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

# FORM 10-Q

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

**For the Quarterly Period Ended March 31, 2024**

**OR**

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

**For the transition period from to**

**Commission File No.: 001-35527**

# EMMAUS LIFE SCIENCES, INC.

(Exact name of Registrant as specified in its charter)

| **Delaware** | **87-0419387** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **21250 Hawthorne Boulevard, Suite 800, Torrance, California** | **90503** |
| (Address of principal executive offices) | (Zip code) |

**(310) 214-0065**

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| None | | |

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

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

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| 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 ☒

The registrant had 63,865,571 shares of common stock, par value $0.001 per share, outstanding as of August 12, 2024.

**EMMAUS LIFE SCIENCES, INC.**
**For the Quarterly Period Ended March 31, 2024**
**TABLE OF CONTENTS**

**Item 1. Financial Statements**

**EMMAUS LIFE SCIENCES, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | As of | |
|---|---|---|
| | **March 31, 2024** | **December 31, 2023** |
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,712 | $ 2,547 |
| Accounts receivable, net | 2,990 | 5,524 |
| Inventories, net | 1,527 | 1,711 |
| Prepaid expenses and other current assets | 1,615 | 1,727 |
| Total current assets | 7,844 | 11,509 |
| Property and equipment, net | 57 | 59 |
| Right of use assets | 2,082 | 2,337 |
| Investment in convertible bond | 19,250 | 20,978 |
| Other assets | 310 | 296 |
| Total assets | $ 29,543 | $ 35,179 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 18,187 | $ 17,725 |
| Operating lease liabilities, current portion | 869 | 865 |
| Conversion feature derivative, notes payable | 1,360 | 451 |
| Other current liabilities | 14,858 | 14,681 |
| Warrant derivative liabilities | 74 | 65 |
| Notes payable, current portion, net of discount | 7,720 | 8,215 |
| Notes payable to related parties | 2,772 | 3,122 |
| Convertible notes payable, net of discount | 16,588 | 16,383 |
| Total current liabilities | 62,428 | 61,507 |
| Operating lease liabilities, less current portion | 1,561 | 1,839 |
| Other long-term liabilities | 16,967 | 17,363 |
| Notes payable to related parties, net of discount | 2,231 | 2,226 |
| Total liabilities | 83,187 | 82,935 |
| **STOCKHOLDERS' DEFICIT** | | |
| Preferred stock, par value $0.001 per share, 15,000,000 shares authorized, none issued or outstanding | — | — |
| Common stock, par value $0.001 per share, 250,000,000 shares authorized, 61,845,963 shares issued and outstanding at March 31, 2024 and December 31, 2023 | 62 | 62 |
| Additional paid-in capital | 225,503 | 225,333 |
| Net loan receivable from EJ Holdings | (16,869) | (16,869) |
| Accumulated other comprehensive loss | (1,870) | (160) |
| Accumulated deficit | (260,470) | (256,122) |
| Total stockholders' deficit | (53,644) | (47,756) |
| Total liabilities & stockholders' deficit | $ 29,543 | $ 35,179 |

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

**EMMAUS LIFE SCIENCES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| CONSOLIDATED STATEMENTS OF LOSS | Three months Ended March 31, 2024 | 2023 |
|---|---|---|
| **REVENUES, NET** | $ 2,506 | $ 6,753 |
| **COST OF GOODS SOLD** | 257 | 429 |
| **GROSS PROFIT** | 2,249 | 6,324 |
| **OPERATING EXPENSES** | | |
| Research and development | 183 | 289 |
| Selling | 1,937 | 2,317 |
| General and administrative | 2,869 | 4,883 |
| Total operating expenses | 4,989 | 7,489 |
| **LOSS FROM OPERATIONS** | (2,740) | (1,165) |
| **OTHER INCOME (EXPENSE)** | | |
| Change in fair value of warrant derivative liabilities | (8) | 62 |
| Change in fair value of conversion feature derivative, notes payable | (907) | 89 |
| Net loss on equity method investment | — | (527) |
| Gain on restructured debt | 1,032 | — |
| Foreign exchange gain (loss) | 31 | (519) |
| Interest and other income | 147 | 160 |
| Interest expense | (1,910) | (1,502) |
| Total other expense | (1,615) | (2,237) |
| **LOSS BEFORE INCOME TAXES** | (4,355) | (3,402) |
| Income tax provision (benefit) | (7) | 49 |
| **NET LOSS** | (4,348) | (3,451) |
| | | |
| **COMPONENTS OF OTHER COMPREHENSIVE LOSS** | | |
| Unrealized loss on debt securities available for sale (net of tax) | (1,728) | (544) |
| Foreign currency translation adjustments | 18 | 186 |
| **Other comprehensive loss** | (1,710) | (358) |
| **COMPREHENSIVE LOSS** | $ (6,058) | $ (3,809) |
| **NET LOSS PER COMMON SHARE - BASIC AND DILUTED** | $ (0.07) | $ (0.07) |
| **WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING** | 61,845,963 | 50,709,627 |

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

**EMMAUS LIFE SCIENCES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Common stock | | Additional paid-in | Loan receivable from | Accumulated other comprehensive | Accumulated | Total stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | capital | EJ Holdings | income (loss) | deficit | deficit |
| Balance, January 1, 2024 | 61,845,963 | $ 62 | $ 225,333 | $ (16,869) | $ (160) | $ (256,122) | $ (47,756) |
| Share-based compensation | — | — | 170 | — | — | — | 170 |
| Unrealized loss on debt securities available for sale (net of tax) | — | — | — | — | (1,728) | — | (1,728) |
| Foreign currency translation effect | — | — | — | — | 18 | — | 18 |
| Net loss | — | — | — | — | — | (4,348) | (4,348) |
| Balance, March 31, 2024 | 61,845,963 | 62 | 225,503 | (16,869) | (1,870) | (260,470) | (53,644) |

| | Common stock | | Additional paid-in | Loan receivable from | Accumulated other comprehensive | Accumulated | Total stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | capital | EJ Holdings | income (loss) | deficit | deficit |
| Balance January 1, 2023 | 49,583,501 | $ 50 | $ 220,815 | — | $ (2,619) | $ (252,337) | $ (34,091) |
| Fair value of warrants including down-round protection adjustments | — | — | 41 | — | — | (41) | — |
| Convertible note converted to shares | 1,351,351 | 1 | 499 | — | — | — | 500 |
| Share-based compensation | — | — | 38 | — | — | — | 38 |
| Unrealized loss on debt securities available for sale (net of tax) | — | — | — | — | (544) | — | (544) |
| Foreign currency translation effect | | — | — | — | 186 | — | 186 |
| Net loss | — | — | — | — | — | (3,451) | (3,451) |
| Balance, March 31, 2023 | 50,934,852 | 51 | 221,393 | — | (2,977) | (255,829) | (37,362) |

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

**EMMAUS LIFE SCIENCES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Three months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (4,348) | $ (3,451) |
| Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities | | |
| Depreciation and amortization | 6 | 9 |
| Inventory reserve | 12 | — |
| Amortization of discount of notes payable and convertible notes payable | 494 | 582 |
| Foreign exchange adjustments | (113) | 471 |
| Net loss on equity method investment | — | 527 |
| Gain on restructured debt | (1,032) | — |
| Share-based compensation | 170 | 1,189 |
| Fair value of warrants issued for services | — | 334 |
| Change in fair value of warrant derivative liabilities | 8 | (62) |
| Change in fair value of conversion feature derivative, notes payable | 907 | (89) |
| Changes in fair value option instrument | — | 10 |
| Net changes in operating assets and liabilities | | |
| Accounts receivable | 2,533 | (1,828) |
| Inventories | 166 | 161 |
| Prepaid expenses and other current assets | 135 | 241 |
| Other non-current assets | 215 | 186 |
| Accounts payable and accrued expenses | 1,472 | 1,001 |
| Other current liabilities | (316) | (545) |
| Other long-term liabilities | (169) | (28) |
| Net cash flows provided by (used in) operating activities | 140 | (1,292) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (4) | (6) |
| Loan to equity method investee | — | (1,085) |
| Net cash flows used in investing activities | (4) | (1,091) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from notes payable issued | 1,400 | 1,484 |
| Proceeds from notes payable issued, related parties | — | 227 |
| Proceeds from convertible notes payable issued, related party | — | 1,000 |
| Payments of notes payable | (1,805) | (520) |
| Payments of notes payable, related party | (350) | (50) |
| Payments of convertible notes | (200) | — |
| Net cash flows provided by (used in) financing activities | (955) | 2,141 |
| Effect of exchange rate changes on cash | (16) | (5) |
| Net decrease in cash and cash equivalents | (835) | (247) |
| Cash and cash equivalents, beginning of period | 2,547 | 2,021 |
| Cash and cash equivalents, end of period | $ 1,712 | $ 1,774 |
| | | |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES** | | |
| Interest paid | $ 873 | $ 276 |
| Income taxes paid | $ 16 | $ 1 |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Renewal of notes payable including interest capitalized | $ — | $ 926 |
| Conversion of convertible note payable to common stock | $ — | $ 500 |

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

**EMMAUS LIFE SCIENCES, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Emmaus Life Sciences, Inc., ("Emmaus") and its direct and indirect consolidated subsidiaries (collectively, "we," "our," "us" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") on the basis that the Company will continue as a going concern. All significant intercompany transactions have been eliminated. The Company's unaudited condensed consolidated interim financial statements contain adjustments, including normal recurring accruals necessary to fairly state the Company's consolidated financial position, results of operations and cash flows. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report") filed with the Securities and Exchange Commission ("SEC") on July 3, 2024. The accompanying condensed consolidated balance sheet at December 31, 2023 has been derived from the audited consolidated balance sheet at December 31, 2023 contained in the Annual Report. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full year or any future interim period.

### Nature of Operations

The Company is a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sales of innovative treatments and therapies, primarily for rare and orphan diseases. The Company's only product, Endari® (prescription grade L-glutamine oral powder), is approved by the U.S. Food and Drug Administration, or FDA, and in certain jurisdictions in the Middle East North Africa, or MENA, region to reduce the acute complications of sickle cell disease ("SCD") in adult and pediatric patients five years of age and older.

## NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," in the Annual Report. There have been no material changes in these policies or their application.

**Going concern**— The accompanying unaudited condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of $4.3 million for the three months ended March 31, 2024 and had a working capital deficit of $54.6 million as of March 31, 2024. Management expects that the Company's current liabilities, operating losses and expected capital needs, including debt service on its existing indebtedness and the expected costs relating to the commercialization of Endari® in the MENA region and elsewhere will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company's current liabilities and future obligations, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, third-party loans, equity or debt financings or licensing or other strategic agreements. Except as described below under "Factoring accounts receivable," the Company has no understanding or arrangement for any additional financing, and there can be no assurance that the Company will be able to restructure or refinancing its existing indebtedness or obtain additional related-party or third-party loans or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. Due to the uncertainty of the Company's ability to meet its current liabilities and operating expenses, there is substantial doubt about the Company's ability to continue as a going concern for 12 months from the date that these condensed consolidated financial statements are issued. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has considered all recent accounting pronouncements and determined that they will not have a material effect on the Company's condensed consolidated financial statements.

**Prior period misclassification** - During the quarter ended June 30, 2023, the Company identified a misclassification related to common stock warrants that were issued in January 2023. The common stock warrants were incorrectly recorded in additional paid-in capital at their estimated fair value of $1.5 million, but should have been recorded as warrant derivative liabilities, as they did not qualify for equity classification in accordance with ASC815-40-25-10. The correction of the misclassification in the condensed consolidated financial statements is reflected for the three months ended March 31, 2023. The Company believes the correction of the misclassification is quantitatively and qualitatively immaterial to the previously issued condensed consolidated financial statements.

The condensed consolidated statements of changes in stockholders' deficit included in this Quarterly Report differ from the previously filed Form 10-Q's for period ended March 2023, reflecting the misclassification of $1.4 million as additional paid-in capital and warrant derivative liability for warrants issued in January 2023.

**Factoring accounts receivable** — Emmaus Medical, Inc., or Emmaus Medical, the Company's indirect wholly owned subsidiary, has entered into a purchase and sales agreement with Prestige Capital Finance, LLC or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 65% to 80% of the face amount of the eligible accounts receivable, subject to a $7.5 million cap on advances at any time. The balance of the face amount of the accounts receivable is reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable. Emmaus Medical's obligations to Prestige Capital under the purchase and sale agreement are secured by a security interest in the accounts receivable and all or substantially all other assets of Emmaus Medical. In connection with the purchase and sale agreement, Emmaus has guaranteed Emmaus Medical's obligations under the purchase and sale agreement. Accounts receivable included approximately $40,000 and $1,514,000 of factored accounts receivable and other current liabilities included approximately $1,000 and $24,000 of liabilities from factoring at March 31, 2024 and December 31, 2023, respectively. For the three months ended March 31, 2024 and 2023, the Company incurred approximately $87,000 and $108,000, respectively, of factoring fees.

**Net loss per share** — In accordance with Accounting Standard Codification ("ASC") 260, *"Earnings per Share,"* the basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted net loss per share is computed in a similar manner, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of March 31, 2024 and March 31, 2023, the Company had outstanding potentially dilutive securities exercisable for or convertible into 112,942,491 shares and 61,174,436 shares, respectively, of common stock. No potentially dilutive securities were included in the calculation of diluted net loss per share, since the effect would have been anti-dilutive for the each of the three months ended March 31, 2024 and March 31, 2023.

**NOTE 3 — REVENUES**

Revenues disaggregated by category were as follows (in thousands):

| | Three months ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| Endari® | $ 2,344 | $ 6,515 |
| Other | 162 | 238 |
| Revenues, net | $ 2,506 | $ 6,753 |

The following table summarizes the revenue allowance and accrual activities for the three months ended March 31, 2024 and March 31, 2023 (in thousands):

| | **Trade Discounts, Allowances and Chargebacks** | **Government Rebates and Other Incentives** | **Returns** | **Total** |
|---|---|---|---|---|
| Balance as of December 31, 2023 | $ 1,212 | $ 5,658 | $ 863 | $ 7,733 |
| Provision related to sales in the current year | 205 | 577 | 25 | 807 |
| Adjustments related to prior period sales | (50 ) | 51 | — | 1 |
| Credits and payments made | (529 ) | (553 ) | (645 ) | (1,727 ) |
| Balance as of March 31, 2024 | $ 838 | $ 5,733 | $ 243 | $ 6,814 |
| | | | | |
| Balance as of December 31, 2022 | $ 1,358 | $ 3,718 | $ 415 | $ 5,491 |
| Provision related to sales in the current year | 425 | 819 | 106 | 1,350 |
| Adjustments related to prior period sales | (213 ) | 130 | — | (83 ) |
| Credits and payments made | (716 ) | (597 ) | (150 ) | (1,463 ) |
| Balance as of March 31, 2023 | $ 854 | $ 4,070 | $ 371 | $ 5,295 |

The following table summarizes revenues attributable to each of our customers that accounted for 10% or more of our net revenues in any of the periods shown:

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Customer A | 46 % | 20 % |
| Customer B | 39 % | 15 % |
| Customer D | 2 % | 16 % |
| Customer F | 1 % | 23 % |

On June 15, 2017, the Company entered into a distributor agreement with Telcon RF Pharmaceutical, Inc., or Telcon, pursuant to which it granted Telcon exclusive rights to the Company's prescription grade L-glutamine ("PGLG") oral powder for the treatment of diverticulosis in South Korea, Japan and China in exchange for Telcon's payment of a $10 million upfront fee and agreement to purchase from the Company specified minimum quantities of the PGLG. Telcon had the right to terminate the distributor agreement in certain circumstances for failure to obtain such product registrations, in which event the Company is obliged to repay Telcon the $10 million upfront fee. In January, 2023, Telcon terminated the distributor agreement, and the upfront fee of $10 million is included as unearned revenue in other current liabilities as of March 31, 2024 and December 31, 2023. See Notes 6, 11 and 12 and for additional details of the Company's agreements with Telcon.

**NOTE 4 — SELECTED FINANCIAL STATEMENT — ASSETS**

Inventories consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Raw materials and components | $ 1,313 | $ 1,329 |
| Work-in-process | 200 | 186 |
| Finished goods | 4,993 | 5,163 |
| Inventory reserve | (4,979 ) | (4,967 ) |
| Total inventories, net | $ 1,527 | $ 1,711 |

Prepaid expenses and other current assets consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Prepaid insurance | $ 411 | $ 595 |
| Prepaid expenses | 442 | 536 |
| Other current assets | 762 | 596 |
| Total prepaid expenses and other current assets | $ 1,615 | $ 1,727 |

Property and equipment consisted of the following (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Equipment | $ 384 | $ 383 |
| Leasehold improvements | 39 | 39 |
| Furniture and fixtures | 99 | 99 |
| Total property and equipment | 522 | 521 |
| Less: accumulated depreciation | (465 ) | (462 ) |
| Total property and equipment, net | $ 57 | $ 59 |

During the three months ended March 31, 2024 and 2023, depreciation expense was approximately $6,000 and $9,000, respectively.

**NOTE 5 — INVESTMENTS**

**Investment in convertible bond -** On September 28, 2020, the Company entered into a convertible bond purchase agreement pursuant to which it purchased at face value a convertible bond of Telcon in the principal amount of approximately $26.1 million which matures on October 16, 2030 and bears interest at the rate of 2.1% per year, payable quarterly. Beginning October 16, 2021, the Company became entitled on a quarterly basis to call for early redemption of all or any portion of the principal amount of the convertible bond. The convertible bond is convertible at the holder's option at any time and from time to time into common shares of Telcon at an initial conversion price of KRW9,232, or approximately $8.00 per share. The initial conversion price is subject to downward adjustment monthly based on the volume-weighted average market price of Telcon shares as reported on Korean Securities

Dealers Automated Quotations Market and in the event of the issuance of Telcon shares or share equivalents at a price below the market price of Telcon shares and to customary antidilution adjustments upon a merger or similar reorganization of Telcon or a stock split, reverse stock split, stock dividend or similar event. As of March 31, 2024 and December 31, 2023, the principal amount of the convertible note was KRW 23.6 billion, or approximately $17.5 million. The conversion price as of March 31, 2024 is set forth in the "Investment in convertible bond" table below. The convertible bond and any proceeds therefrom, including proceeds from any exercise of the early redemption right described above or the call option described below, are pledged as collateral to secure the Company's obligations under the revised API Supply Agreement with Telcon described in Notes 6, 11 and 12.

Concurrent with the purchase of the convertible bond, the Company entered into an agreement dated September 28, 2020 with Telcon pursuant to which Telcon or its designee is entitled to repurchase, at par, up to 50% in principal amount of the convertible bond at any time and from time to time commencing October 16, 2021 and prior to maturity.

The investment in convertible bond is classified as an available for sale security and remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other comprehensive loss. The fair value and any changes in fair value in the convertible bond is determined using a binominal lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive periods of time.

The revised API agreement with Telcon described in Note 6 provides for target annual revenue of more than $5 million and annual "profit" (*i.e*., sales margin) to Telcon of $2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the target shortfall or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure the Company's obligations under the API Supply Agreement and the revised API Agreement.

In April 2023, Telcon offset KRW2.9 billion, or approximately US$2.2 million, against the principal amount of the Telcon convertible bond and release of KRW307 million, or approximately $236,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2022. The offset is reflected as a sale of the convertible bond in the "Investment in convertible bond" table below. As a result, the Company realized a net gain on investment in convertible bond of $106,000, which previously was classified as unrealized loss on debt securities available-for-sale in the other comprehensive loss.

The following table sets forth the fair value and changes in fair value of the investment in the Telcon convertible bond as of March 31, 2024 and December 31, 2023 (in thousands):

| **Investment in convertible bond** | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Balance, beginning of period | $ 20,978 | $ 19,971 |
| Sales of convertible bond | — | (2,232 ) |
| Net gain on investment on convertible bond | — | 106 |
| Change in fair value included in the statement of other comprehensive income | (1,728 ) | 3,133 |
| Balance, end of period | $ 19,250 | $ 20,978 |

The fair value as of March 31, 2024 and December 31, 2023 was based upon following assumptions:

| | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Principal outstanding (South Korean won) | KRW 23.6 billion | KRW 23.6 billion |
| Stock price | KRW804 | KRW 873 |
| Expected life (in years) | 6.54 | 6.79 |
| Selected yield | 12.75 % | 12.25 % |
| Expected volatility (Telcon common stock) | 71.10 % | 71.90 % |
| Risk-free interest rate (South Korea government bond) | 3.37 % | 3.16 % |
| Expected dividend yield | — | — |
| Conversion price | KRW705(US$0.53) | KRW705(US$0.54) |

**Equity method investment** – In 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate a former amino acids manufacturing facility in Ube, Japan. In connection with the formation, the Company invested approximately $32,000 in exchange for 40% of EJ Holdings' capital shares. JIP owned 60% of EJ Holdings' capital shares. In October 2018, the Company entered into a loan agreement with EJ Holdings under which the Company made an unsecured loan to EJ Holdings in the amount of $13.6 million bearing interest at the rate of 1%, payable annually. The loan proceeds were used by EJ Holdings to purchase the Ube facility in December 2019 and pay related taxes. One half of the principal amount of the loan (JPY 1,818,667,860) becomes due and payable on December 28, 2027 and the remaining principal balance become

due on September 30, 2028. During the year ended December 31, 2023, the Company made additional loans to EJ Holdings of $2.6 million. The Company suspended any further loans to EJ Holdings in August 2023.

EJ Holdings is engaged in seeking to refurbish and phase in the Ube facility with objective of eventually obtaining regulatory clearance for the manufacture of PGLG in accordance with cGMP. EJ Holdings has had no substantial revenues since its inception, has depended on loans from the Company to acquire the Ube facility and fund its operations and will be dependent on loans from other financing unless and until its plant is activated and it can secure customers for its products. There is no assurance that needed funding will be available from other sources. If EJ Holdings fails to obtain needed funding, it may need to suspend activities at the Ube plant. Under the asset purchase agreement by which EJ Holdings purchased the Ube plant, the seller has the right to repurchase the plant at the purchase price, plus certain taxes, paid by EJ Holdings if the plant does not become operational within a reasonable period of time not to exceed five years, or approximately the end of 2024. In such event, it is likely that EJ Holdings would be unable to pay some or all the Company's loans.

On December 28, 2023, the Company sold and assigned its EJ Holdings shares at their cost of JPY3.6 million or US$25,304 to Niihara International, Inc., which was formed by Yutaka Niihara, M.D., Ph. D., the former Chairman and Chief Executive Officer of the Company and a principal stockholder of the Company. In connection with the sale and assignment, the Company derecognized its investment in EJ Holdings, including $1.5 million of currency translation adjustments recorded in other comprehensive loss. As of March 31, 2024 and December 31, 2023, the loan receivable from EJ Holdings was $25.8 million. The net loan receivable from EJ Holdings was $16.9 million as reflected in net loan receivable from EJ Holdings as contra-equity on the consolidated balance sheets.

**NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES**

Accounts payable and accrued expenses consisted of the following at March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Accounts payable: | | |
| Clinical and regulatory expenses | $ 670 | $ 696 |
| Professional fees | 861 | 721 |
| Selling expenses | 1,807 | 1,498 |
| Manufacturing costs | 891 | 914 |
| Non-employee director compensation | 839 | 766 |
| Other vendors | 1,497 | 1,292 |
| Total accounts payable | 6,565 | 5,887 |
| Accrued interest payable, related parties | 587 | 542 |
| Accrued interest payable | 2,516 | 3,122 |
| Accrued expenses: | | |
| Payroll expenses | 1,251 | 1,270 |
| Government rebates and other rebates | 7,181 | 5,881 |
| Due to customers | — | 844 |
| Other accrued expenses | 87 | 179 |
| Total accrued expenses | 8,519 | 8,174 |
| Total accounts payable and accrued expenses | $ 18,187 | 17,725 |

Other current liabilities consisted of the following at March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Trade discount | $ 3,500 | $ 3,000 |
| Unearned revenue (a) | 10,000 | 10,000 |
| Other current liabilities | 1,358 | 1,681 |
| Total other current liabilities | $ 14,858 | $ 14,681 |

(a) Refer to Note 3 for information regarding to the unearned revenue.

Other long-term liabilities consisted of the following at March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Trade discount | $ 16,928 | $ 17,324 |
| Other long-term liabilities | 39 | 39 |
| Total other long-term liabilities | $ 16,967 | $ 17,363 |

On June 12, 2017, the Company entered into an API Supply Agreement with Telcon pursuant to which Telcon advanced to the Company approximately $31.8 million as an advance trade discount in consideration of the Company's agreement to purchase from Telcon the Company's estimated annual target for bulk containers of PGLG. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain items of the API Supply Agreement (the "revised API Agreement"). The Company purchased $125,000 and $310,000 of PGLG from Telcon for three months ended March 31, 2024 and three months ended March 31, 2023, respectively, of which $904,000 and $962,000 were reflected in accounts payable as of March 31, 2024 and December 31, 2023, respectively. The revised API Agreement provided for an annual API purchase target of $5 million and a target "profit" (*i.e.*, gross margin) to Telcon of $2.5 million. To the extent these targets are not met, which management refers to as a "target shortfall," Telcon may be entitled to payment of the target shortfall or to settle the target shortfall by exchange of principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as a collateral to secure the Company's obligations under the API Supply Agreement and the revised API Agreement. See Note 5 for information regarding the settlement of the target shortfall for the year ended December 31, 2023.

**NOTE 7 — NOTES PAYABLE**

Notes payable consisted of the following at March 31, 2024 and December 31, 2023 (in thousands except for number of underlying shares):

| Year Issued | Interest Rate Range | Term of Notes | Conversion Price | | Principal Outstanding March 31, 2024 | Unamortized Discount March 31, 2024 | Carrying Amount March 31, 2024 | Underlying Shares March 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| **Notes payable** | | | | | | | | |
| 2013 | 10% | Due on demand | — | | $ 661 | $ — | $ 661 | — |
| 2022 | 10%-12% | Due on demand | — | | 1,264 | — | 1,264 | — |
| 2023 | 11%-40% | Due on demand - 32 weeks | — | | 4,428 | 33 | 4,395 | — |
| 2024 | 30% | 2 month | — | | 1,400 | — | 1,400 | — |
| | | | | | **$ 7,753** | **$ 33** | **$ 7,720** | **—** |
| | | Current | | | $ 7,753 | $ 33 | $ 7,720 | — |
| **Notes payable - related parties** | | | | | | | | |
| 2020 | 12% | Due on demand | — | | 100 | — | 100 | — |
| 2021 | 12% | Due on demand | — | | 700 | — | 700 | — |
| 2022 | 10%-12% | Due on demand - 5 years | — | | 3,716 | 90 | 3,626 | — |
| 2023 | 10%-60% | Due on demand - 2 month | — | | 577 | — | 577 | |
| | | | | | **$ 5,093** | **$ 90** | **$ 5,003** | **—** |
| | | Current | | | $ 2,772 | $ — | $ 2,772 | — |
| | | Non-current | | | $ 2,321 | $ 90 | $ 2,231 | — |
| **Convertible notes payable** | | | | | | | | |
| 2021 | 10% | Due on demand | $ 0.13 | (b) | 1,380 | — | 1,380 | 12,605,099 |
| 2023 | 12% | 6 months | $ 10.00 | (a) | 3,150 | — | 3,150 | 347,535 |
| 2023 | 10% | 1 year | $ 0.29 | | 1,000 | 2 | 998 | 3,645,725 |
| 2024 | 10% | 1 year | $ 0.13 | | 11,060 | — | 11,060 | 86,627,725 |
| | | | | | **$ 16,590** | **$ 2** | **$ 16,588** | **103,226,084** |
| | | Current | | | $ 16,590 | $ 2 | $ 16,588 | 103,226,084 |
| | | **Total** | | | **$ 29,436** | **$ 125** | **$ 29,311** | **103,226,084** |

| Year Issued | Interest Rate Range | Term of Notes | Conversion Price | | Principal Outstanding December 31, 2023 | Unamortized Discount December 31, 2023 | Carrying Amount December 31, 2023 | Underlying Shares December 31, 2023 |
|---|---|---|---|---|---|---|---|---|
| **Notes payable** | | | | | | | | |
| 2013 | 10% | Due on demand | — | | $ 709 | $ — | $ 709 | — |
| 2022 | 10% - 12% | Due on demand | — | | 1,284 | — | 1,284 | — |
| 2023 | 10% - 57% | Due on demand - 56 months | — | | 6,337 | 115 | $ 6,222 | — |
| | | | | | **$ 8,330** | **$ 115** | **$ 8,215** | **—** |
| | | Current | | | $ 8,330 | $ 115 | $ 8,215 | — |
| **Notes payable - related parties** | | | | | | | | |
| 2020 | 12% | Due on demand | — | | 100 | — | 100 | — |
| 2021 | 12% | Due on demand | — | | 700 | — | 700 | — |
| 2022 | 6%-12% | Due on demand - 5 years | — | | 3,716 | 95 | 3,621 | — |
| 2023 | 10%-60% | Due on demand - 2 months | — | | 927 | — | 927 | |
| | | | | | **$ 5,443** | **$ 95** | **$ 5,348** | **—** |
| | | Current | | | $ 3,122 | $ — | $ 3,122 | — |
| | | Non-current | | | $ 2,321 | $ 95 | $ 2,226 | — |
| **Convertible notes payable** | | | | | | | | |
| 2021 | 2% | 3 years | $ 0.13 | | 12,640 | 407 | 12,233 | 113,009,154 |
| 2023 | 13% | Due on demand | $ 10.00 | (a) | 3,150 | — | 3,150 | 337,326 |
| 2023 | 10% | 1 year | $ 0.29 | | 1,000 | — | 1,000 | 3,559,754 |
| | | | | | **$ 16,790** | **$ 407** | **$ 16,383** | **$ 116,906,234** |
| | | Current | | | $ 16,790 | $ 407 | $ 16,383 | $ 116,906,234 |
| | | **Total** | | | **$ 30,563** | **$ 617** | **$ 29,946** | **$ 116,906,234** |

(a)This note is convertible into shares of EMI Holding, Inc., a wholly owned subsidiary of Emmaus Life Sciences, Inc.
(b)The stated interest for the notes was 2%. As the loan is default as of March 31, 2024, the default interest rate is applicable.

The weighted-average stated annual interest rate of notes payable was 12% for both periods ended March 31, 2024 and December 31, 2023. The weighted-average effective annual interest rate of notes payable as of March 31, 2024 and December 31, 2023 was 13% and 23%, respectively, after giving effect to discounts relating to conversion features, warrants and deferred financing costs relating to the notes.

As of March 31, 2024, future contractual principal payments due on notes payable were as follows (in thousands):

| **Year Ending** | | |
|---|---|---|
| 2024 (nine months) | $ | 27,115 |
| 2025 | | — |
| 2026 | | — |
| 2027 | | 2,321 |
| Total | $ | 29,436 |

On February 9, 2021, the Company entered into a securities purchase agreement pursuant to which the Company agreed to sell and issue to the purchasers thereunder in a private placement pursuant to Rule 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D thereunder a total of up to $17 million in principal amount of convertible promissory notes of the Company for a purchase price equal to the principal amount thereof. The Company sold and issued approximately $14.5 million of the convertible promissory notes.

Commencing one year from the original issue date, the convertible promissory notes became convertible at the option of the holder into shares of the Company's common stock at an initial conversion price of $1.48 per share, which equaled the "Average VWAP" (as defined) of the Company's common stock on the effective date. The initial conversion price is subject to adjustment as of the end of each three-month period following the original issue date, commencing May 31, 2021, to equal the Average VWAP as of the end of such three-month period if such Average VWAP is less than the then-conversion price. There is no floor on the conversion price. The conversion price will be subject to further adjustment in the event of a stock split, reverse stock split or certain other events specified in the convertible promissory notes. In January 2023, $500,000 principal amount of the convertible promissory notes was converted into 1,351,351 shares of the Company's common stock. In February 2024, the Company repaid $200,000 principal amount and accrued interests to two of the note holders. As of March 31, 2024, the conversion price was $0.13 per share.

The convertible promissory notes bear interest at the rate of 2% per year, payable semi-annually on the last business day of August and January of each year and will mature on the 3rd anniversary of the original issue date, unless earlier converted or prepaid. The convertible promissory notes are redeemable in whole or in part at the election of the holders. The convertible promissory notes are general, unsecured obligations of the Company.

In February and March 2024, Company entered into Exchange Agreements (the "Exchange Notes") with certain convertible notes holders pursuant to which it agreed to issue total of $11.1 million principal amount of convertible promissory notes of the company due one year from issuance of the Exchange Notes in exchange for the surrender for cancellation and satisfaction in full of a like principal amount of our outstanding convertible promissory notes due in 2024. The surrendered notes bore interest at the annual rate of 2%, payable semi-annually, and were convertible at the election of the holder into shares of the Company's common stock at the conversion rate of $0.13 per share. The Exchange Notes bear interest at the annual rate of 10% and are convertible into shares of the Company's common stock at an initial conversion rate of $0.13 per share, subject to decrease, but not increase, at the end of each three-month period from issuance to equal the VWAP (as defined) of the Company's common stock and to adjustment in the event of a stock split, reverse stock split and similar events. The principal amount of and accrued interest on the Exchange Notes will be payable in two equal semi-annual installments. No additional consideration was paid in connection with the exchange. The convertible promissory notes are general, unsecured obligations of the Company. Management evaluated if the transaction qualified as troubled debt restructuring under ASC 470-60. Since the Company was experiencing financial difficulty and the effective borrowing rate on the restructured debt is less than the effective borrowing rate on the original debt, this transaction was accounted for a troubled debt restructuring. As a result, the Company recorded gain on restructured debt of $1.0 million in the condensed consolidated statements of operations.

The conversion feature of the convertible promissory notes is separately accounted for at fair value as a derivative liability under guidance in ASC 815 that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. The following table sets forth the fair value of the conversion feature liability as of March 31, 2024 and December 31, 2023 (in thousands):

| Convertible promissory notes | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of period | $ 451 | $ 3,248 |
| Change in fair value included in the statement of operations | 907 | (2,797 ) |
| Balance, end of period | $ 1,358 | $ 451 |

The fair value and any change in fair value of conversion feature liability are determined using a binominal lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock.

The fair value as of March 31, 2024 and December 31, 2023 was based upon following assumptions:

| Convertible promissory notes | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Stock price | $ 0.11 | $ 0.10 |
| Conversion price | $ 0.13 | $ 0.13 |
| Selected yield | 27.28 % | 27.23 % |
| Expected volatility | 50 % | 50 % |
| Time until maturity (in years) | 0.90 | 0.16 |
| Dividend yield | — | — |
| Risk-free rate | 5.10 % | 5.51 % |

In July 2022, Dr. Niihara and his wife loaned the Company $370,000, representing the net proceeds of personal loans to them from unaffiliated parties in the principal amount of $402,000. The loan is due and payable in a lump sum on maturity on July 31, 2027 and bears interest at the rate of 12% per annum, payable monthly in arrears. In connection with the loan, the Company granted Dr. Niihara a warrant as described in Note 8. The issuance cost of $32,000 and the fair value of warrant of $84,000 were treated as debt discount and will be amortized over the five-year term of the warrant using effective interest method.

In August 2022, Dr. Niihara and his wife loaned the Company $1,576,574, representing the net proceeds of personal loans to them from unaffiliated third parties in the principal amount of $1,668,751, as well as $250,000 from personal funds. The loans are evidenced by promissory notes, which are due and payable in a lump sum on maturity on August 16, 2027 and bear interest at the rate of 10% per annum, payable monthly in arrears. The foregoing loans were in addition to a $50,000 loan to the Company from Hope International Hospice, Inc., an affiliate of Dr. and Mrs. Niihara, on August 15, 2022, which is evidenced by a demand promissory note of the Company bearing interest at the rate of 10% per annum. The proceeds of the loans were used to prepay $1,924,819 indebtedness of the Company under the Business Loan and Security Agreement.

In December 2022, the Company entered into an Agreement for the Purchase and Sales of Future Receipts with a third party pursuant to which it sells $3,105,000 of future receipts (the "Purchased Amount") in exchange for net proceeds of $2,300,000. Under the agreement, the Company agrees to pay $103,500 on a semi-monthly basis until the Purchased Amount is delivered. The portion of proceeds were used to prepay indebtedness of the Company under the Standard Merchant Cash Advance Agreements referred to above. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of $312,000 as the Company entered into another agreement discussed below.

In March 2023, Dr. Niihara and his wife and Hope International Hospice, Inc., their affiliated company, loaned the Company $127,000 and $100,000, respectively. Both loans are due on demand and bear interest at the rate of 10% per annum.

In March 2023, Emmaus Medical entered into Revenue Purchase Agreement with a third party pursuant to which it sold and assigned $700,212 of future receipts (the "Future Receipts") in exchange for net cash proceeds of $491,933. Under the agreement, the Company agreed to pay the third party 4% of weekly sales receipts until the Future Receipts have been collected. In July 2023, Emmaus Medical reentered into a new Revenue Purchase Agreement pursuant to which it sold and assigned $828,000 of future receipt in exchange for repayment of $204,000 indebtedness from the previous agreement and net cash proceeds of approximately $300,000. Under the new agreement, the Company agreed to pay the third party approximately $26,000 weekly until the Future Receipts have been collected. The Company recognized debt extinguishment loss of $81,000. In February 2024, the Company repaid the balance under the new Revenue Purchase Agreement.

In March 2023, Emmaus Medical entered into Revenue Based Financing Agreement with a third party pursuant to which it sold and assigned $700,212 of future receipt in exchange for net proceeds of $492,132. Under the agreement, the Company agreed to pay the third party approximately $22,000 weekly until the Future Receipts have been collected. In July 2023, Emmaus Medical reentered into a new Revenue Based Financing Agreement pursuant to which it sold and assigned $828,000 of future receipt in exchange for repayment of $222,000 indebtedness under the previous agreement and net cash proceeds of approximately $276,000. Under the new agreement, the Company agreed to pay the third party approximately $26,000 weekly until the Future Receipts have been collected. The Company recognized debt extinguishment loss of $87,000. In March 2024, the Company repaid the balance under the new Revenue Based Financing Agreement.

In May 2023, Emmaus Medical entered into Sale of Future Receipts Agreement with third party pursuant to which it sold and assigned $528,200 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of $368,600. Under the agreement, the Company agreed to pay the third party approximately $19,000 weekly until the Purchased Amount has been collected. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of $43,000 as the Company entered into another agreement discussed below.

In June 2023, Emmaus Medical entered into Standard Merchant Cash Advance Agreement with a third party pursuant to which it sold and assigned $877,560 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of $600,000. Under the agreement, the Company agreed to pay the third party approximately $34,000 weekly until the Purchased Amount has been collected. In September 2023, the Company repaid in full the outstanding balance of the loan and recognized debt extinguishment loss of $124,000 as the Company entered into another agreement discussed below.

In September 2023, the Company entered into a Business Loan and Security Agreement with a third-party lender pursuant to which the lender loaned the Company $2.2 million, of which the Company received net proceeds of approximately $2.1 million after deduction of the lender’s origination fee but without deduction for other transaction expenses. The portion of proceeds were used to prepay indebtedness of the company under the Agreement for the Purchase and Sales of Future Receipts, the Sales of Future Receipt Agreement, Standard Merchant Cash Advance Agreement referred to above.

In September 2023, Smart Start Investments Limited, of which Wei Pei Zen, a director of the Company, is a director and 9.96% shareholder, loaned the Company the principal amount of $1 million in exchange for a convertible promissory note of the Company. The convertible promissory note is due on September 5, 2024, bears interest at the annual rate of 10%, payable at maturity, and is convertible at the option of the holder into shares of the Company's common stock at a conversion rate of $0.29 a share, subject to adjustment in the event of a stock split, reverse stock split or similar event.

On March 5, 2024, the conversion feature of the convertible promissory note no longer met the scope exception in ASC 815-10-15-70(a) as the investors' Rule 144(d) holding period for the Company has ended and separately accounted for at fair value as a derivative liability that is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in fair value of the conversion feature liability recorded in the condensed consolidated statements of operations. As of March 5, 2024 and March 31, 2024, the fair value of the conversion feature was $2,000.

The fair value of conversion feature liability is determined using a convertible bond lattice model. The model produces an estimated fair value based on changes in the price of the underlying common stock over successive period of time. The following table presents the assumptions used to value the conversion features:

| **Smart Start Convertible Note** | **March 31, 2024** | **March 5, 2024** |
|---|---|---|
| Stock price | $ 0.11 | $ 0.10 |
| Conversion price | $ 0.29 | $ 0.29 |
| Selected yield | 28.20 % | 25.75 % |
| Expected volatility | 50 % | 50 % |
| Time until maturity (in years) | 0.43 | 0.50 |
| Dividend yield | — | — |
| Risk-free rate | 5.40 % | 5.35 % |

In October 2023, Emmaus Medical entered into Purchase and Sale of Future Receivables Agreement with a third party pursuant to which it sold and assigned $1,377,500 of future receipt (the "Purchased Amount") in exchange for net cash proceeds of $875,000. Under the agreement, the Company agreed to pay the third party approximately $81,000 weekly until the Purchase Amount has collected. In February 2024, the Company repaid the balance under the Purchase and Sale of Future Receivables Agreement.

In November 2023, Emmaus Medical entered into Agreement for the Purchase and Sale of Future Receipts with a third party pursuant to which it sold and assigned $762,200 of future receipts (the "Purchase Amount") in exchange for net cash proceeds of $468,650. Under the agreement, the Company agreed to pay the third party approximately $49,000 weekly until the Purchase Amount has been collected. In March 2024, the Company repaid the balance under the Agreement for the Purchase and Sale of Future Receipts Agreement.

In December 2023, Wei Peu Zen, a director of the Company loaned the Company $700,000. The loan was due in two months and bears interest at the rate of 5% per month. In February 2024, the Company repaid $350,000 in principal plus accrued interest on the loan.

Beginning in February 2024 two related holders of demand promissory notes of the Company in the aggregate principal amount of approximately $2.8 million demanded repayment of the notes plus accrued interest. The Company has acknowledged its indebtedness to the holders and intends to seek to enter into a plan to repay the notes in installments. To date, the parties have not reached an agreement with respect to repayment of the notes.

In March 2024, Smart Start Investments Limited, of which Wei Peu Zen, a director of the Company, is a director and 9.96% shareholder, loaned the Company the principal amount of $1,400,000. The loan was due in two months and bears interest at the rate of 2.5% per month. As of May 2024, the loan became due on demand.

Except as otherwise indicated above, the net proceeds of the foregoing loans and other arrangements were used to augment the Company's working capital.

**NOTE 8 — STOCKHOLDERS' DEFICIT**

**Warrants —**In September 2022, in connection with the loans from Dr. Niihara and Mrs. Niihara, the Company granted Dr. Niihara a five-year warrant to purchase up to 500,000 shares of common stock of the Company at an exercise price of $2.50 per share. Under ASC 480-10 and ASC 815, the warrant is classified as a liability. The fair value of the warrant liability was determined using Black-Scholes Merton model and the fair value of the warrant was $85,000 as of March 31, 2023. The change in fair value was recorded in the condensed consolidated statements of operations. For three months ended March 31, 2023, the change in fair value of warrant liability was ($14,000). The warrant expired by its terms in November 2023

**Warrant issued for services - -** On January 12, 2023, the Company granted Dr. Niihara a five-year warrant to purchase up to 7,500,000 shares of common stock of the Company at an exercise price of $4.50 in lieu of cash bonuses or salary increases. The fair value of the warrant was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based on the market value of the Company's common stock. The expected volatility was adjusted using the historical volatility of the Company's common stock and a comparative publicly traded securities. For the three month ended March 31, 2023, the Company recognized $1.2 million of shared-based compensation. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the three month ended March 31, 2023, the Company recorded the change in fair value of approximately ($18,000) in the consolidated statements of operations. The warrant expired by its terms in November 2023.

On January 12, 2023, the Company granted two consultants to the Company five-year warrants to purchase up to 250,000 shares of common stock each at the exercise price of $0.50 a share. On January 27, 2023, the Company also granted a consulting company a five-year warrant to purchase up to 500,000 shares of common stock at an exercise price of $0.47 a share. The warrants are subject to adjustment in the event of a stock split, reverse stock split and similar events. The fair value of the warrants was determined using the Black-Scholes Merton option pricing model. The fair value of the underlying shares was determined based upon the market value of the common stock. The expected volatility was adjusted using the historical volatility of the common stock and the market price of comparable public traded securities. The estimated fair value of $334,000 was recorded as professional services in general and administrative expenses in the consolidated statement of operations when the warrants were granted. Under ASC 480-10 and ASC 815, the warrants are classified as a liability. For the three months ended March 31, 2024 and 2023, the Company recorded the change in fair value of approximately ($8,000) and $94,000, respectively, in the consolidated statements of operations.

The following table presents the assumptions used to value the warrants:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 | January 2023 |
|---|---|---|---|---|
| Stock price | $ 0.11 | $ 0.10 | $ 0.30 | $0.31 - $0.49 |
| Exercise price | $0.47 - $0.50 | $0.47 - $0.50 | $0.47 - $4.50 | $0.47 - $4.50 |
| Expected term | 3.78-3.82 years | 4.03-4.24 years | 4.78-4.83 years | 5 years |
| Risk-free rate | 4.32%-4.33% | 3.90%-3.92% | 3.62 % | 3.53%-3.66% |
| Dividend yield | — | — | — | — |
| Volatility | 142.88% - 143.59% | 129.40%-130.23% | 122.09% - 122.53% | 116.40% - 119.14% |

A summary of outstanding warrants as of March 31, 2024 and December 31, 2023 is presented below:

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted-Average Exercise Price | Number of Warrants | Weighted-Average Exercise Price |
| Warrants outstanding, beginning of period | 4,732,391 | $ 0.95 | 6,610,520 | $ 2.22 |
| Granted | — | — | 8,500,000 | 4.03 |
| Exercised | — | — | — | — |
| Cancelled, forfeited or expired | — | — | (10,378,129 ) | 4.23 |
| Warrants outstanding, end of period | 4,732,391 | $ 0.95 | 4,732,391 | $ 0.95 |
| Warrants exercisable end of period | 4,732,391 | $ 0.95 | 4,732,391 | $ 0.95 |

As of March 31, 2024, the weighted-average remaining contractual life of outstanding warrants was 1.9 years.

**Stock options**— The Company's former 2011 Stock Incentive Plan permitted grants of incentive stock options to employees, including executive officers, and other share-based awards such as stock appreciation rights, restricted stock, stock units, stock bonus and unrestricted stock awards to employees, directors, and consultants for up to 9,000,000 shares of common stock. Options granted under the 2011 Stock Incentive Plan generally expire ten years after grant. Options granted to directors vest in quarterly installments and all other option grants vest over a minimum period of three years, in each case, subject to continuous service with the Company. The 2011 Stock Incentive Plan expired in May 2021 and no further awards may be made under the Plan. As of March 31, 2024 and December 31, 2023, stock options to purchase up to 1,476,443, and 1,728,773 shares, respectively were outstanding under the 2011 Stock Incentive Plan.

The Company also formerly had an Amended and Restated 2012 Omnibus Incentive Compensation Plan under which the Company could grant incentive stock options and non-qualified stock option to selected employees including officers, non-employee consultants and non-employee directors. The Plan was terminated in September 2021. As of March 31, 2024 and December 31, 2023, stock options to purchase up to 245,108 shares were outstanding under the Amended and Restated 2012 Omnibus Incentive Plan.

On September 29, 2021, the Board of Directors of the Company adopted the Emmaus Life Sciences, Inc. 2021 Stock Incentive Plan upon the recommendation of the Compensation Committee of the Board. The 2021 Stock Incentive Plan was approved by stockholders on November 23, 2021. No more than 4,000,000 shares of common stock may be issued pursuant to awards under the 2021 Stock Incentive Plan. The number of shares available for Awards, as well as the terms of outstanding awards, is subject to adjustment as provided in the 2021 Stock Incentive Plan for stock splits, stock dividends, reverse stock splits, recapitalizations and other similar events. During the three months ended March 31, 2024, the Company granted options to purchase 1,620,000 shares, 300,000 shares and 440,000 shares of common stock to employees, non-employee directors and consultants, respectively. All options are exercisable for ten years from the date of grant and will vest and become exercisable with respect to the underlying shares over three years for employees, one year for non-employee directors and immediately for the consultant. As of March 31, 2024 and December 31, 2023, stock options to purchase up to 3,610,000 and 1,250,000 shares, respectively, were outstanding under the 2021 Stock Incentive Plan.

Management has valued stock options at their date of grant utilizing the Black-Scholes-Merton Option pricing model. The fair value of the underlying shares was determined by the market value of the Company's common stock. The expected volatility was adjusted using the historical volatility of the common stock and a comparable public traded securities. The following table presents the assumptions used on the recent dates on which options were granted by the Company. The risk-free interest rate is based on the implied yield available on U.S. Treasury issues with a term approximating the expected life of the options depending on the date of the grant and expected life of the respective options.

| | January 2024 | January 2023 |
|---|---|---|
| Stock Price | $ 0.11 | $ 0.31 |
| Exercise Price | $ 0.15 | $ 4.50 |
| Expected term | 5-5.75 years | 5-6 years |
| Risk-Free Rate | 3.80-3.81% | 3.51-3.53% |
| Dividend Yield | — | — |
| Volatility | 127.39-136.00% | 108.16-116.40% |

A summary of outstanding stock options as of March 31, 2024 and December 31, 2023 is presented below:

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Number of Options | Weighted-Average Exercise Price | Number of Options | Weighted-Average Exercise Price |
| Options outstanding, beginning of period | 3,223,881 | $ 5.97 | 4,660,787 | $ 5.08 |
| Granted or deemed granted | 2,360,000 | $ 0.15 | 1,250,000 | $ 4.50 |
| Exercised | — | $ — | — | $ — |
| Cancelled, forfeited and expired | (252,330 ) | $ 3.20 | (2,686,906 ) | $ 3.74 |
| Options outstanding, end of period | 5,331,551 | $ 3.52 | 3,223,881 | $ 5.97 |
| Options exercisable, end of period | 4,350,051 | $ 3.73 | 2,373,881 | $ 6.50 |
| Options available for future grant | 360,000 | | 2,750,000 | |

During the three months ended March 31, 2024 and March 31, 2023, the Company recognized approximately $170,000 and $38,000, respectively of share-based compensation expense related to stock options. As of March 31, 2024, there was approximately $204,000 of unrecognized share-based compensation expense related to unvested stock options which is expected to be recognized over the weighted-average remaining vesting period of 1.5 year.

**Amended and Restated Warrants** – The Company evaluated its outstanding amended and restated warrants to purchase up to 2,375,000 shares of common stock under ASC 815-40 and concluded that the warrants should be accounted for as equity.

In January 2023, the exercise price of outstanding amended and restated warrants was reduced to $0.37 per share pursuant to the anti-dilution adjustment provisions of the warrants triggered by the conversion of an outstanding convertible promissory note into shares of common stock of the Company at a conversion price $0.37 per share. The warrants were valued using the Black-Scholes Merton option pricing model and approximately $41,000 change in fair value was recorded as additional paid-in capital and reflected in accumulated deficit.

## NOTE 9 — INCOME TAX

The quarterly provision for or benefit from income taxes is computed based upon the estimated annual effective tax rate and the year-to-date pre-tax income (loss) and other comprehensive income.

For the three months ended March 31, 2024 and 2023, the Company recorded a state income tax benefit of $7,000 and provision of $49,000, respectively. The Company did not record a provision for federal income tax due to its net operating loss carryforwards. The Company established a full valuation allowance against its federal and state deferred tax assets and there was no unrecognized tax benefit as of March 31, 2024 or March 31, 2023.

## NOTE 10 — LEASES

**Operating leases** — The Company leases its office space under operating leases with unrelated entities.

The Company leases 21,293 square feet of office space for its headquarters in Torrance, California, at a base rental of $87,514 per month, which lease will expire on September 30, 2026. In addition, the Company leases 1,163 square feet of office space in Dubai, United Arab Emirates, which lease will expire on June 19, 2026.

The lease expense during the three months ended March 31, 2024 and 2023 was approximately $301,000 and $303,000, respectively.

Future minimum lease payments under the lease agreements were as follows as of March 31, 2024 (in thousands):

| | | Amount |
|---|---|---|
| 2024 (nine months) | $ | 828 |
| 2025 | | 1,132 |
| 2026 | | 846 |
| Total lease payments | | 2,806 |
| Less: Interest | | 376 |
| Present value of lease liabilities | $ | 2,430 |

As of March 31, 2024, the Company had an operating lease right-of-use asset of $2.1 million and lease liability of $2.4 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of March 31, 2024 was 2.5 years and the weighted-average discount rate was 12.9%.

**NOTE 11 — COMMITMENTS AND CONTINGENCIES**

**API Supply Agreement —** On June 12, 2017, the Company entered into an API Supply Agreement (the "API Agreement") with Telcon pursuant to which Telcon paid the Company approximately $31.8 million in consideration of the right to supply 25% of the Company's requirements for bulk containers of PGLG for a fifteen-year term. The amount was recorded as deferred trade discount. On July 12, 2017, the Company entered into a raw material supply agreement with Telcon which revised certain terms of the API supply agreement (the "revised API agreement"). The revised API agreement is effective for a term of five years and will renew automatically for 10 successive one-year renewal periods, except as either party may determine. In the revised API agreement, the Company has agreed to purchase a cumulative total of $47.0 million of PGLG over the term of the agreement. The revised API agreement provided for an annual API purchase target of $5 million and a target "profit" (*i.e.*, gross margin) to Telcon of $2.5 million. To the extent these targets are not met, Telcon may be entitled to payment of the shortfall or to offset the shortfall against the Telcon convertible bond and proceeds there of that are pledged as collateral to secure our obligations. In September 2018, the Company entered into an agreement with Ajinomoto Health and Nutrition North America, Inc. ("Ajinomoto"), the producer of the PGLG, and Telcon to facilitate Telcon's purchase of PGLG from Ajinomoto for resale to the Company under the revised API agreement. The PGLG raw material purchased from Telcon is recorded in inventory at net realizable value and the excess purchase price is recorded against deferred trade discount. Refer to Notes 5 and 6 for more information.

**NOTE 12 — RELATED PARTY TRANSACTIONS**

The following table sets forth information relating to loans from related parties outstanding at any time during the three months ended March 31, 2024 (in thousands):

| Class | Lender | Interest Rate | Date of Loan | Term of Loan | Principal Amount Outstanding at March 31, 2024 | Highest Principal Outstanding | Amount of Principal Repaid or Converted to Shares | Amount of Interest Paid |
|---|---|---|---|---|---|---|---|---|
| **Promissory note payable to related parties:** | | | | | | | | |
| | Willis Lee(2) | 12% | 10/29/2020 | Due on Demand | 100 | 100 | — | — |
| | Soomi Niihara(1) | 12% | 12/7/2021 | Due on Demand | 700 | 700 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 2/9/2022 | Due on Demand | 350 | 350 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 2/15/2022 | Due on Demand | 210 | 210 | — | — |
| | Soomi Niihara(1) | 10% | 2/15/2022 | Due on Demand | 100 | 100 | — | — |
| | Hope International Hospice, Inc. (1) | 12% | 3/15/2022 | Due on Demand | 150 | 150 | — | — |
| | Hope International Hospice, Inc. (1) | 12% | 3/30/2022 | Due on Demand | 150 | 150 | — | — |
| | Wei Peu Derek Zen(2) | 10% | 3/31/2022 | Due on Demand | 200 | 200 | — | — |
| | Willis Lee(2) | 10% | 4/14/2022 | Due on Demand | 45 | 45 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 5/25/2022 | Due on Demand | 40 | 40 | — | — |
| | Yutaka and Soomi Niihara(1) | 12% | 7/27/2022 | 5 years | 402 | 402 | — | 12 |
| | Yutaka and Soomi Niihara(1) | 10% | 8/16/2022 | 5 years | 250 | 250 | — | 6 |
| | Yutaka and Soomi Niihara(1) | 10% | 8/16/2022 | 5 years | 1,669 | 1,669 | — | 42 |
| | Hope International Hospice, Inc. (1) | 10% | 8/17/2022 | Due on Demand | 50 | 50 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 10/20/2022 | Due on Demand | 100 | 100 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 3/17/2023 | Due on Demand | 100 | 100 | — | — |
| | Yutaka and Soomi Niihara(1) | 10% | 3/21/2023 | Due on Demand | 127 | 127 | — | — |
| | Wei Peu Zen(2) | 60% | 12/1/2023 | 2 months | 350 | 700 | 350 | 70 |
| | | | | **Subtotal** | **$ 5,093** | **$ 5,443** | **$ 350** | **$ 130** |
| | | | | **Total** | **$ 5,093** | **$ 5,443** | **$ 350** | **$ 130** |

The following table sets forth information relating to loans from related parties outstanding at any time during the year ended December 31, 2023:

| Class | Lender | Interest Rate | Date of Loan | Term of Loan | Principal Amount Outstanding at December 31, 2023 | Highest Principal Outstanding | Amount of Principal Repaid or Converted to Shares | Amount of Interest Paid |
|---|---|---|---|---|---|---|---|---|
| **Current, Promissory note payable to related parties:** | | | | | | | | |
| | Willis C. Lee(2) | 12% | 10/29/2020 | Due on Demand | 100 | 100 | — | — |
| | Soomi Niihara(1) | 12% | 12/7/2021 | Due on Demand | 700 | 700 | — | — |
| | Hope International Hospice, Inc. (1) | 12% | 2/9/2022 | Due on Demand | 350 | 350 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 2/15/2022 | Due on Demand | 210 | 210 | — | — |
| | Soomi Niihara(1) | 10% | 2/15/2022 | Due on Demand | 100 | 100 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 3/15/2022 | Due on Demand | 150 | 150 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 3/30/2022 | Due on Demand | 150 | 150 | — | — |
| | Wei Peu Zen(2) | 10% | 3/31/2022 | Due on Demand | 200 | 200 | — | — |
| | Willis C. Lee(2) | 10% | 4/14/2022 | Due on Demand | 45 | 45 | — | — |
| | Hope International Hospice, Inc. (1) | 12% | 5/25/2022 | Due on Demand | 40 | 40 | — | — |
| | Yutaka and Soomi Niihara(1) | 12% | 7/27/2022 | 5 years | 402 | 402 | — | 48 |
| | Hope International Hospice, Inc. (1) | 10% | 8/15/2022 | Due on Demand | — | 50 | 50 | 2 |
| | Yutaka and Soomi Niihara(1) | 10% | 8/16/2022 | 5 years | 250 | 250 | — | 25 |
| | Yutaka and Soomi Niihara(1) | 10% | 8/16/2022 | 5 years | 1,669 | 1,669 | — | 167 |
| | Hope International Hospice, Inc. (1) | 12% | 8/17/2022 | Due on Demand | 50 | 50 | — | — |
| | Yutaka and Soomi Niihara(1) | 10% | 8/17/2022 | Due on Demand | — | 60 | 60 | 6 |
| | Seah Lim(2) | 10% | 9/16/2022 | 3 years | — | 1,200 | 1,200 | 90 |
| | Hope International Hospice, Inc. (1) | 10% | 10/20/2022 | Due on Demand | 100 | 100 | — | — |
| | Hope International Hospice, Inc. (1) | 10% | 3/17/2023 | Due on Demand | 100 | 100 | — | — |
| | Yutaka and Soomi Niihara(1) | 10% | 3/21/2023 | Due on Demand | 127 | 127 | — | — |
| | Wei Peu Zen(2) | 60% | 12/1/2023 | 2 months | 700 | 700 | — | — |
| | | | | **Subtotal** | **$ 5,443** | **$ 6,753** | **$ 1,310** | **$ 338** |
| **Convertible note payable to related parties:** | | | | | | | | |
| | Wei Peu Zen(2) | 10% | 1/18/2023 | 1 - 2 years | — | 1,000 | 1,000 | 91 |
| | | | | **Subtotal** | **$ —** | **$ 1,000** | **$ 1,000** | **$ 91** |
| | | | | **Total** | **$ 5,443** | **$ 7,753** | **$ 2,310** | **$ 429** |

(1)Dr. Niihara, a former Director and former Chairman and Chief Executive Officer of the Company, is also a director and the Chief Executive Officer of Hope International Hospice, Inc.
(2)Officer or director.

See Note 7 for more information on recent developments with respect to certain related-party loans.

See Notes 5, 6 and 11 for a discussion of the Company's agreements with Telcon, which holds 4,147,491 shares of common stock of the Company, or approximately 6.7% of the common stock outstanding as of March 31, 2024. As of March 31, 2024, the Company held a Telcon convertible bond in the principal amount of KRW 23.6 billion, or approximately $17.5 million as discussed in Note 5.

**NOTE 13 — SUBSEQUENT EVENTS**

In April 2024, Telcon offset KRW3.5 billion, or approximately $2.5 million, against the principal amount of the Telcon convertible bond and release of KRW893 million, or approximately $640,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2023.

In May 2024, Emmaus Medical entered into Sale of Future Receipts Agreement with third party pursuant to which it sold and assigned $1,628,000 of future receipts (the "Purchased Amount") in exchange for net cash proceeds of $1,001,000. Under the agreement, the Company agreed to pay the third party approximately $58,143 weekly until the Purchased Amount has been collected.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

In the following discussion, the terms, "we," "us," "our," "Emmaus" or the "Company" refer to Emmaus Life Sciences, Inc. and its direct and indirect subsidiaries.

**Forward-Looking Statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on July 3, 2024 (the "Annual Report").

This Quarterly Report contains forward-looking statements that involve substantial risks and uncertainties. All statements other than historical facts contained in this report, including statements regarding our future financial position, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations are forward-looking statements. The words "anticipate," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "could," "may" and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect our management's current views with respect to future events and financial performance and involve risks and uncertainties, including those set forth in the "Risk Factors" section of the Annual Report, many of which are beyond our control.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated. Consequently, all forward-looking statements made in this Form 10-Q are qualified by these cautionary statements. We undertake no duty to amend or update these statements beyond what is required by SEC reporting requirements.

**Company Overview**

We are a commercial-stage biopharmaceutical company engaged in the discovery, development, marketing and sale of innovative treatments and therapies, primarily for rare and orphan diseases. Our only product, Endari® (prescription-grade L-glutamine oral powder) is approved by the U.S. Food and Drug Administration, or FDA, to reduce the acute complications of sickle cell disease ("SCD"), in adult and pediatric patients five years of age and older. In April 2022, Endari® was approved by the Ministry of Health and Prevention in the United Arab Emirates, or U.A.E, in adults and pediatric patients five years of age and older. In November and December of 2022, we received marketing authorizations for Endari® in Qatar and Kuwait, respectively. In July 2023, we received marketing approval for Endari® in Oman. Applications for marketing authorization in other Gulf Cooperation Council, or GCC, countries are pending. While the applications are pending, the FDA approval of Endari® can be referenced to allow access to Endari® on a named-patient basis.

Until August 2024, Endari® was marketed and sold in the U.S. by our internal commercial sales team. In August 2024, we reduced our reliance on our internal sales team, which we do not expect to adversely affect our Endari® sales. Endari® is reimbursable by the Centers for Medicare and Medicaid Services, and every state provides coverage for Endari® for outpatient prescriptions to all eligible Medicaid enrollees within their state Medicaid programs. Endari® is also reimbursable by many commercial payors. We have agreements in place with the nation's leading distributors as well as physician group purchasing organizations and pharmacy benefits managers, making Endari® available at selected retail and specialty pharmacies nationwide.

As of March 31, 2024, our accumulated deficit was $260.5 million and we had cash and cash equivalents of $1.7 million. Until we can generate sufficient net revenues from Endari® sales, our future cash requirements are expected to be financed through loans from related parties, third-party loans, public or private equity or debt financings or possible corporate collaboration and licensing arrangements. We are unable to predict if or when we will become profitable.

**Financial Overview**

*Revenues, net*

We realize net revenues primarily from sales of Endari® to our distributors and specialty pharmacy providers. Distributors resell our products to other pharmacy and specialty pharmacy providers, health care providers, hospitals, and clinics. In addition to agreements with these distributors, we have contractual arrangements with specialty pharmacy providers, in-office dispensing providers, physician group purchasing organizations, pharmacy benefits managers and government entities that provide for government-mandated or privately negotiated rebates, chargebacks and discounts with respect to the purchase of our products. These various discounts, rebates, and chargebacks are referred to as "variable consideration." Revenue from product sales is recorded net of variable consideration.

Under the Accounting Standards Codification ("ASC") 606, we recognize revenue when our customers obtain control of our product, which typically occurs on delivery. Revenue is recognized in an amount that reflects the consideration that we expect to receive in exchange for the product, or transaction price. To determine revenue recognition for contracts with customers within the scope of ASC 606, we perform the following: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to our performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the relevant performance obligations.

Management estimates variable consideration using the expected-value amount method, which is the sum of probability-weighted amounts in a range of possible transaction prices. Actual variable consideration may differ from our estimates. If actual results vary from the estimates, we adjust the variable consideration in the period such variances become known, which adjustments are reflected in net revenues in that period. The following are our significant categories of variable consideration:

*Sales Discounts*: We afford our customers prompt payment discounts and additional discounts to encourage bulk orders to generate needed working capital.

*Product Returns*: We offer our distributors a right to return product principally based upon (i) overstocks, (ii) inactive product or non-moving product due to market conditions, and (iii) expired product. Product return allowances are estimated and recorded at the time of sale.

*Government Rebates*: We are subject to discount obligations under state Medicaid programs and the Medicare Part D prescription drug coverage gap program. We estimate Medicaid and Medicare Part D prescription drug coverage gap rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenues are recognized, resulting in a reduction of product revenues and the establishment of a current liability that is included as accounts payable and accrued expenses on our balance sheet. Our liability for these rebates consists primarily of estimates of claims expected to be received in future periods related to recognized revenues.

*Chargebacks and Discounts*: Chargebacks for fees and discounts represent the estimated obligations resulting from contractual commitments to sell products to certain specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities at prices lower than the list prices charged to distributors. The distributors charge us for the difference between what they pay for the products and our contracted selling price to these specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities. In addition, we have contractual agreements with pharmacy benefit managers who charge us for rebates and administrative fees in connection with the utilization of product. These reserves are established in the same period that the related revenues are recognized, resulting in a reduction of revenues. Chargeback amounts are generally determined at the time of resale of product by our distributors.

*Cost of Goods Sold*

Cost of goods sold consists primarily of expenses for raw materials, packaging, shipping, and distribution of Endari®.

*Research and Development Expenses*

Research and development expenses consist of expenditures for new products and technologies consisting primarily of fees paid to contract research organizations ("CRO") that conduct clinical trials of our product candidates, payroll-related expenses, study site payments, consultant fees and other related costs. The costs of later-stage clinical studies such as Phase 2 and 3 trials are generally higher than those of earlier studies. This is primarily due to the larger size, expanded scope, patient related healthcare and regulatory compliance costs, and generally longer duration of later-stage clinical studies.

Our contracts with CROs are generally based on time and materials expended, whereas study site agreements are generally based on costs per patient as well as other pass-through costs, including start-up costs and institutional review board fees. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones.

Future research and development expenses will depend on any new product candidates or technologies that we may introduce into our research and development pipeline. In addition, we cannot predict which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree, if any, such arrangements would affect our development plans and capital requirements.

Due to the inherently unpredictable nature of the drug approval process and applicable regulatory requirements, we are unable to estimate the amount of costs of obtaining regulatory approvals of Endari® outside of the U.S. or the development of our

other preclinical and clinical programs. In September 2023, we suspended most preclinical activities related to our product candidates to focus on commercial expansion of Endari® in the U.S. and the MENA region. Clinical development timelines, the probability of success and development costs can differ materially from expectations and can vary widely. These and other risks and uncertainties relating to product development are described in the Annual Report under the headings "Risk Factors—Risks Related to Our Business" and "Risk Factors—Risks Related to Regulatory Oversight of our Business and Compliance with Law."

*General and Administrative Expense*

General and administrative expenses consist principally of salaries and related employee costs, including share-based compensation for our directors, executive officers, and employees. Other general and administrative expenses include facility costs, and professional fees and expenses for audit, legal, consulting, and tax services.

*Selling Expenses*

Selling expenses consist principally of salaries and related costs for personnel involved in the promotion, sales, and marketing of Endari®. Other selling expenses include advertising, third party consulting costs, the cost of in-house sales personnel and travel-related costs. We expect selling expenses to decrease due to reduction in sales force as exclusivity of Endari® in the U.S. expires in July 2024.

*COVID-19*

In retrospect, we believe our business and net revenues were adversely affected in 2020 and 2021 by lockdowns, travel-related restrictions and other governmental responses to the pandemic related to the COVID 19 pandemic which inhibited the ability of our sales force to visit doctors' offices and clinics and may have adversely affected the willingness of SCD patients to seek the care of a physician or to comply with physician-prescribed care. Ongoing COVID-19 infections or future official responses could cause a temporary or prolonged decline in our revenues and have a material adverse effect on our results of operations and financial condition. COVID-19 or governmental responses also may adversely affect the timing and conduct of clinical studies or the ability of regulatory bodies to consider or grant approvals with respect to Endari® or our prescription grade L-glutamine, or PGLG, drug candidates or oversee the development of our drug candidates, may further divert the attention and efforts of the medical community to coping with COVID-19 or variants and disrupt the marketplace in which we operate. Any outbreak of COVID-19 among our executives or key employees or their families and loved ones could disrupt our management and operations and adversely affect the effectiveness of our management, Endari® sales, and results of operations and financial condition. The foregoing factors could also have an adverse effect on economic and business conditions and the broad stock market, in general, or the market price of our common stock, in particular.

*Inflation*

Inflation has not had a material impact on our expenses or results of operations over the past two years, but may result in increased manufacturing, research and development, general and administrative and selling expenses in the foreseeable future.

*Environmental Expenses*

The cost of compliance with environmental laws has not been material over the past two years and any such costs are included in general and administrative costs.

*Inventories*

Inventories consist of raw materials, finished goods and work-in-process and are valued on a first-in, first-out basis and at the lower of cost or net realizable value. Substantially all raw materials purchased during each of the three months ended March 31, 2024 and 2023 were supplied by one supplier.

**Results of Operations:**

**Three months ended March 31, 2024 and 2023**

*Net Revenues*. Net revenues decreased by $4.2 million, or 63%, to $2.5 million for the three months ended March 31, 2024, compared to $6.8 million for the three months ended March 31, 2023 due to a shortage of finished goods inventory attributable to previously reported delays by our sole packager in producing additional finished goods originally scheduled for December 2023. The shortage extended into the second quarter as well, and had a severe, adverse effect on our sales for the second quarter as compared to the same period in 2023. The packaging delays were resolved and in June 2024 we began fulfilling our order backlog of approximately $4.6 million as of May 24, 2024. In mid-July, however, we experienced a second, one-month interruption in supply due

to the imposition and implementation of new FDA inventory tracking requirements, which interruption is expected to have a material, adverse effect on our sales for the third quarter as compared to the same period in 2023. Absent further unexpected supply interruptions, and depending on the effect on sales of the launch of the competing generic L-Glutamine Oral Powder discussed below, we expect that sales in the fourth quarter will rebound to levels experienced prior to the shortage, but sales for the full year are not expected to meet or exceed sales for the full year 2023. In the meantime, we are seeking additional sources of packaging in the U.S. and in the MENA regions to avoid similar problems in the future.

On July 15, 2024, ANI Pharmaceuticals, Inc., or ANI. announced the launch of its L-Glutamine Oral Powder, a generic version of Endari®, following final approval of its Abbreviated New Drug Application from the U.S. Food and Drug Administration. It is too early to predict the effect of the introduction of ANI's generic product or other generic versions of L-Glutamine oral powder on Endari® sales, but it may adversely affect the reimbursement rates that Medicare, Medicaid and third-party payors are willing to pay for Endari® and on sales volume of Endari®, which could have a material, adverse effect on our future net revenues.

*Cost of Goods Sold*. Cost of goods sold decreased by $0.2 million, or 40%, to $0.3 million for the three months ended March 31, 2024, compared to $0.4 million for the three months ended March 31, 2023. The decrease was primarily due to the decrease in sales discussed above.

*Research and Development Expenses.* Research and development expenses decreased by 0.1 million, or 37%, to $0.2 million for the three months ended March 31, 2024, compared to $0.3 million for the three months ended March 31, 2023. The decrease was primarily due to a decrease in contract research organization expenses.

*Selling Expenses*. Selling expenses decreased by $0.4 million, or 16%, to $1.9 million for the three months ended March 31, 2024, compared to $2.3 million for the three months ended March 31, 2023. The decrease was primarily due to a decrease in payroll expenses.

*General and Administrative Expenses.* General and administrative expenses decreased by $2.0 million, or 41%, to $2.9 million for the three months ended March 31, 2024, compared to $4.9 million for the three months ended March 31, 2023. The decrease was primarily due to decreases of $1.1 million in share-based compensation, $0.3 million in transaction cost, $0.2 million in public relations and $0.1 million in professional services.

*Other Income (Expense)*. Total other expense decreased by $0.6 million, or 28%, to $1.6 million for the three months ended March 31, 2024, compared to $2.2 million for the three months ended March 31, 2023. The decrease was primarily due to increases of a $1.0 million in gain on debt extinguishment and a $0.6 million in foreign exchange gain partially offset by increases of $1.0 million in change in fair value of embedded conversion option of convertible promissory notes.

*Net Loss.* Net loss were $4.3 million and $3.5 million for three months ended March 31, 2024 and 2023, respectively.

**Liquidity and Capital Resources**

Based on our losses to date, current liabilities and anticipated future net revenues and operating expenses and debt repayment obligations cash and cash equivalents balance of $1.8 million as of March 31, 2024, we do not have sufficient operating capital for our business without raising additional capital. We realized a net loss of $4.3 million for the three months ended March 31, 2024 and anticipate that we will continue to incur net losses for the foreseeable future and until we can generate increased net revenues from Endari® sales. There is no assurance that we will be able to increase our Endari® sales or attain sustainable profitability or that we will have sufficient capital resources to fund our operations until we are able to generate sufficient cash flow from operations.

Our subsidiary, Emmaus Medical, Inc., or Emmaus Medical, is party to a purchase and sale agreement with Prestige Capital Finance, LLC, or Prestige Capital, pursuant to which Emmaus Medical may offer and sell to Prestige Capital from time to time eligible accounts receivable in exchange for Prestige Capital's down payment, or advance, to Emmaus Medical of 65-80% of the face amount of the accounts receivable, subject to a $7,500,000 cap on advances at any time. The balance of the face amount of the accounts receivable will be reserved by Prestige Capital and paid to Emmaus Medical, less discount fees of Prestige Capital ranging from 2.25% to 7.25% of the face amount, as and when Prestige Capital collects the entire face amount of the accounts receivable.

Liquidity represents our ability to pay our liabilities when they become due, fund our business operations, and meet our contractual obligations and execute our business plan. Our primary sources of liquidity are our cash balances at the beginning of each period, net revenues, proceeds from our accounts receivable factoring arrangement with Prestige Capital and similar sales of future receipts to other parties, proceeds from related-party loans and other financing activities. Our short-term and long-term cash requirements consist primarily of working capital requirements, general corporate needs, our contractual obligations and debt service under our convertible notes payable and notes payable.

As of March 31, 2024, we had outstanding $16.6 million principal amount of convertible promissory notes and $12.8 million principal amount of other notes payable. Our minimum lease payment obligations were $2.4 million, of which $1.1 million was payable within 12 months.

Our API supply agreement with Telcon provides for an annual API purchase target of $5 million and a target "profit" (*i.e*., gross margin) to Telcon of $2.5 million. To the extent these targets are not met, Telcon may be entitled to payment of the shortfall or to offset the shortfall against the Telcon convertible bond and proceeds thereof that are pledged as collateral to secure our obligations. In April 2024, Telcon offset KRW3.5 billion, or approximately $2.5 million, against the principal amount of the Telcon convertible bond and we released KRW893 million, or approximately $640,000, in cash proceeds to Telcon in satisfaction the target shortfall for the year ended 2023.

Due to uncertainties regarding our ability to meet our current and future operating and capital expenses, there is substantial doubt about our ability to continue as a going concern for 12 months from the date that our condensed consolidated financial statements are issued, as referred to in the "Risk Factors" section of this Quarterly Report and Note 2 of the Notes to Condensed Consolidated Financial Statements included herein.

**Cash flows for the three months ended March 31, 2024 and March 31, 2023**

*Net cash provided by (used in) operating activities*

Net cash provided by operating activities increased by $1.4 million, or 111%, to $0.1 million for the three months ended March 31, 2024 from $1.3 million net cash used in operating activities for the three months ended March 31, 2023. This increase was primarily due to a $4.4 million of cash collection from account receivables, partially offset by a $1.6 million increase in loss from operations.

*Net cash used in investing activities*

Net cash used in investing activities decreased by $1.1 million, or 100%, to $4,000 for the three months ended March 31, 2024 from $1.1 million for the three months ended March 31, 2023. The decrease was primarily due to the cessation of loan funding to EJ Holdings.

*Net cash provided by (used in) from financing activities*

Net cash used in from financing activities increased by $3.1 million, or 145%, to $1.0 million for the three months ended March 31, 2024 from a $2.1 million net cash provided by financing activities for the three months ended March 31, 2023. This increase was the result of additional $1.8 million repayment of notes payable and a $1.3 million reduction of proceeds received from issuance of promissory notes and convertible notes.

**Off-Balance-Sheet Arrangements**

We have no off-balance sheet arrangements.

**Critical Accounting Estimates**

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of certain assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the present circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

Refer to "Critical Accounting Policies" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report for our critical accounting policies. There have been no material changes in any of our critical accounting policies during the three months ended March 31, 2024.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not required for a smaller reporting company.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures ("DCP") are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. DCP include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our DCP. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's DCP were not effective.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2024 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Material Weaknesses**

As previously reported, in connection with the preparation of our consolidated financial statements as of December 31, 2021, our management identified ongoing material weaknesses (the "Material Weaknesses") in our internal control over financial reporting. The Material Weaknesses related to inadequate accounting treatment for complex accounting matters, inadequate financial closing process, segregation of duties, including access control over information technology, especially financial information, inadequate documentation of policies and procedures over risk assessments, internal control and significant account processes, and insufficient entity risk assessment processes.

Since identifying the Material Weaknesses, we took several steps to remediate the Material Weaknesses, including:

- engaging a third-party accounting consulting firms to assist us in the review of our application of GAAP to complex debt financing transactions;
- using a GAAP Disclosure and SEC Reporting Checklists;
- continuing professional training and academic education on accounting subjects for accounting staff;
- enhancing attention to review controls related to our financial closing process and reporting;
- subscribing to relevant online services and other supplemental internal and external resources relating to SEC reporting; and
- establishing a Disclosure Committee to ensure more effective internal communication regarding significant transactions and our financial reporting.

In 2022, we implemented an integrated cloud-based enterprise resource planning system to manage our financial information and replace our outdated financial accounting systems and software. As a result of these actions, management has concluded that the material weaknesses identified in previous fiscal years have been remediated but that there continued to be material weakness in our internal control over financial reporting as of December 31, 2023. In particular, our finance and financial accounting department is thinly staffed, and there are some areas in which we lack formal policies and procedures.

During 2023, the Company paid $650,000 in exchange for the promise of a standby letter of credit from foreign sources which was determined to have been fraudulent. In connection with this matter, we identified an additional material weakness related to insufficient board of directors' oversight and a lack of internal governance processes and procedures surrounding the evaluation of and background checks of advisors in foreign jurisdictions where we have less familiarity with laws and business practices.

To address the material weakness, our board of director appointed a Steering Committee of our Co-Presidents at the time and independent directors following the termination of employment of our former Chief Executive Officer and we engaged outside counsel to advise management on additional steps which should be taken to properly vet the Company's advisors and others with which it seeks to do business in the future.

## Part II. Other Information

### Item 1. Legal Proceedings

Not applicable.

### Item 1A. Risk Factors

The following should be read in conjunction with the "Risk Factors" section of the Annual Report.

The market exclusivity for Endari® for SCD in the U.S. expired on July 7, 2024 and Endari® has no intellectual property protection of Endari® in the U.S. or orphan drug or other market exclusivity in the MENA region, which lack of exclusivity may result in the introduction of generic versions of PGLG in the U.S. and MENA regions and adversely affect our Endari® sales and results of operations in future periods. On July 15, 2024, for example, ANI Pharmaceuticals, Inc., or ANI. announced the launch of its L-Glutamine Oral Powder, a generic version of Endari®, following final approval of its Abbreviated New Drug Application from the U.S. Food and Drug Administration. It is too early to predict the effect of the introduction of ANI's generic product or other generic versions of L-Glutamine oral powder on Endari® sales, but it may have a material, adverse effect on our future net revenues. It is also possible that ANI or other generic maker will seek to introduce generic versions of Endari® in the MENA region.

Sales of Endari® depend on the availability of adequate coverage and reimbursement from third-party payors and governmental healthcare programs, such as Medicare and Medicaid in the U.S. and government payors in the MENA region. Patients who are prescribed medicine for the treatment of their conditions generally rely on third-party payors to reimburse all or a significant part of the costs associated with their prescription drugs. Coverage determination depends on financial, clinical and economic outcomes that often disfavors new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Although Endari® currently is reimbursable by the Centers for Medicare and Medicaid Services, and every state provides coverage for Endari® for outpatient prescriptions to all eligible Medicaid enrollees within their state Medicaid programs, the reimbursement amounts are subject to change and may not be adequate and may require higher co-payments that patients find unacceptable. The Company also has negotiated reimbursement rates for Endari® in the MENA region which are comparable to Medicare and Medicaid reimbursement rates. Patients are unlikely to use Endari® unless reimbursement is adequate to cover a significant portion of the cost of Endari®. Future coverage and reimbursement rates will likely be subject to increased scrutiny from payors in the U.S. and perhaps government payors in the MENA region. Third-party coverage and reimbursement for Endari® may cease to be available or adequate, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

The market for Endari® also depends on access to third-party payors' drug formularies, which are lists of medications for which third-party payors provide coverage and reimbursement. The competition in the industry to be included in such formularies may lead to downward pricing pressures on us. Also, third-party payors may refuse to include Endari® in their formularies or otherwise restrict patient access to Endari® if a less costly generic equivalent or other alternative treatment is available. In this regard, Medicare and Medicaid reimbursement rate for branded products such as Endari are subject to decrease to the cost of comparable generic versions of the products such as ANI's L-Glutamine Oral Powder or other generic versions of Endari®. In light of the recent launch of ANI's L-Glutamine Oral Powder, we expect to reduce the wholesale acquisition cost of Endari to address these reimbursement requirements.

Sales of Endari® in the MENA region are subject to lengthy reimbursement terms compared to U.S. sales, and management expects that our accounts receivable aging will be adversely affected by such terms as sales in the MENA region increase compared to our U.S. sales.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed/ Furnished |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 4.1 | Form of Convertible Promissory Note Due February 24, 2025 | 8-K | 001-35527 | 4.1 | February 26, 2024 | |
| 10.1 | Exchange Agreement dated as of February 21, 2024 | 8-K | 001-35527 | 10.1 | February 26, 2024 | |
| 10.2 | Form of Joinder Agreement and Amendment to Transfer Restriction and Voting Agreement | 8-K | 001-35527 | 10.2 | February 26, 2024 | |
| 10.3 | Transfer Restriction and Voting Agreement entered into as of February 8, 2021 among Emmaus Life Sciences and the parties signatory thereto | 8-K | 001-35527 | 10.2 | February 16, 2021 | |
| 10.4 | Promissory Note dated March 15, 2024 | | | | | * |
| 31.1 | Certification of Chief Executive Officer pursuant to Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | * |
| 31.2 | Certification of Chief Financial Officer pursuant of Item 601(b) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | * |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | ** |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document | | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Document | | | | | |
| 104 | Cover Page formatted as Inline XBRL and contained in Exhibit 101 | | | | | |

* Filed herewith.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

**EMMAUS LIFE SCIENCES, INC.**

**SIGNATURES**

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

**Emmaus Life Sciences, Inc.**

Dated: September 10, 2024

By: /s/ *Willis C. Lee*
Name: Willis C. Lee
Its: Chief Executive Officer (Principal Executive Officer)

By: /s/ *Yasushi Nagasaki*
Name: Yasushi Nagasaki
Its: Chief Financial Officer (Principal Financial and Accounting Officer)

**Exhibit 10.4**

THIS PROMISSORY NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE BORROWER.

[THIS NOTE IS REGISTERED WITH THE BORROWER AS TO BOTH PRINCIPAL AND INTEREST AND, ACCORDINGLY, IS IN "REGISTERED FORM" WITHIN THE MEANING OF SECTIONS 871(H) AND 881(C) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED.]

**EMMAUS LIFE SCIENCES, INC.**
**Promissory Note**

Principal Amount: $1,400,000

Loan Date: March 15,2024

Currency: U.S. Dollars

Term: Two Months

Interest: 5% per Two Months

Loan Due Date: the earlier of May 15, 2024 and the date on which all amounts under this Note shall become due and payable pursuant Section 5

Interest Payment Period: Interest is accrued on a daily basis and paid on the Loan Due Date

Lender: Smart Start Investments Limited, or its successor or assign

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800, Torrance, CA 90503 ("Borrower") hereby unconditionally promises to pay to the order of Lender, the Principal Amount in U.S. Dollars together with all accrued but unpaid interest thereon at the stated Interest Rate, under the following terms and conditions of this Promissory Note ("Note").

**1.Terms of Repayment (Balloon Payment); Prepayment:** From the Loan Date and to the date when all amounts outstanding under this Note have been paid in full in cash, interest shall accrue at the rate of two and a half percent (2.5%) per month of the Principal Amount. The entire unpaid Principal Amount and accrued and unpaid interest shall be due and payable on the Loan Due Date. The Borrower may serve a written notice to the Lender three (3) business days in advance to prepay the loans in full or in part under this Note before the Loan Due Date.

**2.Representations and warranties and covenants:**

(a)The Borrower represents and warrants as of the date of this Note and each day thereafter until all amounts outstanding under this Note have been paid in full in cash that:

(i)It is duly incorporated and validity existing under the applicable laws and that it has the authority to issue this Note to the Lender.

(ii)This Note is legally valid, binding, and enforceable against it, and that it has taken all necessary actions and obtain all required consents to authorize its execution and performance and that it has duly executed and delivered this Note.

(iii) No consent or authorization of, filing with, notice to, or other act by, or in respect of, any governmental authority or any other person is required in order for the Borrower to execute, deliver, or perform any of its obligations under this Note.

(iv)The execution and delivery of this Note and the consummation by the Borrower of the transactions contemplated hereby do not and will not violate its organizational documents or any law applicable to the Borrower or by which any of its properties or assets may be bound.

(v)It is solvent and able to pay its debts as and when they fall due.

(vi)It is not in default or breach of any material obligations under any other agreements or contracts, and there are no events or circumstances that would result in a default under this Note.

(vii)There are no pending or threatened legal actions, claims, or proceedings that could materially affect its financial condition, business operations or ability to repay this Note.

(viii)Its operations have been conducted in compliance with all applicable laws, rules, and regulations.

(b)Until all amounts outstanding under this Note have been paid in full in cash, the Borrower shall:

(i) Preserve, renew, and maintain in full force and effect its corporate or organizational existence and take all reasonable action to maintain all rights, privileges, and franchises necessary or desirable in the normal conduct of its business.

(ii)Comply with all laws applicable to it and its business and its obligations under its material contracts and agreements.

(iii)Pay, discharge, or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings, and reserves in conformity with generally accepted

accounting principles in the United States of America as in effect from time to time ("GAAP") with respect thereto have been provided on its books.

(iv)As soon as possible and in any event within two (2) business days after it becomes aware that an Event of Default has occurred, notify the Lender in writing of the nature and extent of such Event of Default and the action, if any, it has taken or proposes to take with respect to such Event of Default.

(v)Not incur, create, or assume any debt, other than any debt owed in the ordinary course of business.

(vi)Not incur, create, assume, or suffer to exist any lien on any of its property or assets, whether now owned or hereafter acquired, except for (A) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Borrower in conformity with GAAP; and (B) non-consensual liens arising by operation of law, arising in the ordinary course of business, and for amounts which are not overdue for a period of more than fifteen (15) days or that are being contested in good faith by appropriate proceedings.

(vii)Not enter into any business, directly or indirectly, except for those businesses in which the Borrower is engaged on the date of this Note or that are reasonably related thereto.

**3.Payments by the Borrower:** All payments due under this Note shall be made by the Borrower in full, in US Dollars and in immediately available funds, no later than 12:00 PM Hong Kong time on the date on which such payment is due, without set-off, counterclaim, withholding or condition of any kind to the bank account designated by the Lender in writing, or at such other bank account as the Lender may designate in writing in the future. If the Borrower is compelled by law to make such withholding, the sum payable shall be increased so that the amount actually received by the Lender is the amount it would have received if there had been no withholding. All payments made under this Note shall be applied first to the payment of accrued interest, and *second* to the payment of the principal amount outstanding under the Note. If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

**4. Default interest:** Upon the occurrence and during the continuation of an Event of Default, Interest Rate shall increase from the rate of two and a half percent (2.5%) per month of the unpaid Principal Amount to the rate of five (5.0%) per month of the unpaid Principal Amount from the Loan Date together with unpaid interest. Interest is to be calculated on a monthly compounded basis until all amounts outstanding under this Note have been paid in full in cash. If at any time the Interest Rate payable under this Note shall exceed the maximum rate of interest permitted under applicable law, such Interest Rate shall be reduced automatically to the maximum rate permitted.

**5.Acceleration of Debt:** If (i) the Borrower fails to make any payment due under the terms of this Note. (ii) the Borrower commences any case, proceeding, or other action under any existing or future law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent,

or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts, (iii) the Borrower suffers an involuntary petition in bankruptcy or receivership that is not vacated within thirty (30) days, (iv) the Borrower consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within thirty (30) days, (v) the Borrower commences any case, proceeding, or other action seeking appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets or makes a general assignment for the benefit of its creditors, (vi) the Borrower admits in writing that it is generally unable to pay its debts as they become due, (vii) any representation or warranty made by the Borrower to the Lender herein contains an untrue or misleading statement of a material fact as of the date made; provided, however, no Event of Default shall be deemed to have occurred pursuant to this Section 5 if, within seven (7) days of the date on which the Borrower receives notice (from any source) of such untrue or misleading statement, the Borrower shall have addressed the adverse effects of such untrue or misleading statement to the reasonable satisfaction of the Lender, (viii) the Borrower fails to observe or perform (A) any covenant, condition, or agreement contained in Section 2 or (B) any other material covenant, obligation, condition, or agreement contained in this Note, other than those specified in clause (A) and Section 5(i) and such failure continues for seven (7)] days, (ix) the Borrower fails to pay when due any of its debt (other than debt arising under this Note), or any interest or premium thereon, when due and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such debt, or
(x) one or more judgments or decrees shall be entered against the Borrower and all of such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof, (each an "Event of Default"), the entire balance of this Note and any interest accrued thereon shall be immediately due and payable to the Lender without any notice, declaration or other action on the part of the Lender.

**6.Modification:** No modification or waiver of any of the terms of this Note shall be allowed unless by written agreement signed by the Borrower and the Lender. No waiver of any breach or default hereunder shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

**7.Complete Note:** This Note is the complete and exclusive statement of agreement of the Borrower and Lender with respect to matters in this Note. This Note replaces and supersedes all prior written or oral agreements or statements by and among the Borrower and Lender with respect to the matters covered by it. No representation, statement, condition or warranty not contained in this Note is binding on either the Borrower or Lender. Each holder of this Note, by its acceptance hereof, agrees to be bound by, and shall be entitled to the benefits of, the terms set forth herein.

**8. Lost, Stolen or Mutilated Note:** Upon receipt by the Borrower of evidence reasonably satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Lender to the Borrower in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Lender a new Note representing the outstanding Principal Amount and accrued and unpaid interest thereon.

**9.Remedies:** The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note at law or in equity (including a decree of specific performance

and/or other injunctive relief), and nothing herein shall limit the Lender's right to pursue actual and consequential damages for any failure by the Borrower to comply with the terms of this Note.

**10.Severability of Provisions:** If any portion of this Note is deemed unenforceable, all other provisions of this Note shall remain in full force and effect.

**11.Choice of Law:** All terms and conditions of this Note shall be interpreted under the laws of California, U.S.A., without regard to conflict of law principles.

**12.Notices.** (a) All notices, requests, or other communications required or permitted to be delivered hereunder shall be made in writing and mailed by certified or registered mail, delivered by hand or overnight courier service, or sent by facsimile or email as follows:

(i)If to the Borrower:

21250 Hawthorne Blvd., Suite 800, Torrance, CA 90503 Attention of: Willis Lee
Email: wlee@emmauslifesciences.com Facsimile No: 310-214-0075
Telephone No: 310-214-0065

(ii)If to the Lender:

6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street,
Kwun Tong, Kowloon, Hong Kong.

Attention of: Mr. Peter Luk
Email: peter.luk@buildking.hk_

(b) Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by email shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email, or other written acknowledgment).

**13.Successors and Assigns:** This Note may be assigned or transferred by the Lender to any person. The Borrower may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Lender. This Note shall inure to the benefit of, and be binding upon, the parties and their permitted assigns. The Borrower shall maintain a copy of each assignment delivered to it and a register for the recordation of the names and addresses of the Lender and its

assigns and principal amounts (and stated interest) owing to, the Lender and its assigns pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower and the Lender shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Note. The Register shall be available for inspection by the Lender at any reasonable time and from time to time upon reasonable prior notice.

**14. Waiver of Notice:** The Borrower hereby waives demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity, and diligence in taking any action to collect sums owing hereunder.

**15.Cumulative Remedies:** No single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. The rights, remedies, powers, and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers, and privileges provided by law.

**16. Jurisdiction:** The Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Lender in any way relating to this Note in any forum other than the courts of the State of California sitting in Los Angeles, and of the United States District Court for the Central District of California, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such state court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right of the Lender to bring any action or proceeding against the Borrower or its properties in the courts of any jurisdiction.

**17.Waiver of Venue:** The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection to the laying of venue of any action or proceeding arising out of or relating to this Note in any court referred to in Section 16. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum in any such action or proceeding.

**18. WAIVER OF JURY TRIAL:** TO THE FULL EXTENT PERMITTED BY THE LAWS OF THE STATE OF CALIFORNIA, THE BORROWER AND THE LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER. IN THE EVENT THAT CALIFORNIA LAW DOES NOT PERMIT OR RECOGNIZE THE WAIYER OF JURY TRIAL RIGHTS THE PARTIES AGREE THAT THE ADJUDICATION OF ANY DISPUTE ARISING BETWEEN THEM HEREUNDER SHALL BE RESOLVED IN ACCORDANCE WITH SECTION 19 BELOW.

**19.Judicial Reference.**

(a)Any and all disputes, claims and controversies arising out of, connected with or relating to this Note or the transactions contemplated hereby (individually, a "Dispute") that are brought before a forum in which pre-dispute waivers of the right to trial by jury are invalid under applicable law shall be subject to the terms of this Section in lieu of the jury trial waivers otherwise provided in the Note. Disputes may include, without limitation, tort claims, counterclaims, claims brought as class actions, claims arising from this Note or any other document executed in the future, disputes as to whether a matter is subject to judicial reference, or claims concerning any aspect of the past, present or future relationships arising out of or connected with this Note.

(b)Any and all Disputes shall be heard by a referee and resolved by judicial reference pursuant to California Code of Civil Procedure ("CCCP") §§ 638 et seq.

(c)The referee shall be a retired California state court judge or an attorney licensed to practice law in the State of California with at least 10 years' experience practicing commercial law. The parties hereto (the "Parties") shall not seek to appoint a referee that may be disqualified pursuant to CCCP § 641 or § 641.2 without the prior written consent of all Parties. If the Parties are unable to agree upon a referee within 10 calendar days after one Party serves a written notice of intent for judicial reference upon the other Parties, then the referee will be selected by the court in accordance with CCCP § 640(b).

(d)The referee shall render a written statement of decision and shall conduct the proceedings in accordance with the CCCP, the Rules of Court, and the California Evidence Code, except as otherwise specifically agreed by the Parties and approved by the referee. The referee's statement of decision shall set forth findings of fact and conclusions of law. The decision of the referee shall be entered as a judgment in the court in accordance with CCCP §§ 644 and 645. The decision of the referee shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the superior court.

(e)Notwithstanding the preceding agreement to submit Disputes to a judicial referee, the parties preserve, without diminution, certain rights and remedies at law or equity and under this Note that such parties may employ or exercise freely, either alone or in conjunction with or during a Dispute. Each party shall have and hereby reserves the right to proceed in any court of proper jurisdiction or by self help to exercise or prosecute the following remedies, as applicable: (A) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale, (B) all rights of self help including peaceful occupation of property and collection of rents, setoff, and peaceful possession of property, (C) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding, and (D) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of a judicial referee to grant similar remedies that may be requested by a party in a Dispute. No provision in this Note regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in this Note for judicial reference of any Dispute. The parties do not waive any applicable federal or state substantive law (including without limitation the protections afforded to banks under 12 U.S.C. § 91 or any similar applicable state law) except as provided herein.

(f)If a Dispute includes multiple claims, some of which are found not subject to this Section, the parties shall stay the proceedings of the claims not subject to this Section until all other claims are resolved in accordance with this Section. If there are Disputes by or against multiple parties, some of which are not subject to this Section, the Parties shall sever the Disputes subject to this Section and resolve them in accordance with this Section.

(g)During the pendency of any Dispute that is submitted to judicial reference in accordance with this Section, each of the parties to such Dispute shall bear equal shares of the fees charged and costs incurred by the referee in performing the services described in this Section. The compensation of the referee shall not exceed the prevailing rate for like services. The prevailing party shall be entitled to reasonable court costs and legal fees, including customary attorney fees, expert witness fees, paralegal fees, the fees of the referee and other reasonable costs and disbursements charged to the party by its counsel, in such amount as is determined by the referee. In the event of any challenge to the legality or enforceability of this Section, the prevailing party shall be entitled to recover the costs and expenses from the non-prevailing party, including reasonable attorneys' fees, incurred by it in connection therewith.

(h)THIS SECTION CONSTITUTES A "REFERENCE AGREEMENT" BETWEEN THE PARTIES WITHIN THE MEANING OF AND FOR PURPOSES OF CCCP § 638.

[Signature Pages to follow]

Signed Under Penalty of Perjury, this _15th_ day of March, 2024.

**Emmaus Life Sciences, Inc.**

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By: Willis Lee, Co-President

Acknowledged and accepted by Lender
**Smart Start Investments Limited**

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By:

**Exhibit 31.1**

**Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Willis C. Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, 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: September 10, 2024

/s/ Willis C. Lee
Willis C. Lee
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yasushi Nagasaki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Emmaus Life Sciences, 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: September 10, 2024

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Emmaus Life Sciences, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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.

/s/ Willis C. Lee
Willis C. Lee
Chief Executive Office
(Principal Executive Officer)
September 10, 2024

/s/ Yasushi Nagasaki
Yasushi Nagasaki
Chief Financial Officer
(Principal Financial and Accounting Officer)
September 10, 2024