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

FORM 10-Q

(Mark one)

☒ **Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2017

Or

☐ **Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-36351

PLx Pharma Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-4995704**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
8285 El Rio Street, Ste. 130 Houston, Texas	**77054**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(713) 842-1249**

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

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

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 ☐ (Do not check if a small reporting company) Smaller reporting company ☒

Emerging Growth Company ☒

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

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

As of November 3, 2017, there were 8,721,691 shares of common stock, $0.001 par value, issued and outstanding.

PLx Pharma Inc.

Table of Contents

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q and certain information incorporated herein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In this quarterly report, we refer to PLx Pharma Inc., together with its subsidiaries, as the "Company," "we," "our" or "us." All statements other than statements of historical facts contained herein, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect" or the negative version of these words and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II Item 1A "Risk Factors." In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances included herein may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to bring Aspertec 81 mg and 325 mg to market-readiness;
- our ability to maintain regulatory approval of Aspertec 325 mg or obtain and maintain regulatory approval of Aspertec 81 mg and any future product candidates;
- the benefits of the use of Aspertec;
- the projected dollar amounts of future sales of established and novel gastrointestinal("GI")-safer technologies for non-steroidal anti-inflammatory drugs ("NSAIDs") and other analgesics;
- our ability to successfully commercialize our Aspertec products, or any future product candidates;
- the rate and degree of market acceptance of our Aspertec products or any future product candidates;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our ability to scale up manufacturing of our Aspertec products to commercial scale;
- our ability to successfully build a specialty sales force and commercial infrastructure or collaborate with a firm that has these capabilities;
- our ability to compete with companies currently producing GI-safer technologies for NSAIDs and other analgesics;
- our reliance on third parties to conduct our clinical studies;
- our reliance on third-party contract manufacturers to manufacture and supply our product candidates for us;
- our reliance on our collaboration partners' performance over which we do not have control;
- our ability to retain and recruit key personnel, including development of a sales and marketing function;
- our ability to obtain and maintain intellectual property protection for our Aspertec products or any future product candidates;
- the actual receipt and timing of any milestone payments or royalties from our collaborators;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;

- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act");
- our ability to identify, develop, acquire and in-license new products and product candidates;
- our ability to successfully establish and successfully maintain appropriate collaborations and derive significant revenue from those collaborations;
- our financial performance; and
- developments and projections relating to our competitors or our industry.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Any forward-looking statement made by us in this quarterly report speaks only as of the date on which it is made. We disclaim any duty to update any of these forward-looking statements after the date of this quarterly report to confirm these statements to actual results or revised expectations.

Other risks may be described from time to time in our filings made under applicable securities laws. New risks emerge from time to time. It is not possible for our management to predict all risks. All forward-looking statements in this quarterly report speak only as of the date made and are based on our current beliefs and expectations. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NOTE REGARDING TRADEMARKS

We own various U.S. federal trademark registrations and applications and unregistered trademarks and service marks, including:

- Aspertec™; and
- PLxGuard™.

Solely for convenience, the trademarks and trade names in this quarterly report are sometimes referred to without the ™ symbol, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies, products or services.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

PLx Pharma Inc.

UNAUDITED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 30,438,464	$ 59,335
Accounts receivable, net	56,713	5,077
Inventory, net	372,533	116,726
Contract manufacturing deposit	247,050	-
Prepaid expenses	336,707	4,652
Security deposit	4,064	4,064
TOTAL CURRENT ASSETS	31,455,531	189,854
NON-CURRENT ASSETS		
Property and equipment, net	902,368	426,634
Intangible assets, net	2,296,429	-
Goodwill	2,061,022	-
Security deposit	56,630	-
TOTAL ASSETS	$ 36,771,980	$ 616,488
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,045,406	$ 862,995
Accrued severance	2,409,000	-
Accrued interest	51,563	64,781
Accrued interest – related parties	-	30,344
Convertible notes payable	-	1,297,700
Convertible notes payable – related parties	-	480,000
TOTAL CURRENT LIABILITIES	3,505,969	2,735,820
NON-CURRENT LIABILITIES		
Deferred revenue	200,000	200,000
Accrued interest, net of current portion	35,759	-
Term loan, net of discount and deferred issuance costs	6,868,143	-
Warrant liability	13,877,668	-
Security deposit	68,415	-
TOTAL LIABILITIES	24,555,954	2,935,820
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock; $0.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock; $0.001 par value; 100,000,000 shares authorized; 8,719,535 and 4,383,433 shares issued and outstanding, respectively	8,720	4,383
Additional paid-in capital	71,655,397	49,661,802
Accumulated deficit	(59,448,091)	(51,985,517)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	12,216,026	(2,319,332)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 36,771,980	$ 616,488

See accompanying notes to unaudited consolidated financial statements.

PLx Pharma Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
REVENUES:				
Federal grant	$ 62,259	$ -	$ 438,210	$ -
License revenue	-	-	-	20,000
TOTAL REVENUES	62,259	-	438,210	20,000
OPERATING EXPENSES:				
Research and development	958,255	12,496	1,712,890	65,537
General and administrative	3,021,290	1,041,142	8,263,019	3,343,458
TOTAL OPERATING EXPENSES	3,979,545	1,053,638	9,975,909	3,408,995
OPERATING LOSS	(3,917,286)	(1,053,638)	(9,537,699)	(3,388,995)
OTHER INCOME (EXPENSE)				
Interest income	33,600	166	48,082	544
Interest expense	(168,272)	(28,969)	(891,835)	(63,010)
Change in fair value of warrant liability	252,458	-	1,998,878	-
TOTAL OTHER INCOME (EXPENSE)	117,786	(28,803)	1,155,125	(62,466)
LOSS BEFORE INCOME TAX BENEFIT	(3,799,500)	(1,082,441)	(8,382,574)	(3,451,461)
Income tax benefit	-	-	920,000	-
NET LOSS	$ (3,799,500)	$ (1,082,441)	$ (7,462,574)	$ (3,451,461)
Net loss per common share - basic and diluted	$ (0.44)	$ (0.25)	$ (1.16)	$ (0.79)
Weighted average shares of common shares - basic and diluted	8,704,985	4,383,433	6,447,053	4,383,433

See accompanying notes to unaudited consolidated financial statements.

PLx Pharma Inc.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficit)
	Shares	Amount	Shares	Amount			
Balance at December 31, 2016	-	$ -	4,383,433	$ 4,383	$49,661,802	$ (51,985,517)	$ (2,319,332)
Stock-based compensation expense	-	-	30,000	30	1,348,280	-	1,348,310
Conversion of convertible debt	-	-	250,681	251	3,119,287	-	3,119,538
Effect of reverse merger	-	-	1,403,271	1,403	15,047,480	-	15,048,883
Offering of common stock and warrants	-	-	2,646,091	2,646	2,122,657	-	2,125,303
Common shares issued to vendor	-	-	6,059	7	37,493	-	37,500
Term loan proceeds allocated to warrants	-	-	-	-	318,398	-	318,398
Net loss	-	-	-	-	-	(7,462,574)	(7,462,574)
Balance at September 30, 2017	-	$ -	8,719,535	$ 8,720	$71,655,397	$ (59,448,091)	$ 12,216,026

See accompanying notes to unaudited consolidated financial statements.

PLx Pharma Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (7,462,574)	$ (3,451,461)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,226	3,728
Share-based compensation	1,348,310	1,803,766
Noncash interest expense	664,865	-
Change in fair value of warrant liability	(1,998,878)	-
Expenses allocated to warrant liability	1,302,995	-
Deferred tax benefit	(920,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(51,636)	(1,251)
Inventory	(255,806)	(116,726)
Contract manufacturing deposit	(247,050)	-
Prepaid expenses	(249,037)	13,794
Accounts payable and accrued liabilities	(10,064)	278,150
Accrued interest	173,230	41,961
Accrued interest - related parties	13,747	21,049
Security deposit liability	68,415	-
Net cash used in operating activities	(7,611,257)	(1,406,990)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(198,779)	-
Cash received in business combination	11,776,427	-
Net cash provided by investing activities	11,577,648	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible notes payable	460,000	1,047,700
Proceeds from issuance of convertible notes payable - related parties	108,300	455,000
Proceeds from Dipexium note	2,000,000	-
Proceeds from issuance of term loan and warrants, net of allocated issuance costs	7,145,584	-
Proceeds from equity offering, net of allocated issuance costs	16,698,854	-
Net cash provided by financing activities	26,412,738	1,502,700
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,379,129	95,710
Cash and cash equivalents, beginning of period	59,335	91,657
Cash and cash equivalents, end of period	$ 30,438,464	$ 187,367
SUPPLEMENTAL INFORMATION		
Cash paid during the period for:		
Income taxes	$ -	$ -
Interest	$ 39,531	$ -
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Accounts payable for purchases of property and equipment	$ 285,610	$ -
Value of common shares issued to vendors for services	$ 37,500	$ -
Equity offering proceeds allocated to warrant liability	$ 15,876,546	$ -
Term loan proceeds allocated to warrants	$ 318,398	$ -
Issuance of common shares for business combination	$ 15,048,883	$ -
Issuance of common shares upon conversion of debt and accrued interest	$ 2,495,630	$ -

See accompanying notes to unaudited consolidated financial statements.

PLx Pharma Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1. BACKGROUND AND ORGANIZATION

Business Operations
PLx Pharma Inc., together with its subsidiaries PLx Opco Inc. and PLx Chile SpA, is a late stage startup specialty pharmaceutical company focusing initially on commercializing two patent-protected lead products: Aspertec™ 325 mg and Aspertec™ 81 mg (referred to together as "Aspertec"). Aspertec 325 mg is approved by the U.S. Food and Drug Administration ("FDA") for over-the-counter distribution and is the first ever liquid filled aspirin capsule.

PLx Chile SpA was formed on September 12, 2011 as a wholly-owned subsidiary of PLx Opco Inc.

Organization, Reincorporation, and Merger with Dipexium Pharmaceuticals, Inc.
PLx Opco Inc., which was known as PLx Pharma Inc. immediately prior to the Merger described below, was originally incorporated in the State of Texas on November 12, 2002 under the name of ZT MediTech, Inc. ("ZTM"). In December 2002, ZTM changed its name to GrassRoots Pharmaceuticals, Inc. ("GrassRoots"). Business commenced upon initial capitalization on December 4, 2002. In March 2003, GrassRoots changed its name to PLx Pharma Inc. ("PLx Texas").

On December 31, 2013, PLx Texas converted pursuant to a Plan of Conversion from a Texas corporation to a Texas limited liability company and changed its name to PLx Pharma LLC ("PLx LLC"). Concurrently, PLx LLC changed its tax structure for U.S. federal and state income tax from a C Corporation to a partnership, and adopted a new Limited Liability Company Agreement for operations of the entity. Pursuant to the conversion, shares of common and preferred stock of PLx Texas were exchanged for an equivalent number of common and preferred member units in PLx LLC. The various classes of preferred stock and their associated rights, principally relating to distributions and liquidation values but excluding conversion features, were retained in each of the preferred member units in the exchange.

On July 21, 2015, PLx LLC's members voted to approve a Plan of Conversion whereby PLx LLC re-incorporated into a Delaware corporation, renamed PLx Pharma Inc. ("Old PLx" and such conversion, the "Reincorporation"), effective July 27, 2015. In conjunction with the Reincorporation, each Preferred Unit was converted on a one for two-sevenths basis into 5,013,690 shares of common stock. Additionally, each Common Unit was converted on a one for one-fourteenth basis into 302,937 shares of common stock. In connection with the Reincorporation, the $800,000 of notes executed in early 2015 plus accrued interest of $53,187 and the 1,313,840 Incentive Units issued in conjunction with the notes were exchanged for 249,196 shares of common stock. The note exchange was accounted for as an extinguishment of debt with the fair market value of the common stock issued treated as an increase to common equity and an associated loss on extinguishment of debt of $1,588,937 recorded in July 2015. Finally, all the remaining Incentive Units outstanding were cancelled in conjunction with the Reincorporation.

On December 22, 2016, Old PLx entered into an Agreement and Plan of Merger and Reorganization among Old PLx, Dipexium Pharmaceuticals, Inc. ("Dipexium") and Dipexium AcquireCo. (the "Merger"). The Merger closed on April 19, 2017. Pursuant to the terms of the Merger and after the consummation of the Merger, Old PLx was renamed PLx Opco Inc. and became a wholly-owned subsidiary of Dipexium, and Dipexium was renamed PLx Pharma Inc. and became the continuing registrant and reporting company. Immediately after the Merger, Old PLx 's former shareholders owned a majority of the voting common stock of the combined company and controlled the combined company's board of directors, and Old PLx's officers became the officers of the combined company. The combined company, renamed as PLx Pharma Inc., together with its subsidiaries PLx Opco Inc. and PLx Chile SpA, is referred to herein as the "Company." The Merger was accounted for as a reverse acquisition business combination and Old PLx's historical consolidated financial statements have replaced Dipexium's historical consolidated financial statements with respect to periods prior to the completion of the Merger. See Note 4. Unless otherwise indicated, with respect to any period of time prior to the completion of the Merger, references to the "Company," "we," "our" or "us" refer to Old PLx and not Dipexium.

NOTE 2. LIQUIDITY AND GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities in the ordinary course of business. The propriety of using the going-concern basis is dependent upon, among other things, the achievement of future profitable operations, the ability to generate sufficient cash from operations and potential other funding sources, in addition to cash on hand, to meet our obligations as they become due. Based on our expected operating cash requirements and capital expenditures, we believe the Company's cash on hand at September 30, 2017, including the cash resources obtained (i) in the Merger, (ii) from the equity financing completed in June 2017 and (iii) from the debt financing completed in August 2017, is adequate to fund operations for at least twelve months from the date that these financial statements were issued.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

The accompanying interim consolidated financial statements are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 previously filed with the SEC on a current report on Form 8-K dated May 5, 2017. In the opinion of management, the unaudited interim consolidated financial statements reflect all the adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of September 30, 2017 and the results of operations for the nine and three months ended September 30, 2017 and 2016. The interim consolidated results of operations are not necessarily indicative of the results that may occur for the full fiscal year. The December 31, 2016 consolidated balance sheet included herein was derived from the audited consolidated financial statements, but does not include all disclosures, including notes, required by GAAP for complete financial statements.

The accompanying consolidated financial statements include the accounts of PLx Pharma Inc. and its direct and indirect wholly-owned subsidiaries, PLx Opco Inc. and PLx Chile SpA. All significant intercompany balances and transactions have been eliminated within the consolidated financial statements. The Company operates in one business segment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying consolidated financial statements, estimates are used for, but not limited to, determining the fair value of tangible and intangible assets and liabilities acquired in business combinations, the fair value of warrant liabilities, share-based compensation, our allowance for inventory obsolescence, our allowance for doubtful accounts, contingent liabilities, the fair value and depreciable lives of long-lived assets, and deferred taxes and the associated valuation allowance. Actual results could differ from those estimates.

Foreign Currency

The functional currency of PLx Chile SpA has been designated as the U.S. dollar. Foreign currency transaction gains and losses, excluding gains and losses on intercompany balances where there is no current intent to settle such amounts in the foreseeable future, are included in the determination of net loss. Unless otherwise noted, all references to "$" or "dollar" refer to the U.S. dollar.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash and cash equivalents in a financial institution that at times exceeds federally insured limits. Management believes that the Company's credit risk exposure is mitigated by the financial strength of the banking institution in which the deposits are held. As of September 30, 2017, the Company had cash and cash equivalents of approximately $30.4 million in U.S. bank accounts which were not fully insured by the Federal Deposit Insurance Corporation.

Allowance for Uncollectible Accounts Receivable

An allowance for uncollectible accounts receivable is estimated based on historical experience, credit quality, age of the accounts receivable balances, and economic conditions that may affect a customer's ability to pay. The allowance for uncollectible accounts receivable was zero as of September 30, 2017 and December 31, 2016, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value, using the average cost method. Inventory as of September 30, 2017 and December 31, 2016 was comprised of raw materials for the manufacture of Aspertec. The Company regularly reviews inventory quantities on hand and assesses the need for an allowance for obsolescence. The allowance for obsolete inventory was zero as of September 30, 2017 and December 31, 2016, respectively.

Fair Value of Financial Instruments
All financial instruments classified as current assets and liabilities are carried at cost, which approximates fair value, because of the short-term maturities of those instruments. The fair value of the noncurrent term loan approximates its face value of $7,500,000 based on the Company's current financial condition and on the variable nature of the term loan's interest feature as compared to current rates. For disclosures concerning fair value measurements, see Note 8.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation. The Company capitalizes additions that have a tangible future economic life. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to operations as incurred. Depreciation expense is computed using the straight-line method over the estimated useful lives of each class of depreciable assets. Management reviews property and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value.

Intangible Assets and Goodwill
Intangible assets were acquired as part of the Merger and consist of definite-lived trademarks with an estimated useful life of seven years, an indefinite-lived intangible asset for acquired in-process research and development ("IPR&D") and goodwill (see Note 4).

Management evaluates indefinite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, and at least on an annual basis on October 31 of each year, by comparing the fair value of the asset to its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss would be recognized in the amount of such excess.

Goodwill is not amortized, but is subject to periodic review for impairment. Goodwill is reviewed annually, as of October 31, and whenever events or changes in circumstances indicate that the carrying amount of the goodwill might not be recoverable. Management performs its review of goodwill on its one reporting unit.

As described further below in this Note 3, the Company adopted Accounting Standards Update 2017-04, Intangibles-Goodwill and Other - Simplifying the Test for Goodwill Impairment, effective January 1, 2017. The adoption resulted in an update to the Company's accounting policy for goodwill impairment. The Company performs a one-step test in its evaluation of the carrying value of goodwill, if qualitative factors determine it is necessary to complete a goodwill impairment test. In the evaluation, the fair value of the relevant reporting unit is determined and compared to the carrying value. If the fair value is greater than the carrying value, then the carrying value is deemed to be recoverable, and no further action is required. If the fair value estimate is less than the carrying value, goodwill is considered impaired for the amount by which the carrying amount exceeds the reporting unit's fair value, and a charge is reported in impairment of goodwill in our consolidated statements of operations.

Revenue Recognition
The Company recognizes revenues when persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the purchase price is fixed or determinable and collectability is reasonably assured.

The Company's revenue in 2017 and 2016 was generated pursuant to cost reimbursement-based federal grants. For these grants, revenues are based on internal and subcontractor costs incurred that are specifically covered under reimbursement arrangements, and where applicable, an additional facilities and administrative rate that provides funding for overhead expenses. These revenues are recognized as grant-related expenses are incurred by the Company or its subcontractors. The grant agreements with federal government agencies generally provide that, upon completion of a technology development program, the funding agency is granted a royalty-free license to use any technology developed during the course of the program for its own purposes, but not any preexisting technology that the Company uses in connection with the program. The Company retains all other rights to use, develop, and commercialize the technology.

Joint development revenue is recognized when the related expenditure is made under the reimbursement provisions of the sponsored research agreement or activities under a patent license agreement. License revenue is recognized on a straight-line basis during the license period.

Research and Development Expenses
Costs incurred in connection with research and development activities are expensed as incurred. Research and development expenses consist of direct and indirect costs associated with specific projects and include fees paid to various entities that perform research related services for the Company.

Share-Based Compensation
The Company recognizes expense in our consolidated statements of operations for the fair value of all share-based compensation to key employees, nonemployee directors and advisors, generally in the form of stock options and stock awards. The Company uses the Black-Scholes option valuation model to estimate the fair value of stock options on the grant date. Compensation cost is amortized on a straight-line basis over the vesting period for each respective award. The Company adopted new accounting guidance, effective January 1, 2017, with respect to share-based compensation and related income tax aspects, and now accounts for forfeitures as they occur rather than using an estimated forfeiture rate. The adoption did not have a material impact on the consolidated financial statements.

Income Taxes
Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Tax benefits are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially, and subsequently, measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts.

The Company is no longer subject to U.S. Federal or state examinations by tax authorities for years ending before December 31, 2011.

Reverse Stock Split
The Board of Directors approved a 1-for-8 reverse stock split of the Company's common stock effective April 19, 2017. Stockholders' equity and all references to share and per share amounts in the accompanying consolidated financial statements have been retroactively adjusted to reflect the reverse stock split for all periods presented.

Loss per share
Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common shares underlying common stock options and stock purchase warrants using the treasury stock method, and convertible notes using the if-converted method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all potential dilutive common shares is anti-dilutive. The number of anti-dilutive shares, consisting of common shares underlying (i) common stock options, (ii) stock purchase warrants, and (iii) prior to the Merger closing in April 2017, convertible notes exercisable for or exchangeable into common stock, which have been excluded from the computation of diluted loss per share, was 3,826,302 shares and 1,040,619 shares as of September 30, 2017 and 2016, respectively.

Recent Accounting Developments
Recently Adopted Guidance
In March 2016, the FASB issued guidance simplifying the accounting for, and financial statement disclosure of, share-based compensation awards. Under the guidance, all excess tax benefits and tax deficiencies related to stock-based compensation awards are to be recognized as income tax expenses or benefits in the income statement, and excess tax benefits should be classified along with other income tax cash flows in the operating activities section of the statement of cash flows. Under the guidance, companies can also elect to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. In addition, the guidance amends some of the other share-based compensation awards guidance to more clearly articulate the requirements and cash flow presentation for withholding shares for tax-withholding purposes. The guidance is effective for reporting periods beginning after December 15, 2016, and early adoption is permitted, though all amendments to U.S. GAAP in the guidance must be adopted in the same period. The adoption of certain amendments in the guidance must be applied prospectively, and adoption of the remaining amendments must be applied either on a modified retrospective basis or retrospectively to all periods presented. The Company adopted this guidance effective January 1, 2017 and elected to account for forfeitures as they occur. The adoption did not have a material impact on the consolidated financial statements.

In July 2015, the FASB issued guidance for the accounting for inventory. One of the main provisions of this guidance update is that an entity should measure inventory within the scope of this update at the lower of cost and net realizable value, except when inventory is measured using LIFO or the retail inventory method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. In addition, the FASB has amended some of the other guidance in Topic 330 to more clearly articulate the requirements for the measurement and disclosure of inventory. The amendments to U.S. GAAP in this update for public business entities are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company adopted this guidance effective January 1, 2017 and it did not have a material impact on the consolidated financial statements.

In November 2015, the FASB issued accounting guidance to simplify the presentation of deferred taxes. Previously, U.S. GAAP required an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts. Under this guidance, deferred tax liabilities and assets will be classified as noncurrent amounts. The standard is effective for reporting periods beginning after December 15, 2016. The Company adopted this guidance effective January 1, 2017 and it did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued accounting guidance simplifying the test for goodwill impairment. The new guidance eliminates Step 2 from the goodwill impairment test. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This update is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this standard effective April 1, 2017, and its updated accounting policy for goodwill impairment is described above in this Note 3. While the adoption of this accounting guidance may have a material impact in determining the results of future goodwill impairment tests and therefore impact the consolidated financial statements, there was no impact of the adoption during the nine months ended September 30, 2017.

Unadopted Guidance

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginning after December 15, 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying performance obligations and the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding SEC paragraphs related to revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the FASB also issued guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts and contract modifications at transition, with the same effective date. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements. Because the Company does not have existing significant revenue arrangements, management believes the impact of adoption will not be material to its consolidated financial statements.

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities related to long-term leases on the balance sheet, and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. The guidance must be adopted on a modified retrospective basis, and provides for certain practical expedients. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements.

In June 2016, the FASB issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The guidance must be adopted on a retrospective basis and must be applied to all periods presented, but may be applied prospectively if retrospective application would be impracticable. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements.

The Company does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying consolidated financial statements.

NOTE 4. REVERSE MERGER BUSINESS COMBINATION

On December 22, 2016, the Company entered into an Agreement and Plan of Merger and Reorganization among Old PLx, Dipexium and Dipexium AcquireCo. The Merger closed on April 19, 2017. Pursuant to the terms of the Merger and after the consummation of the Merger, Old PLx was renamed PLx Opco Inc. and became a wholly-owned subsidiary of Dipexium, and Dipexium (renamed PLx Pharma Inc.) became the continuing registrant and reporting company. Immediately after the Merger, Old PLx 's former shareholders owned a majority of the voting common stock of the combined company and controlled the combined company's board of directors, and Old PLx's officers became the officers of the combined company. The combined company, renamed as PLx Pharma Inc., together with its subsidiaries PLx Opco Inc. and PLx Chile SpA, is referred to herein as the "Company." The business purposes of the Merger included, among other purposes, obtaining the following potential advantages: (i) the combined organization's resources would be immediately available to allow commencement of manufacturing and pre-commercialization activities for Aspertec; and (ii) the public company status of Dipexium would allow the Company greater potential access to additional capital.

The Company accounted for the Merger as a reverse merger business combination using the purchase method of accounting. Because the Merger qualifies as a reverse acquisition and given that Old PLx was a private company at the time of the Merger and therefore its value was not readily determinable, the fair value of the Merger consideration was deemed to be equal to the quoted market capitalization of Dipexium at the Merger date, reduced by the effective settlement of pre-existing debt between Old PLx and Dipexium. Total purchase consideration is as follows:

Dipexium market capitalization at closing	$	15,048,883
Effective settlement of pre-existing debt		(2,045,151)
Total purchase consideration	$	13,003,732

The Company recorded all tangible and intangible assets acquired and liabilities assumed at their preliminary estimated fair values on the Merger date. The following represents the allocation of the estimated purchase consideration:

Fair value of purchase consideration	$	13,003,732
Fair value of tangible assets acquired:		
Cash	$	11,776,427
Prepaid expenses		139,648
Fair value of identifiable intangible assets acquired:		
Trademarks		100,000
In-process research and development		2,200,000
Goodwill		2,061,022
Deferred tax liabilities, net		(920,000)
Fair value of liabilities assumed		(2,353,365)
	$	13,003,732

The estimated fair value of the acquired trademarks was determined using a cost approach. The estimated fair value of the acquired in-process research and development was determined using an income approach.

The Company is in the process of obtaining, from third-party valuation experts, input regarding its tangible and intangible assets and other information necessary to measure the fair value of the assets acquired and liabilities assumed; therefore, the provisional measurements of the fair value of intangible assets acquired and liabilities assumed are subject to change, which change could be significant. The Company will finalize the amounts recognized as it obtains the information necessary to complete the analyses. The Company expects to finalize these amounts as soon as possible but no later than one year from the acquisition date.

The Company received carryover tax basis in the acquired assets and liabilities and no tax basis in the intangible assets (including goodwill) established on the Merger date. Goodwill, primarily related to expected synergies gained from combining operations, sales growth from future product offerings and customers, together with certain intangible assets that do not qualify for separate recognition, including assembled workforce, is not tax deductible. The Company anticipates that the deferred tax liability associated with the book/tax basis difference in the acquired IPR&D is expected to reverse prior to the expiration of its other tax attributes. The Company recognized net deferred tax liabilities of $920,000 related to the book/tax basis differences in the acquired intangible assets. This acquired net deferred tax liability in the U.S. taxing jurisdiction resulted in an income tax benefit related to a reduction in the Company's previously established valuation allowance (which reduction is accounted for outside of purchase accounting).

Pro forma disclosures

The following unaudited pro forma financial information summarizes the results of operations for the nine months ended September 30, 2017 and 2016 as if the Merger had been completed as of January 1, 2016. Pro forma information primarily reflects adjustments relating to (i) conversion of convertible notes and elimination of associated interest expense and (ii) the amortization of intangibles acquired. The pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of January 1, 2016 or that may be obtained in the future.

Unaudited pro forma results	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenues	$ 438,210	$ 20,000
Net loss	$ (8,896,345)	$ (19,255,585)
Net loss per share	$ (1.25)	$ (3.19)

NOTE 5. DEBT

Term Loan Facility

On August 9, 2017, the Company entered a Loan and Security Agreement with Silicon Valley Bank ("SVB") that provides for a Term Loan Facility (the "Term Loan Facility" and all amounts borrowed thereunder, the "Term Loan"). Under the Term Loan Facility, the Company borrowed an initial amount of $7.5 million, and will have the right to borrow an additional $7.5 million on or before December 31, 2018, provided that the Company first obtains (a) net new capital of not less than $20,000,000 and (ii) FDA approval for the 81 mg formulation of Aspertec, the Company's lead product.

The Term Loan Facility carries interest at a floating rate of 4.0% above the prime rate per annum (8.25% at September 30, 2017), with interest payable monthly. The monthly payments will consist of interest-only for the first 18 months, after which the Term Loans will be payable in 24 equal monthly installments of principal, plus accrued interest. All outstanding principal and accrued and unpaid interest under the Term Loan will be due and payable on February 1, 2021. Once repaid, the Term Loan may not be reborrowed.

The Company may elect to prepay the Term Loan Facility prior to the maturity date subject to a prepayment fee equal to 3.0% of the then outstanding principal balance if the prepayment occurs within one year of the funding date, 2.0% of the then outstanding principal balance if the prepayment occurs during the second year following the funding date, and 1.0% of the then outstanding principal balance if the prepayment occurs after the second anniversary of the funding date. The Term Loan Facility includes a final payment fee equal to 8.0% of the term loan commitment. The final payment fee is being accrued using the effective interest method over the period of the Term Loan Facility.

The Term Loan Facility is collateralized by substantially all of the Company's assets, including the Company's intellectual property. The Term Loan Facility also contains certain restrictive covenants that limit the Company's ability to incur additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements or enter into various specified transactions, as well as financial reporting requirements. The Term Loan Facility contains customary events of default, including bankruptcy, the failure to make payments when due, the occurrence of a material impairment on the lenders' security interest over the collateral, and a material adverse change. Upon the occurrence of an event of default, subject to any specified cure periods, all amounts owed by the Company would begin to bear interest at a rate that is 5.00% above the rate effective immediately before the event of default, and may be declared immediately due and payable by SVB.

In connection with entry into the Term Loan Facility, the Company issued to SVB and one of its affiliates, stock purchase warrants to purchase an aggregate of 58,502 shares of the Company's common stock at an exercise price of $6.41 per share (the "Warrants"). The Warrants are immediately exercisable, have a 10-year term, contain a cashless exercise provision, and are classified in equity. The relative fair value of the warrants, net of issuance costs, was $318,398.

As of September 30, 2017, the $7.5 million face value of the Term Loan was presented in the accompanying unaudited consolidated balance sheet net of unamortized discounts and issuance costs of $631,857.

Convertible Notes Payable and Convertible Notes Payable – Related Parties
During 2016 and during the 2017 period prior to the Merger, the Company borrowed $2,346,000 from a number of lenders in increments ranging from $5,000 to $250,000, including $588,300 from related parties. All notes accrued interest at 8% per annum with a maturity date of May 31, 2017. The notes provided for the conversion of principal and accrued interest at a fixed conversion price of $7.84 per share immediately prior to the Merger. The notes plus accrued interest converted into 250,681 shares of common stock of Old PLx immediately prior to the Merger. The Company recognized interest expense of $623,908 upon conversion relating to a contingent beneficial conversion feature.

Note Payable
On January 6, 2017, and pursuant to the Merger agreement with Dipexium, the Company borrowed $2 million from Dipexium. The loan accrued interest on all outstanding principal at a rate of 8% per annum and had as a maturity date the later of (a) October 15, 2017, or (b) the date that would have been 270 days following the termination of the Merger Agreement, subject to acceleration in the event that the Merger Agreement had been terminated by Dipexium under certain conditions. The loan was secured by a first priority perfected security interest in, and lien on, all right, title and interest of Old PLx in and to substantially all of its assets. Upon the occurrence of certain events that would have resulted in a termination of the Merger agreement, any security interest created by the promissory note would have ceased to be effective. However, as the Merger closed on April 19, 2017, those provisions are no longer applicable and the applicable security interest has been terminated. The note payable and related accrued interest were effectively settled with the Merger (see Note 4) and subsequent to the Merger closing were eliminated in consolidation.

Total interest expense recognized on the various debt arrangements for the nine months ended September 30, 2017 and 2016 was $891,835 and $63,010, respectively. Total interest expense for the three months ended September 30, 2017 and 2016 was $168,272 and $28,969, respectively.

NOTE 6. STOCKHOLDERS' EQUITY

Equity Financing
On June 14, 2017, the Company completed a concurrent public offering of common stock and private placement of stock purchase warrants to investors, issuing (i) 2,646,091 shares of common stock in the public offering at $6.875 per share and (ii) stock purchase warrants to purchase 2,646,091 shares of common stock at an exercise price of $7.50 per share in the private placement, generating total gross proceeds of approximately $18.2 million. The warrants, exercisable beginning six months and one day after issuance, have a 10-year term and are liability classified due to certain cash settlement provisions.

Stock Options
Following is a summary of option activities for the nine months ended September 30, 2017:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2016	691,374	$ 12.44	8.62	$ -
Granted	238,372	$ 6.81		
Options from Dipexium	191,963	$ 57.94		
Cancelled	-			
Outstanding, September 30, 2017	1,121,709	$ 19.03	8.02	$ 9,555
Exercisable, September 30, 2017	888,124	$ 21.71	7.73	$ -

The Company grants options to employees, directors, advisors, and consultants from two current plans – the Old PLx Omnibus Stock Option Plan and the Dipexium 2013 Equity Incentive Plan. On April 19, 2017, the Company completed the Merger with Dipexium and Dipexium had 191,963 fully vested options outstanding as of the date of the Merger that continue to be exercisable. At September 30, 2017, an aggregate of 287,903 shares of common stock remained available for grant under the two plans.

On May 12, 2016, the Company modified certain options previously issued to its executives. After the modification, options to purchase 118,134 common shares originally scheduled to vest on the closing date of a contemplated initial public offering instead vested on July 22, 2016. The modified options had an aggregate fair value of $948,117, which was calculated using the Black-Scholes model on the modification day. Variables used in the Black-Scholes model include: (1) discount rate of 1.24%, (2) expected life of 4.69 years, (3) expected volatility of 83.52%, and (4) zero expected dividends. The Company amortized the entire value during the second and third quarters of 2016.

During the nine months ended September 30, 2017, the Company granted total stock options to purchase a total of 238,372 common shares to employees at a weighted average strike price of $6.81 per share. The options had an aggregate fair value of approximately $1.1 million, which was calculated using the Black-Scholes model on the grant date. Variables used in the Black-Scholes model include: (1) discount rates of 1.2%-2.1%, (2) expected lives of 5.0 – 6.0 years, (3) expected volatility of approximately 75%-86%, and (4) zero expected dividends.

As of September 30, 2017, the Company had $1.5 million in unamortized expense related to unvested options which is expected to be expensed over a weighted average of 1.9 years.

The Company modified certain outstanding awards to a former officer upon his termination of employment, and recognized approximately $150,000 of expense in the third quarter 2017 related to such modification. The Company also recognized approximately $200,000 in the third quarter of 2017 related to an officer's bonus that was settled in shares of common stock.

During the third quarter of 2017, the Company granted 30,000 shares of fully vested stock with a value of approximately $200,000, to a director as a bonus.

During the nine months ended September 30, 2017 and 2016, the Company recorded $1,348,310 and $1,803,766, respectively, in total compensation expense related to the stock options and stock bonuses. During the three months ended September 30, 2017 and 2016, the Company recorded $942,040 and $571,289, respectively, in compensation expense related to the stock options and stock awards. Substantially all stock-based compensation expense is classified as general and administrative expenses in the accompanying consolidated statements of operations.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Company presently leases office space under operating lease agreements, expiring on December 31, 2017 and July 31, 2021, respectively. The office leases require the Company to pay for its portion of taxes, maintenance and insurance. Rental expense under these agreements was $129,879 and $43,391 for the nine months ended September 30, 2017 and 2016, respectively, and was $69,516 and $8,957 for the three months ended September 30, 2017 and 2016, respectively.

Future minimum obligations under non-cancelable operating leases with terms expiring in 2021 are:

2017	$	75,855
2018		238,243
2019		244,902
2020		251,751
2021		150,489
Total	$	961,240

Patent License Agreement with the Board of Regents of the University of Texas (NSAIDs)

On January 8, 2003, the Company entered into a patent license agreement with the Board of Regents of The University of Texas System, under which it acquired an exclusive license for several patents and patent applications both inside and outside of the United States relating to gastrointestinal safer formulations of nonsteroidal anti-inflammatory drugs ("NSAIDs"). Additionally, the Company acquired worldwide rights to commercialize licensed products which allow for the Company to grant sublicenses subject to royalty payments.

Under terms of the agreement, the Company is responsible for conducting clinical trials involving investigational use of a licensed product for the determination of metabolic and pharmacologic actions in humans, the side effects associated with increasing doses, examination of suspected indications, determination of the potential short-term side effects in humans and for establishing the safety, efficacy, labeled indications and risk-benefit profile in humans. The patent license agreement also requires the Company to provide reimbursement for all expenses incurred by The University of Texas Health Science Center at Houston for filing, prosecuting, enforcing and maintaining patent rights and requires an annual nonrefundable license management fee. In addition, the Company is obligated to pay certain milestone payments in future years relating to royalties resulting from the approval to sell licensed products and the resulting sales of such licensed products.

Development and Commercialization Agreement with Lee's Pharmaceutical Holdings Limited
In March 2012, the Company entered into a development and commercialization license agreement with Lee's Pharmaceutical Holdings Limited, Zhaoke Pharmaceutical (Heifei) Co. Ltd., and Zhaoke Pharmaceutical (Guangzhou) Co. Ltd. (collectively, "Lee's Pharmaceutical"). The Company granted to Lee's Pharmaceutical an exclusive royalty bearing license under licensed subject matter to commercialize marketed products using PL 2200 Aspirin technology within the People's Republic of China.

On June 19, 2015, the Company and Lee's Pharmaceutical entered into an amendment to the Development and Commercialization Agreement. Pursuant to the agreement, Lee's Pharmaceutical paid the Company a $200,000 non-refundable advance payment of royalties in July 2015, which is being deferred until minimum or commercial royalties are expected to begin. This amount is included as deferred revenue as of September 30, 2017 and December 31, 2016.

Master Services Agreement with Pharmaceutical Manufacturing Research Services, Inc.
In February 2017, the Company entered into a master services agreement with Pharmaceutical Manufacturing Research Services, Inc. ("PMRS"). Pursuant to the agreement, PMRS agreed to provide manufacturing and project management services related to Aspertec. The agreement has a term of five years and allows the Company and PMRS to contract multiple projects. The initial two projects are estimated to cost $2.1 million. In February 2017 and June 2017, the Company paid a total of $912,500 as two deposits for project initiation. As of September 30, 2017, the remaining unused deposit was $247,050.

Investor Relations Agreement
On March 21, 2017, the Company entered into an agreement with an investor relations firm. The agreement has a term of 15 months and the Company agreed to pay a fee of $11,250 in cash for the period from March 15, 2017 through April 30, 2017 and a monthly fee of $15,000 starting May 1, 2017. The $15,000 monthly fee is $7,500 payable in cash and $7,500 payable in the Company's common shares. The Company issued 6,059 common shares in the nine months ended September 30, 2017 as payment for services for May through September 2017.

Severance Obligations
Effective July 31, 2017, the Company entered into a separation agreement with its former Acting Chief Financial Officer. Pursuant to the agreement, the Company agreed to pay monthly severance payments of $12,500 for twelve months following the separation date. Accordingly, the Company expensed $150,000 of severance related to this arrangement in the three and nine months ended September 30, 2017.

NOTE 8. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received in the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has categorized all investments recorded at fair value based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the reporting date.
- Level 2: Inputs other than quoted prices included in Level 1, which are either observable or that can be derived from or corroborated by observable data as of the reporting date.
- Level 3: Inputs include those that are significant to the fair value of the asset or liability and are generally less observable from objective resources and reflect the reporting entity's subjective determinations regarding the assumptions market participants would use in pricing the asset or liability.

Financial assets and liabilities measured at fair value on a recurring basis
The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the hierarchy.

The stock purchase warrants issued in June 2017 contain certain cash settlement features and, accordingly, the Company considered them to be liabilities and accounted for them at fair value using level 3 inputs. The Company determined the fair value of this warrant liability using a binomial asset pricing model that consisted of a conditional probability weighted expected return method that values the Company's equity securities assuming various possible future outcomes to estimate the allocation of value within one or more of the scenarios. Using this method, unobservable inputs included the Company's equity value, expected timing of possible outcomes, risk free interest rates and stock price volatility. The following table sets forth a summary of changes in the fair value of Level 3 liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2017:

Description	Balance at December 31, 2016	Established in 2017	Change in Fair Value	Balance at September 30, 2017
Warrant liability	$ -	$ 15,876,546	$ (1,998,878)	$ 13,877,668

The following table identifies the carrying amounts of such liabilities at September 30, 2017:

	Level 1	Level 2	Level 3	Total
Warrant liability	$ -	$ -	$ 13,877,668	$ 13,877,668
Balance at September 30, 2017	$ -	$ -	$ 13,877,668	$ 13,877,668

The Company had no financial assets or liabilities measured at fair value on a recurring basis as of December 31, 2016.

Financial assets and liabilities carried at fair value on a non-recurring basis
The Company does not have any financial assets or liabilities measured at fair value on a non-recurring basis.

Non-financial assets and liabilities carried at fair value on a recurring basis
The Company does not have any non-financial assets or liabilities measured at fair value on a recurring basis.

Non-financial assets and liabilities carried at fair value on a non-recurring basis
The Company measures its long-lived assets, including property and equipment and intangible assets (including goodwill), at fair value on a non-recurring basis when they are deemed to be impaired. No such impairment was recognized in the nine and three months ended September 30, 2017 and 2016.

See Note 4 for a discussion of the fair value of assets acquired and liabilities assumed in the Merger.

NOTE 9. SUBSEQUENT EVENTS

In October 2017, the Company granted 45,000 stock options to a member of senior management.

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

Statements in this Quarterly Report that are not strictly historical are forward-looking statements and include statements about products in development, results and analyses of pre-clinical studies, clinical trials and studies, research and development expenses, cash expenditures, and alliances and partnerships, among other matters. You can identify these forward-looking statements because they involve our expectations, intentions, beliefs, plans, projections, anticipations, or other characterizations of future events or circumstances. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ materially from those in the forward-looking statements as a result of any number of factors. These factors include, but are not limited to, risks relating to our ability to conduct and obtain successful results from ongoing clinical trials, commercialize our technology, obtain regulatory approval for our product candidates, contract with third parties to adequately test and manufacture our proposed therapeutic products, protect our intellectual property rights and obtain additional financing to continue our development efforts. Some of these factors are more fully discussed in the section of this Quarterly Report entitled "Risk Factors" and elsewhere herein. We do not undertake to update any of these forward-looking statements or to announce the results of any revisions to these forward-looking statements except as required by law.

We urge you to read this entire Quarterly Report on Form 10-Q, including the "Risk Factors" referenced under Item 1A, the financial statements, and related notes. As used in this Quarterly Report, unless the context otherwise requires, the words "we," "us," "our," "the Company" and "PLx Pharma" refers to PLx Pharma Inc. and its subsidiaries. The information contained herein is current as of the date of this Quarterly Report (September 30, 2017), unless another date is specified. We prepare our interim financial statements in accordance with U.S. GAAP. Our financials and results of operations for the three- and nine-month periods ended September 30, 2017 are not necessarily indicative of our prospective financial condition and results of operations for the pending full fiscal year ending December 31, 2017. The interim financial statements presented in this Quarterly Report as well as other information relating to the Company contained in this Quarterly Report should be read in conjunction and together with the reports, statements and information filed by us with the United States Securities and Exchange Commission, or SEC.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is provided in addition to the accompanying financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flows. Our MD&A is organized as follows:

- *Executive Overview* — Discussion of our business and overall analysis of financial and other highlights affecting the Company in order to provide context for the remainder of MD&A.
- *Trends & Outlook* — Discussion of what we view as the overall trends affecting our business and overall strategy.
- *Critical Accounting Policies* — Accounting policies that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- *Results of Operations* — Analysis of our financial results comparing the three- and nine-month periods ended September 30, 2017 to the comparable periods of 2016.
- *Liquidity and Capital Resources* — An analysis of cash flows and discussion of our financial condition and future liquidity needs.

Executive Overview

We are a late-stage specialty pharmaceutical company initially focused on developing our clinically validated and patent-protected PLxGuard delivery system to provide safer and more effective aspirin products. Our PLxGuard delivery system works by releasing active pharmaceutical ingredients into the duodenum, the first part of the small intestine immediately below the stomach, rather than in the stomach itself. We believe this improves the absorption of many drugs currently on the market or in development, and reduces acute gastrointestinal (GI) side effects — including erosions, ulcers and bleeding — associated with aspirin and ibuprofen, and potentially other drugs.

Our U.S. Food and Drug Administration, or FDA, approved lead product, Aspertec 325 mg, is a novel formulation of aspirin using the PLxGuard delivery system that is intended to significantly reduce acute GI side effects while providing superior antiplatelet effectiveness for cardiovascular disease prevention as compared with the current standard of care, enteric coated aspirin. Aspertec 325 mg (formerly PL2200 Aspirin 325 mg) was originally approved under the drug name aspirin, and the proprietary name 'Aspertec' was granted subsequent to the FDA approval. A companion 81 mg dose of the same novel formulation — Aspertec 81 mg — is in late-stage development and will be the subject of a supplemental New Drug Application, or sNDA, leveraging the already approved status of Aspertec 325 mg.

Our commercialization strategy will target both the over-the-counter, or OTC, and prescription markets, taking advantage of the existing OTC distribution channels for aspirin while leveraging the FDA approval of Aspertec 325 mg and expected approval for Aspertec 81 mg for OTC and prescription use when recommended by physicians for cardiovascular disease treatment and prevention. Given our clinical demonstration of better antiplatelet efficacy (as compared with enteric coated aspirin) and better acute GI safety, we intend to use a physician-directed sales force to inform physicians — and, by extension, consumers — about our product's clinical results in an effort to command both greater market share and a higher price for our superior aspirin product. Our product pipeline also includes other oral nonsteroidal anti-inflammatory drugs, or NSAIDs, using the PLxGuard delivery system that may be developed, including a clinical-stage, GI-safer ibuprofen — PL1200 Ibuprofen 200 mg — for pain and inflammation.

PLxGuard ™ Delivery System

Our PLxGuard delivery system uses surface acting lipids, such as phospholipids and free fatty acids, to modify the physiochemical properties of various drugs to selectively release these drugs to targeted portions of the GI tract. Unlike tablet or capsule polymer coating technologies (e.g., enteric coating), which rely solely on drug release based on pH differences in the GI tract, the PLxGuard delivery system uses the differential in pH and bile acid contents between the stomach and duodenum to target Aspertec's release. This approach is intended to more reliably release active pharmaceutical ingredients in the duodenum and decrease their exposure to the stomach, which is more susceptible to NSAID-induced bleeding and ulceration. The PLxGuard delivery system is a platform technology that we believe may be useful in improving the absorption of many acid labile, corrosive, and insoluble or impermeable drugs.

We believe our PLxGuard delivery system has the potential to improve many already-approved drugs and drugs in development because it may:

- enhance the efficacy of the drug using our technology;
- improve the GI safety of the drug;
- provide new or extended patent protection for an already-approved or development-stage drug: and
- utilize the 505(b)(2) New Drug Application, or NDA, regulatory path, which may provide a faster and lower-cost FDA approval route when used with already-approved drugs.

The PLxGuard delivery system has clinically proven these benefits with our novel formulations using aspirin and has clinical evidence supporting the potential for a GI-safer ibuprofen and preclinical evidence supporting the potential for a GI-safer oral diclofenac and intravenous indomethacin products. Other existing or new drugs in development that may benefit from the PLxGuard delivery system will be evaluated either by us or through collaboration agreements with other companies.

Product Pipeline

Our lead product, Aspertec 325 mg, has been approved by the FDA for OTC distribution and is the first-ever FDA-approved liquid filled aspirin capsule. All the clinical trials necessary for product launch have been completed. In clinical trials in diabetic patients at risk for cardiovascular disease, Aspertec 325 mg demonstrated better antiplatelet efficacy than enteric coated aspirin, which is the current standard of care for cardiovascular disease prevention and treatment. Aspertec 325 mg delivers faster antiplatelet efficacy than enteric coated aspirin with a median time to 99% inhibition of serum Thromboxane B2 of two hours compared with 48 hours for enteric coated aspirin. Serum Thromboxane B2 is a clinically accepted marker for antiplatelet efficacy, which is sometimes referred to as aspirin response.

Aspertec 325 mg provides more reliable, predictable and sustained antiplatelet benefits than enteric coated aspirin with a 3 – 5 times greater chance of a complete aspirin antiplatelet effect than enteric coated aspirin. Aspertec 325 mg has demonstrated a statistically significant 65% reduction in the risk of acute ulcers compared with immediate release aspirin in healthy subjects with an age associated risk for cardiovascular disease. This acute GI safety benefit may also be important for acute coronary syndrome, or ACS, patients. Moreover, we believe ACS patients who are also diabetics and suffer from gastroparesis, or a lack of digestive stomach motility, could also benefit from Aspertec due to its more predictable absorption when compared to enteric coated aspirin. The acute GI safety benefit may also be used to differentiate Aspertec 325 mg from products intended for use in conditions associated with pain and inflammation, including other aspirin and NSAID products.

Aspertec 81 mg is our lower-dose companion product for Aspertec 325 mg (the two dose forms are sometimes referred to in this report together as "Aspertec"). This product utilizes exactly the same formulation as the 325 mg product (except delivered in a capsule one quarter the size) and will be the subject of an sNDA, which we expect to submit to the FDA in the mid first half of 2018. We will rely on the clinical results of Aspertec 325 mg for the Aspertec 81 mg sNDA and do not anticipate any additional clinical trials will be required, effectively positioning this product as an end of Phase 3 status. We intend to begin selling both products by the end of 2018.

We also believe our technology may be used with other selected NSAIDs, such as ibuprofen. We have used the PLxGuard delivery system to create a lipid-based formulation of ibuprofen, PL1200 Ibuprofen 200 mg, for the OTC market, and PL1100 Ibuprofen 400 mg, for prescription doses of ibuprofen. We have OTC and prescription (Rx) Investigational New Drug applications, or INDs, active with the FDA and have demonstrated bioequivalence with the OTC 200 mg dose ibuprofen to support a 505(b)(2) NDA in fasted-state clinical trials at three different doses, 200 mg, 400 mg and 800 mg. Using the PL1200 capsules at prescription doses, we demonstrated better GI safety in osteoarthritic patients with equivalent analgesic and anti-inflammatory efficacy, when compared with prescription ibuprofen in a six-week endoscopy pilot clinical trial. PL1200 and PL1100 Ibuprofen may be considered as being in Phase 1 in the FDA approval process and may qualify for the 505(b)(2) NDA path.

Employees

As of October 31, 2017, we had eleven (11) full-time employees. Of these full-time employees, four (4) work on research and development, manufacturing, and clinical operations and seven (7) work in sales, marketing, management and administration. We also use the services of numerous outside consultants in business and scientific matters.

Our Corporate Information

We were originally incorporated in Texas in 2002 and re-incorporated in Delaware in 2015. Our principal executive offices are located at 8285 El Rio Street, Ste. 130, Houston, Texas 77054, and our telephone number is (713) 842-1249. Our website address is www.plxpharma.com.

We have not incorporated by reference into this report the information in, or that can be accessed through, our website and you should not consider it to be a part of this report.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 3 of the Notes to Unaudited Consolidated Financial Statements included elsewhere herein describes the significant accounting policies used in the preparation of the financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: (1) we are required to make assumptions about matters that are highly uncertain at the time of the estimate; and (2) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the financial statements as soon as they became known. Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our financial statements are fairly stated in accordance with U.S. GAAP and present a meaningful presentation of our financial condition and results of operations. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying consolidated financial statements, estimates are used for, but not limited to, determining the fair value of tangible and intangible assets and liabilities acquired in business combinations, the fair value of warrant liabilities, share-based compensation, allowance for inventory obsolescence, allowance for doubtful accounts, contingent liabilities, fair value and depreciable lives of long-lived assets, and deferred taxes and associated valuation allowance. Actual results could differ from those estimates.

Fair Value Measurements
Fair value is defined as the price that would be received in the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has categorized all investments recorded at fair value based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the reporting date.
- Level 2: Inputs other than quoted prices included in Level 1, which are either observable or that can be derived from or corroborated by observable data as of the reporting date.
- Level 3: Inputs include those that are significant to the fair value of the asset or liability and are generally less observable from objective resources and reflect the reporting entity's assumptions about the assumptions market participants would use in pricing the asset or liability.

The Company's financial instruments (cash and cash equivalents, receivables, accounts payable and accrued liabilities) are carried in the consolidated balance sheet at cost, which reasonably approximates fair value based on their short-term nature. The Company's warrant liabilities are recorded at fair value, with changes in fair value being reflected in the statements of operations for the period of change. The fair value of the noncurrent term loan approximates its face value of $7,500,000 based on the Company's current financial condition and on the variable nature of term loan's interest feature as compared to current rates.

Research and Development Expenses
Costs incurred in connection with research and development activities are expensed as incurred. Research and development expenses consist of direct and indirect costs associated with specific projects and include fees paid to various entities that perform research related services for the Company.

Share-Based Compensation
The Company recognizes expense in the consolidated statements of operations for the fair value of all share-based compensation to key employees, nonemployee directors and advisors, generally in the form of stock options and stock awards. The Company uses the Black-Scholes option valuation model to estimate the fair value of stock options on the grant date. Compensation cost is amortized on a straight-line basis over the vesting period for each respective award. The Company adopted new accounting guidance, effective January 1, 2017 with respect to stock-based compensation and related income tax aspects, and now accounts for forfeitures as they occur rather than using an estimated forfeiture rate. The adoption did not have a material impact on our consolidated financial statements.

Adopted Accounting Guidance

The following discusses significant accounting guidance recently adopted or unadopted accounting guidance that has the potential of being significant:

In January 2017, the FASB issued accounting guidance simplifying the test for goodwill impairment. The new guidance eliminates Step 2 from the goodwill impairment test. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This update is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this standard effective April 1, 2017, and its updated accounting policy for goodwill impairment is described in Note 3 of the Notes to Unaudited Consolidated Financial Statements. While the adoption of this accounting guidance may have a material impact in determining the results of future goodwill impairment tests and therefore impact the consolidated financial statements, there was no impact of the adoption during the nine months ended September 30, 2017.

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginning after December 15, 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying performance obligations and the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding SEC paragraphs related to revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the FASB also issued guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts and contract modifications at transition, with the same effective date. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements. Because the Company does not have existing significant revenue arrangements, management believes the impact of adoption will not be material to its consolidated financial statements.

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities related to long-term leases on the balance sheet, and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. The guidance must be adopted on a modified retrospective basis, and provides for certain practical expedients. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements.

In June 2016, the FASB issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact, if any, that this guidance will have on the consolidated financial statements.

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 2017 and 2016

Revenue

Total revenues were $62 thousand for the three months ended September 30, 2017. Revenue recognized in 2017 is attributable to work performed under a recent award of a National Institutes of Health, or NIH grant. No revenue was recognized for the three months ended September 30, 2016.

Operating Expenses

Total operating expenses were approximately $4.0 million during the three months ended September 30, 2017, a 278% increase over operating expenses of approximately $1.1 million in the comparable period in 2016. Operating expenses for the three months ended September 30, 2017 and 2016 were as follows (rounded to nearest thousand):

	Three Months Ended September 30,		Increase (Decrease)	
	2017	2016	$	%
Operating Expenses				
Research and development expenses	$ 958,000	$ 12,000	$ 946,000	NMF
General and administrative expenses	3,021,000	1,041,000	1,980,000	190%
Total operating expenses	$ 3,979,000	$ 1,053,000	$ 2,926,000	278%

Research and Development Expenses

Research and development expenses totaled approximately $1.0 million in the three months ended September 30, 2017 compared to $12 thousand in the prior year period, an increase of approximately $0.9 million. The increase was attributable to the near absence of any research and development expenses in 2016 and the initiation of technology transfer, contract manufacturing activities, and other product development activities for Aspertec throughout the third quarter of 2017.

General and Administrative Expenses

General and administrative expenses totaled approximately $3.0 million in the three months ended September 30, 2017 compared to approximately $1.0 million in the prior year period, an increase of approximately $2.0 million. The increase was primarily attributable to (i) increased compensation expense and outside directors fees of $1.4 million, including stock compensation expense and (ii) other professional fees including legal, accounting, financial advisory, insurance and other administrative costs totaling approximately $0.6 million.

Other income (expense), net

Other income (expense), net totaled approximately $0.1 million of net income in the three months ended September 30, 2017 compared to $29 thousand of net expense in the prior year period. The change is largely attributable to the change in fair value of warrant liability ($0.3 million of other income), partially offset by approximately $0.2 million of additional interest expense in the 2017 period.

Comparison of Nine Months Ended September 30, 2017 and 2016

Revenue

Total revenues were $438 thousand for the nine months ended September 30, 2017. Revenue recognized in 2017 is attributable to work performed under a recent award of a NIH grant. Revenue of $20 thousand was recognized for the nine months ended September 30, 2016, related to licenses.

Operating Expenses

Total operating expenses were approximately $10.0 million during the nine months ended September 30, 2017, a 193% increase over operating expenses of approximately $3.4 million in the comparable period in 2016. Operating expenses for the nine months ended September 30, 2017 and 2016 were as follows (rounded to nearest thousand):

	Nine Months Ended September 30,		Increase (Decrease)	
	2017	2016	$	%
Operating Expenses				
Research and development expenses	$ 1,713,000	$ 66,000	$ 1,647,000	NMF
General and administrative expenses	8,263,000	3,343,000	4,920,000	147%
Total operating expenses	$ 9,976,000	$ 3,409,000	$ 6,567,000	193%

Research and Development Expenses

Research and development expenses totaled approximately $1.7 million in the nine months ended September 30, 2017 compared to $66 thousand in the comparable period in 2016, an increase of approximately $1.6 million. The increase was attributable to the nominal research and development expenses in the nine months ended September 30, 2016 and to the initiation of technology transfer, contract manufacturing activities, and other product development activities for Aspertec beginning in March of 2017.

General and Administrative Expenses

General and administrative expenses totaled approximately $8.3 million in the nine months ended September 30, 2017 compared to approximately $3.3 million in the prior year period, an increase of approximately $4.9 million. The increase was primarily attributable to (i) increased compensation expense and outside directors fees including a one-time discretionary bonus issued as compensation to senior management pursuant to employment agreements and the achievement of a threshold financing amount totaling approximately $2.2 million, along with increased costs related to share-based compensation arrangements; (ii) costs totaling approximately $1.3 million expensed and attributable to the warrant liability under the warrants issued in conjunction with the June 2017 equity offering; and (iii) other professional fees including legal, accounting, and financial advisory, insurance and other administrative costs of approximately $1.4 million.

Other income (expense), net

Other income (expense), net totaled approximately $1.2 million of net income in the nine months ended September 30, 2017 compared to $62 thousand of net expense in the prior year period. The change is largely attributable to the change in fair value of warrant liability ($2.0 million of other income), partially offset by approximately $0.9 million of additional interest expense in the 2017 period.

Liquidity and Capital Resources

Financial Condition

The following table summarizes the primary uses and sources of cash for the periods indicated:

(rounded to nearest thousand)	Nine Months Ended September 30, 2017	2016
Net cash used in operating activities	$ (7,611,000)	$ (1,407,000)
Net cash provided by investing activities	$ 11,578,000	$ -
Net cash provided by financing activities	$ 26,413,000	$ 1,503,000

Net Cash Used in Operating Activities

Net cash used in operating activities of approximately $7.6 million for the nine months ended September 30, 2017 primarily reflects our net loss for the period of approximately $7.5 million adjusted for various non-cash charges and income, including (i) approximately $2.0 million change in fair value of warrant liability reflected as other income, (ii) net operating asset/liability changes of approximately $0.6 million, (iii) approximately $0.9 million deferred tax benefit resulting from the Merger partially offset by (iv) approximately $1.3 million of offering expenses attributable to the warrant liability resulting from our June 2017 public offering, (v) approximately $1.3 million of equity based compensation and (vi) approximately $0.6 million of noncash interest expense relating to a beneficial conversion feature.

Net cash used in operating activities of approximately $1.4 million for the nine months ended September 30, 2016 primarily reflects our net loss for the period of approximately $3.5 million adjusted for approximately $1.8 million of non-cash stock based compensation expense.

Net Cash Provided by Investing Activities

Net cash provided by investing activities totaled approximately $11.6 million in the nine months ended September 30, 2017 while the comparable period in 2016 had no cash flows associated with the investing activities. In 2017, cash acquired from Dipexium in the Merger totaled approximately $11.8 million and was partially offset by approximately $0.2 million of equipment purchases.

Net Cash Provided by Financing Activities

Net cash provided by financing activities totaled approximately $26.4 million in the nine months ended September 30, 2017 as compared to approximately $1.5 million in the nine months ended September 30, 2016. Net cash provided by financing activities in 2017 consisted of approximately $16.7 million of equity offering proceeds, $2.0 million pursuant to the note issued to Dipexium prior to the Merger, $7.1 million in net proceeds under a term loan from Silicon Valley Bank, and approximately $0.6 million of proceeds pursuant to a convertible note which subsequently converted to Old PLx equity immediately prior to the closing of the Merger. Net cash provided by financing activities in 2016 consisted solely of proceeds from the issuance of convertible notes.

Future Liquidity and Needs

As of September 30, 2017, we had working capital of approximately $27.9 million and cash and cash equivalents of approximately $30.4 million. Based on our expected operating cash requirements and capital expenditures, we believe the Company's cash on hand at September 30, 2017 is adequate to fund operations for at least twelve months from the date that this Quarterly Report on Form 10-Q was filed.

We have not generated any revenue from the sale of products, have generated minimal revenue from licensing activities, and have incurred losses in each year since we commenced operations. As of September 30, 2017, we had an accumulated deficit of approximately $59.4 million. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future as we continue the development and commercialization of Aspertec and our other product candidates. Even if we do generate revenues, we may never achieve profitability, and even if we do achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital. If we are unable to achieve and sustain profitability, the market value of our common stock will likely decline. Because of the numerous risks and uncertainties associated with developing biopharmaceutical products, we are unable to predict the extent of any future losses or when, if ever, we will become profitable.

We anticipate that we will need to obtain substantial additional financing in the future to fund our future operations. We may obtain additional financing through public or private equity offerings, debt financings (including related-party financings), a credit facility or strategic collaborations. On August 9, 2017, we entered into a Loan and Security Agreement with Silicon Valley Bank that provides for a Term Loan Facility. Under the Term Loan Facility, the Company borrowed an initial amount of $7.5 million, and will have the right to borrow an additional $7.5 million on or before December 31, 2018, provided that the Company first obtains (a) net new capital of not less than $20,000,000 and (ii) FDA approval for the 81 mg formulation of Aspertec, the Company's lead product.

Additional financing may not be available to us when we need it or it may not be available to us on favorable terms, if at all. Our failure to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. Future capital requirements will also depend on the extent to which we acquire or invest in additional complementary businesses, products and technologies. We currently have no understandings, commitments or agreements relating to any of these types of transactions. If we are unable to raise additional funds when needed, we may be required to sell or license to others technologies or clinical product candidates or programs that we would prefer to develop and commercialize ourselves.
Without additional funding — or, alternatively, a partner willing to collaborate and fund development — we will be unable to continue development of PL1200 Ibuprofen or any other development-stage products in our pipeline.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide the information required by this item as we are considered a smaller reporting company, as defined by Rule 229.10(f)(1).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures
Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on an evaluation under the supervision, and with the participation, of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of September 30, 2017 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting
As discussed above, pursuant to the terms of the Merger agreement and after the consummation of the Merger, Old PLx became a wholly-owned subsidiary of Dipexium, and Dipexium (renamed PLx Pharma Inc.) is the continuing registrant and reporting company, which is referred to herein, together with its subsidiaries PLx Opco Inc. (formerly Old PLx) and PLx Chile SpA, as the Company. The Merger has been accounted for as a reverse acquisition business combination. The Company has not yet completed an assessment of the design and/or operating effectiveness of Old PLx's internal control over financial reporting. There were no other changes in the Company's internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations Over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Company's principal executive officer and principal financial officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. 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 the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls with respect to future periods is subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are parties to legal proceedings that we believe to be ordinary, routine litigation incidental to the business of present or former operations. It is management's opinion, based on the advice of counsel, that the ultimate resolution of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, please carefully consider the risk factors described in our most recent Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, under the heading "Part II – Item 1A. Risk Factors," and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, under the heading "Part I — Item 1A. Risk Factors." The risks described are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that our management currently deems to be immaterial, also may adversely affect our business, financial condition, and/or operating results. There have been no material changes to those risk factors since their disclosure in our most recent Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

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

None that were not previously disclosed on a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

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

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed by the undersigned hereunto duly authorized.

PLX PHARMA INC.

Date: November 9, 2017

/s/ Natasha Giordano
President and Chief Executive Officer

/s/ Rita O'Connor
Chief Financial Officer
(Principal Accounting Officer)

INDEX TO EXHIBITS

Number	Description
3.1	Amended and Restated Certificate of Incorporation of PLx Pharma Inc. (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on August 11, 2017 (File No. 001-36351)).
3.2	Amended and Restated Bylaws of PLx Pharma Inc. (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K filed on January 20, 2017) (File No. 001-36351)).
4.1	Form of Warrant to Purchase Common Stock issued by PLx Pharma Inc. in connection with the Loan and Security Agreement among PLx Pharma Inc., PLx Opco Inc., and Silicon Valley Bank, dated as of August 9, 2017 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 10, 2017 (File No. 001-36351)).
10.1	Loan and Security Agreement among PLx Pharma Inc., PLx Opco Inc., and Silicon Valley Bank, dated as of August 9, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 10, 2017 (File No. 001-36351)).
10.2	Amendment to Amended and Restated Employment Agreement of Gary Mossman, effective as of September 15, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 19, 2017 (File No. 001-36351)).
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Principal Executive Officer and Principal Financial and Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Label Linkbase Document.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.*

* Filed herewith.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Natasha Giordano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLx Pharma Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2017

/s/ Natasha Giordano
Natasha Giordano
President and
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rita O'Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PLx Pharma Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2017

/s/ Rita O'Connor
Rita O'Connor
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the quarterly report on Form 10-Q of PLx Pharma Inc. (the "Company") for the quarterly period ended September 30, 2017 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify that, to such officer's knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Dated: November 9, 2017

/s/ Natasha Giordano
Natasha Giordano
President and
Chief Executive Officer
(principal executive officer)

Dated: November 9, 2017

/s/ Rita O'Connor
Rita O'Connor
Chief Financial Officer
(principal financial officer)

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