, Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

Written Statement of the Chief Executive and Financial Officer Pursuant to 18 U.S.C. §1350

Solely for the purposes of complying with 18 U.S.C. §1350, I, the undersigned Chief Executive Officer and Acting Chief Financial Officer of PROCESSA PHARMACEUTICALS, INC. (the "Company"), hereby certify, to the best of my knowledge, that the quarterly report on Form 10-Q of the Company for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished solely to accompany this Report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date:May 21, 2018
By: */s/ David Young*

David Young
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer, Principal Financial Officer and
Principal Accounting Officer)