

**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 September 30, 2022

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

(State or other jurisdiction of incorporation or organization)

87-0419387

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

21250 Hawthorne Boulevard, Suite 800, Torrance, California
(Address of principal executive offices)

90503
(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 49,558,501 shares of common stock, par value \$0.001 per share, outstanding as of November 10, 2022.

EMMAUS LIFE SCIENCES, INC.
For the Quarterly Period Ended September 30, 2022
INDEX

	<u>Page</u>
Part I. Financial Information	
Item 1.	1
Financial Statements (Unaudited)	
(a) Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021	1
(b) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2022 and 2021	2
(c) Condensed Consolidated Statements of Changes in Stockholders' Deficit for the three and nine months ended September 30, 2022 and 2021	3
(d) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021	5
(e) Notes to Condensed Consolidated Financial Statements	6
Item 2.	21
Management's Discussion and Analysis of Financial Condition and Results of Operations	
Item 3.	26
Quantitative and Qualitative Disclosures About Market Risk	
Item 4.	26
Controls and Procedures	
Part II Other Information	
Item 1.	28
Legal Proceedings	
Item 1A.	28
Risk Factors	
Item 2.	28
Unregistered Sales of Equity Securities and Use of Proceeds	
Item 3.	28
Defaults Upon Senior Securities	
Item 4.	28
Mine Safety Disclosures	
Item 5.	29
Other Information	
Item 6.	30
Exhibits	
Signatures	31

Item 1. Financial Statements

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

ASSETS	As of	
	September 30, 2022	December 31, 2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,179	\$ 2,279
Accounts receivable, net	1,491	1,040
Inventories, net	2,739	4,392
Prepaid expenses and other current assets	973	1,380
Total current assets	6,382	9,091
Property and equipment, net	79	147
Equity method investment	16,594	17,616
Right of use assets	2,944	3,485
Investment in convertible bond	15,943	26,100
Other assets	259	295
Total assets	\$ 42,201	\$ 56,734
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 11,134	\$ 9,189
Operating lease liabilities, current portion	653	740
Conversion feature derivative, notes payable	4,272	7,507
Other current liabilities	2,270	4,404
Revolving line of credit from related party	400	400
Warrant derivative liabilities	33	1,503
Notes payable, current portion, net of discount	5,635	2,399
Notes payable to related parties	2,780	800
Convertible notes payable, net of discount	14,346	10,158
Total current liabilities	41,523	37,100
Operating lease liabilities, less current portion	2,764	3,261
Other long-term liabilities	32,122	33,173
Notes payable, less current portion	—	1,500
Notes payable to related parties, net	3,381	—
Convertible notes payable	—	3,150
Total liabilities	79,790	78,184
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, 49,558,501 and 49,311,864 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	50	49
Additional paid-in capital	220,803	220,022
Accumulated other comprehensive loss	(5,905)	(255)
Accumulated deficit	(252,537)	(241,266)
Total stockholders' deficit	(37,589)	(21,450)
Total liabilities & stockholders' deficit	\$ 42,201	\$ 56,734

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES, NET	\$ 4,939	\$ 5,766	\$ 12,460	\$ 17,590
COST OF GOODS SOLD	540	445	1,943	1,311
GROSS PROFIT	4,399	5,321	10,517	16,279
OPERATING EXPENSES				
Research and development	432	470	1,196	3,032
Selling	1,664	1,518	5,076	4,254
General and administrative	2,963	3,364	9,413	10,156
Total operating expenses	5,059	5,352	15,685	17,442
LOSS FROM OPERATIONS	(660)	(31)	(5,168)	(1,163)
OTHER INCOME (EXPENSE)				
Loss on debt extinguishment	(421)	—	(421)	(1,172)
Change in fair value of warrant derivative liabilities	51	(131)	1,341	(322)
Change in fair value of conversion feature derivative, notes payable	3,850	(1,357)	3,235	(1,132)
Realized loss on investment in convertible bond	—	—	(133)	—
Net loss on equity method investment	(431)	(663)	(1,490)	(1,999)
Foreign exchange loss	(1,470)	(246)	(5,131)	(1,421)
Interest and other income	175	192	530	573
Interest expense	(1,520)	(683)	(3,544)	(2,390)
Total other income (expense)	234	(2,888)	(5,613)	(7,863)
LOSS BEFORE INCOME TAXES	(426)	(2,919)	(10,781)	(9,026)
Income tax provision (benefit)	(35)	232	44	58
NET LOSS	(391)	(3,151)	(10,825)	(9,084)
COMPONENTS OF OTHER COMPREHENSIVE LOSS				
Unrealized loss on debt securities available for sale (net of tax)	(3,047)	(2,754)	(7,112)	(2,150)
Reclassification adjustment for loss included in net income	—	—	7	—
Foreign currency translation adjustments	481	86	1,455	243
Other comprehensive loss	(2,566)	(2,668)	(5,650)	(1,907)
COMPREHENSIVE LOSS	\$ (2,957)	\$ (5,819)	\$ (16,475)	\$ (10,991)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	\$ (0.01)	\$ (0.06)	\$ (0.22)	\$ (0.18)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	49,558,501	49,311,864	49,397,690	49,233,371

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 capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at January 1, 2022	49,311,864	\$ 49	\$ 220,022	\$ (255)	\$ (241,266)	\$ (21,450)
Share-based compensation	—	—	5	—	—	5
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	350	—	350
Reclassification adjustment for loss included in net income	—	—	—	7	—	7
Foreign currency translation effect	—	—	—	331	—	331
Net loss	—	—	—	—	(1,542)	(1,542)
Balance, March 31, 2022	<u>49,311,864</u>	<u>\$ 49</u>	<u>220,027</u>	<u>433</u>	<u>(242,808)</u>	<u>(22,299)</u>
Reclassification of warrants from liability to equity	—	—	213	—	—	213
Fair value of warrants including down-round protection adjustments	—	—	446	—	(446)	—
Common stock issued for services	246,637	1	109	—	—	110
Share-based compensation	—	—	5	—	—	5
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(4,415)	—	(4,415)
Foreign currency translation effect	—	—	—	643	—	643
Net loss	—	—	—	—	(8,892)	(8,892)
Balance, June 30, 2022	<u>49,558,501</u>	<u>\$ 50</u>	<u>\$ 220,800</u>	<u>\$ (3,339)</u>	<u>\$ (252,146)</u>	<u>\$ (34,635)</u>
Share-based compensation	—	—	3	—	—	3
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(3,047)	—	(3,047)
Foreign currency translation effect	—	—	—	481	—	481
Net loss	—	—	—	—	(391)	(391)
Balance, September 30, 2022	<u>\$ 49,558,501</u>	<u>\$ 50</u>	<u>\$ 220,803</u>	<u>\$ (5,905)</u>	<u>\$ (252,537)</u>	<u>\$ (37,589)</u>

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 capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at January 1, 2021	48,987,189	\$ 49	\$ 218,728	\$ 1,144	\$ (225,079)	\$ (5,158)
Fair value of warrants including down-round protection adjustments	—	—	241	—	(241)	—
Common stock issued for services	324,675	—	500	—	—	500
Share-based compensation	—	—	181	—	—	181
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	58	—	58
Foreign currency translation effect	—	—	—	165	—	165
Net loss	—	—	—	—	(8,422)	(8,422)
Balance, March 31, 2021	49,311,864	49	219,650	1,367	(233,742)	(12,676)
Share-based compensation	—	—	274	—	—	274
Unrealized gain on debt securities available for sale (net of tax)	—	—	—	546	—	546
Foreign currency translation effect	—	—	—	(8)	—	(8)
Net income	—	—	—	—	2,489	2,489
Balance, June 30, 2021	49,311,864	49	219,924	1,905	(231,253)	(9,375)
Share-based compensation	—	—	93	—	—	93
Unrealized loss on debt securities available for sale (net of tax)	—	—	—	(2,754)	—	(2,754)
Foreign currency translation effect	—	—	—	86	—	86
Net loss	—	—	—	—	(3,151)	(3,151)
Balance at September 30, 2021	49,311,864	\$ 49	\$ 220,017	\$ (763)	\$ (234,404)	\$ (15,101)

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)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (10,825)	\$ (9,084)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Depreciation and amortization	40	44
Inventory reserve	1,240	423
Amortization of discount of notes payable and convertible notes payable	1,303	1,410
Foreign exchange adjustments	5,072	1,415
Net gain on investment in marketable securities	133	—
Loss on equity method investment	1,490	1,999
Loss on debt extinguishment	421	1,172
Gain on disposal of property and equipment	—	(1)
Loss on leased assets	22	—
Share-based compensation	13	548
Shares issued for services	55	500
Change in fair value of warrant derivative liabilities	(1,341)	322
Change in fair value of conversion feature derivative, notes payable	(3,235)	1,132
Net changes in operating assets and liabilities		
Accounts receivable	(485)	(2,469)
Inventories	390	404
Prepaid expenses and other current assets	148	202
Other non-current assets	446	417
Income tax receivable and payable	28	15
Accounts payable and accrued expenses	1,479	(173)
Other current liabilities	(3,199)	242
Other long-term liabilities	55	(637)
Net cash flows used in operating activities	(6,750)	(2,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of convertible bond	2,919	—
Purchases of property and equipment	(18)	(11)
Loan to equity method investee	(4,226)	(5,241)
Net cash flows used in investing activities	(1,325)	(5,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable issued, net of issuance cost	4,283	—
Proceeds from notes payable issued, net of issuance cost, related party	5,469	1,000
Proceeds from convertible notes payable issued, net of issuance cost and discount	—	14,490
Payments of notes payable	(2,689)	(1,079)
Payments of convertible notes	—	(7,200)
Net cash flows provided by financing activities	7,063	7,211
Effect of exchange rate changes on cash	(88)	(6)
Net decrease in cash, cash equivalents and restricted cash	(1,100)	(166)
Cash, cash equivalents and restricted cash, beginning of period	2,279	2,487
Cash, cash equivalents and restricted cash, end of period	\$ 1,179	\$ 2,321
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Interest paid	\$ 817	\$ 840
Income taxes paid	\$ 16	\$ 43
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount due to embedded derivative	\$ 68	\$ 5,555
Debt discount due to deferred financing cost	\$ 213	\$ —
Debt discount due to warrants	\$ 70	\$ —

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. 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, as the continuation and any expansion of its business is dependent upon obtaining financing, market acceptance of Endari®, and achieving a profitable level of revenues. The consolidated interim financial statements do not include any adjustments that might result from the outcome of these uncertainties. 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, 2021 (the “Annual Report”) filed with the Securities and Exchange Commission (“SEC”) on March 31, 2022 and Quarterly Reports on Form 10-Q filed with the SEC on May 13, 2022 and August 15, 2022. The accompanying condensed consolidated balance sheet at December 31, 2021 has been derived from the audited consolidated balance sheet at December 31, 2021 contained in the Annual Report. The results of operations for the three and nine months ended September 30, 2022 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 sale of innovative treatments and therapies, primarily for rare and orphan diseases. The Company’s lead 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.

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 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 \$10.8 million for the nine months ended September 30, 2022 and had a working capital deficit of \$5.1 million as of September 30, 2022. **Management expects that the Company’s current liabilities, operating losses and expected capital needs, including the expected costs** relating to the commercialization of Endari® in the Middle East North Africa region and elsewhere, will exceed its existing cash balances and cash expected to be generated from operations for the foreseeable future. In order 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, equity or debt financings or licensing or other strategic agreements. The Company is in discussions with the holders of its outstanding convertible promissory notes and certain other creditors to restructure or refinance the convertible promissory notes and other current liabilities but has no understanding or agreement to do so and has no understanding or arrangement for any additional financing. There can be no assurance that the Company will be able to restructure or refinance its existing indebtedness or other current liabilities 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 of this filing. The 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.

Factoring accounts receivables— Emmaus Medical, Inc., or Emmaus Medical, an indirect wholly owned subsidiary of Emmaus, is party to 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 75% of the face amount of the accounts receivable, subject to a \$7.5

million 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 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 \$86,000 and \$472,000 of factoring accounts receivable and there were \$17,000 and \$9,000 liabilities related to factoring reflected in other current liabilities at September 30, 2022 and September 30, 2021, respectively. For three and nine months ended September 30, 2022, the Company incurred approximately \$121,000, and \$275,000, respectively, of factoring fees. For three and nine months ended September 30, 2021, the Company incurred approximately \$106,000 and \$181,000, respectively of factoring fees.

Net loss per share— In accordance with Accounting Standard Codification (“ASC”) 260, “*Earnings per Share*,” the basic 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 manner similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of September 30, 2022 and September 30, 2021, the Company had outstanding potentially dilutive securities exercisable for or convertible into 52,635,590 shares and 23,276,594 shares, respectively, of the Company's common stock. No potentially dilutive securities were included in the calculation of diluted net loss per share since the potential dilutive securities were anti-dilutive for periods ended September 30, 2022 and September 30, 2021.

NOTE 3 — REVENUES

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Endari®	\$ 4,763	\$ 5,590	\$ 12,072	\$ 17,186
Other	177	176	389	404
Revenues, net	<u>\$ 4,939</u>	<u>\$ 5,766</u>	<u>\$ 12,460</u>	<u>\$ 17,590</u>

The following table summarizes the revenue allowance and accrual activities for the nine months ended September 30, 2022 and September 30, 2021 (in thousands):

	Trade Discounts, Allowances and Chargebacks	Government Rebates and Other Incentives	Returns	Total
Balance as of December 31, 2021	\$ 1,481	\$ 3,133	\$ 539	\$ 5,153
Provision related to sales in the current year	1,859	1,828	210	3,897
Adjustments related to prior period sales	(56)	18	569	531
Credits and payments made	(2,379)	(1,656)	(977)	(5,012)
Balance as of September 30, 2022	<u>\$ 905</u>	<u>\$ 3,323</u>	<u>\$ 341</u>	<u>\$ 4,569</u>
Balance as of December 31, 2020	\$ 134	\$ 2,119	\$ 473	\$ 2,726
Provision related to sales in the current year	2,374	2,627	188	5,189
Adjustments related to prior period sales	13	8	(111)	(90)
Credits and payments made	(1,217)	(2,201)	(20)	(3,438)
Balance as of September 30, 2021	<u>\$ 1,304</u>	<u>\$ 2,553</u>	<u>\$ 530</u>	<u>\$ 4,387</u>

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Customer A	9 %	31 %	23 %	47 %
Customer B	35 %	49 %	27 %	35 %
Customer C	13 %	12 %	12 %	10 %
Customer D	15 %	0 %	11 %	0 %
Customer E	14 %	0 %	7 %	0 %

The Company is party to a distributor agreement with Telcon Pharmaceutical RF, Inc., or Telcon pursuant to which the Company 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. In a related license agreement with Telcon, the Company agreed to use commercially reasonable best efforts to obtain product registration in these territories within three years of obtaining FDA marketing authorization for PGLG in this indication. Telcon has the right to terminate the distributor agreement in certain circumstances specified in the distributor agreement for failure to obtain such product registrations, in which event the Company would be obliged to return to Telcon the \$10 million upfront fee. The fee is included in other long-term liabilities as unearned revenue as of September 30, 2022 and December 31, 2021. Refer to Note 6 and 11 and for additional transaction details.

NOTE 4 — SELECTED FINANCIAL STATEMENT — ASSETS

Inventories consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials and components	\$ 1,493	\$ 1,439
Work-in-process	278	115
Finished goods	5,598	6,228
Inventory reserve	(4,630)	(3,390)
Total inventories, net	\$ 2,739	\$ 4,392

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

	September 30, 2022	December 31, 2021
Prepaid insurance	\$ 134	\$ 660
Prepaid expenses	328	326
Other current assets	511	394
Total prepaid expenses and other current assets	\$ 973	\$ 1,380

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

	September 30, 2022	December 31, 2021
Equipment	\$ 360	\$ 342
Leasehold improvements	39	39
Furniture and fixtures	99	103
Construction-in-progress	—	57
Total property and equipment	498	541
Less: accumulated depreciation	(420)	(394)
Total property and equipment, net	\$ 79	\$ 147

During the three months ended September 30, 2022 and 2021, depreciation expense was approximately \$0,000 and \$11,000, respectively. During the nine months ended September 30, 2022 and 2021, depreciation expense was approximately \$30,000 and \$34,000, 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 or upon a merger or similar reorganization of Telcon or a stock split, reverse stock split, stock dividend or similar event. The conversion price as of September 30, 2022 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 API Supply Agreement and revised API Agreement with Telcon described in Note 6 and Note 11.

Concurrent with the purchase of the convertible bond, the Company entered into an agreement dated September 28, 2020 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 Company has elected the fair value option method of accounting for the investment in convertible bond. 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 income (loss). The fair value and any changes in fair value in the convertible bond is determined using a binomial 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.

In February 2022, the Company and Telcon agreed to settle a "target shortfall" under the revised API agreement with Telcon for the years ended 2020 and 2021 by exchanging KRW3.5 billion, or approximately US\$2.9 million, principal amount and accrued and unpaid interest of the Telcon convertible bond and KRW400 million, or approximately US\$310,000, in cash proceeds of the convertible bond. As a result, the Company realized a net loss on investment convertible bond of \$26,000, which previously was classified as unrealized loss on debt securities available-for-sale in the other comprehensive income, and other income of \$41,000. See Notes 6 and 11 for additional information on the "target shortfall."

The following table sets forth the fair value and changes in fair value of the investment in the Telcon convertible bond as of September 30, 2022 and December 31, 2021 (in thousands):

Investment in convertible bond	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 26,100	\$ 27,866
Sales of convertible bond	(2,919)	—
Net loss on investment on convertible bond	(126)	—
Change in fair value included in the statement of other comprehensive income	(7,112)	(1,766)
Balance, end of period	<u>\$ 15,943</u>	<u>\$ 26,100</u>

The fair value as of September 30, 2022 and December 31, 2021 was based upon following assumptions:

	September 30, 2022	December 31, 2021
Principal outstanding (South Korean won)	KRW 26.5 billion	KRW 30 billion
Stock price	KRW1,075	KRW2,925
Expected life (in years)	8.04	8.79
Selected yield	16.75 %	10.50 %
Expected volatility (Telcon common stock)	78.80 %	81.31 %
Risk-free interest rate (South Korea government bond)	4.14 %	2.19 %
Expected dividend yield	—	—
Conversion price	KRW1,150 (US\$0.80)	KRW2,847 (US\$2.39)

Equity method investment – During 2018, the Company and Japan Industrial Partners, Inc., or JIP, formed EJ Holdings, Inc., or EJ Holdings, to acquire, own and operate a shuttered 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 voting shares. JIP owns 60% of EJ

Holdings voting 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 \$13.2 million. The loan proceeds were used by EJ Holdings to purchase the Ube facility in December 2019 and pay related taxes. The loan matures on September 30, 2028 and bears interest at the annual rate of 1%, payable annually. The parties also contemplated that the Ube facility would eventually supply the Company with the facility's output of amino acids and that the operation of the facility would be principally for the Company's benefit and, as such, that major decisions affecting EJ Holdings and the Ube facility would be made by EJ Holdings' board of directors, a majority of which are representatives of JIP, in consultation with the Company. During the nine months ended September 30, 2022, the Company made an additional \$4.2 million of loans to EJ Holdings. As of September 30, 2022, and December 31, 2021, the loans receivable from EJ Holdings were approximately \$21.7 million and \$22.6 million, respectively, as reflected in equity method investment on the consolidated balance sheets.

EJ Holdings is engaged in retrofitting the Ube facility in order to seek regulatory approvals 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 continue to be dependent on loans from the Company or other financing unless and until the Ube facility is activated and EJ Holdings can secure customers for its products. There is no assurance the Company will be able to continue to provide loan financing to support EJ Holdings' activities at the Ube facility or that EJ Holdings will be able to obtain other financing. If EJ Holdings is unable to obtain financing, it may need to seek to sell all or part of the Ube facility. In such event, the Company could lose all or part of its investment.

The Company has determined that EJ Holdings is a variable interest entity, or VIE, based upon its dependence upon loan financing provided by the Company to acquire the Ube facility and fund EJ Holdings' activities, which are principally for the Company's benefit. JIP, however, owns 60% of EJ Holdings and is entitled to designate a majority of the directors of EJ Holdings and its Chief Executive Officer and outside auditors, and, as such, controls the management, business, and operations of EJ Holdings. Accordingly, the Company accounts for its variable interest in EJ Holdings under the equity method.

The Company's share of the loss reported by EJ Holdings are classified as net loss on equity method investment. The investment is evaluated for impairment and if facts and circumstances indicate that the carrying value may not be recoverable, an impairment charge would be recorded.

The following table sets forth certain financial information of EJ Holdings for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
REVENUES, NET	\$ 46	\$ 57	\$ 148	\$ 174
NET LOSS	\$ (1,077)	\$ (1,657)	\$ (3,725)	\$ (4,998)

NOTE 6 — SELECTED FINANCIAL STATEMENT - LIABILITIES

Accounts payable and accrued expenses consisted of the following at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Accounts payable:		
Clinical and regulatory expenses	\$ 444	\$ 534
Professional fees	579	477
Selling expenses	1,138	932
Manufacturing costs	532	378
Non-employee board member compensation	401	136
Other vendors	313	262
Total accounts payable	<u>3,407</u>	<u>2,719</u>
Accrued interest payable, related parties	325	91
Accrued interest payable	1,673	579
Accrued expenses:		
Payroll expenses	1,196	1,097
Government rebates and other rebates	4,157	4,371
Other accrued expenses	376	332
Total accrued expenses	<u>5,729</u>	<u>5,800</u>
Total accounts payable and accrued expenses	<u>\$ 11,134</u>	<u>\$ 9,189</u>

Other current liabilities consisted of the following at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Trade discount	\$ 1,200	\$ 3,000
Other current liabilities	1,070	1,404
Total other current liabilities	<u>\$ 2,270</u>	<u>\$ 4,404</u>

Other long-term liabilities consisted of the following at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Trade discount	\$ 22,095	\$ 23,148
Unearned revenue	10,000	10,000
Other long-term liabilities	27	25
Total other long-term liabilities	<u>\$ 32,122</u>	<u>\$ 33,173</u>

On June 12, 2017, the Company entered into an API Supply Agreement with Telcon pursuant to which Telcon advanced to the Company approximately \$1.8 million as an advance trade discount in consideration of the Company's agreement to purchase from Telcon the Company's estimated annual target requirements 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 \$523,000 of PGLG from Telcon in the nine months ended September 30, 2022 and purchased \$250,000 of PGLG in the nine months ended September 30, 2021 of which \$537,000 and \$382,000 were reflected in accounts payable as of September 30, 2022 and December 31, 2021, 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 in the nine months ended September 30, 2022 of the target shortfall for 2021 and 2020.

NOTE 7 — NOTES PAYABLE

Notes payable consisted of the following at September 30, 2022 and December 31, 2021 (in thousands except for number of underlying shares) excluding the revolving line of credit agreement with related party discussed below:

Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding September 30, 2022	Unamortized Discount September 30, 2022	Carrying Amount September 30, 2022	Underlying Shares September 30, 2022
Notes payable							
2013	10%	Due on demand	—	\$ 692	\$ —	\$ 692	—
2021	11%	Due on demand - 2 years	—	2,719	—	2,719	—
2022	11%-36%	Due on demand - 7 month	—	2,243	19	2,224	—
				\$ 5,654	\$ 19	\$ 5,635	—
		Current		\$ 5,654	\$ 19	\$ 5,635	—
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	—	5,501	135	5,361 (c)	—
				\$ 6,301	\$ 135	\$ 6,161	—
		Current		\$ 2,780	\$ —	\$ 2,780	—
		Non-current		\$ 3,521	\$ 135	\$ 3,381	—
Convertible notes payable							
2020(a)	12%	3 years	\$ 10.00	3,150	—	3,150	320,067
2021(b)	2%	3 years	\$ 0.37	14,315	3,119	11,196	41,112,131
				\$ 17,465	\$ 3,119	\$ 14,346	41,432,198
		Current		\$ 17,465	\$ 3,119	\$ 14,346	41,432,198
		Total		\$ 29,421	\$ 3,273	\$ 26,143	41,432,198
Year Issued	Interest Rate Range	Term of Notes	Conversion Price	Principal Outstanding December 31, 2021	Unamortized Discount December 31, 2021	Carrying Amount December 31, 2021	Underlying Shares December 31, 2021
Notes payable							
2013	10%	Due on demand	—	\$ 869	\$ —	\$ 869	—
2021	11%	Due on demand - 2 years	—	3,030	—	3,030	—
				\$ 3,899	\$ —	\$ 3,899	—
		Current		\$ 2,399	\$ —	\$ 2,399	—
		Non-current		\$ 1,500	\$ —	\$ 1,500	—
Notes payable - related parties							
2020	12%	Due on demand	—	\$ 100	\$ —	\$ 100	—
2021	12%	Due on demand	—	700	—	700	—
				\$ 800	\$ —	\$ 800	—
		Current		\$ 800	\$ —	\$ 800	—
Convertible notes payable							
2020(a)	12%	3 years	\$ 10.00	3,150	—	3,150	316,756
2021(b)	2%	3 years	\$ 1.48	14,490	4,332	10,158	9,856,343
				\$ 17,640	\$ 4,332	\$ 13,308	10,173,099
		Current		\$ 14,490	\$ 4,332	\$ 10,158	9,856,343
		Non-current		\$ 3,150	\$ —	\$ 3,150	316,756
		Total		\$ 22,339	\$ 4,332	\$ 18,007	\$ 10,173,099

- (a) This note is convertible into shares of EMI Holding, Inc., a wholly owned subsidiary of Emmaus Life Sciences, Inc .
- (b) The notes are convertible into shares of common stock of Emmaus Life Sciences, Inc. Beginning February 28, 2022, the note holders became entitled to call for redemption of the convertible notes payable at any time. Accordingly, the notes are classified as current liabilities.
- (c) Includes \$41,000 of the fair value of embedded derivative.

The weighted-average stated annual interest rate of notes payable was 7% and 6% as of September 30, 2022 and December 31, 2021, respectively. The weighted-average effective annual interest rate of notes payable as of September 30, 2022 and December 31, 2021 was 19% and 15%, respectively, after giving effect to discounts relating to conversion features, warrants and deferred financing costs relating to the notes.

As of September 30, 2022, future contractual principal payments due on notes payable were as follows (in thousands):

Year Ending		
2022 (three months)	\$	25,900 (a)
2025		1,200
2027		2,321
Total	\$	<u>29,421</u>

(a) Includes \$14.3 million principal amount of convertible notes subject to redemption at any time at the election of the holders.

The Company is party to a revolving line of credit agreement with Yutaka Niihara, M.D., M.P.H., the Company's Chairman and Chief Executive Officer. Under the agreement, at the Company's request from time to time Dr. Niihara may, but is not obligated to, loan or re-loan to the Company up to \$1,000,000. Outstanding amounts under the agreement are due and payable upon demand and bear interest, payable monthly, at a variable annual rate equal to the Prime Rate in effect from time to time plus 3%. In addition to the payment of interest, the Company is obligated to pay Dr. Niihara a "tax gross-up" intended to make him whole for federal and state income and employment taxes payable by him with respect to interest and tax gross-up paid to him in the previous year. As of September 30, 2022 and December 31, 2021, the outstanding principal balance under the agreement of \$400,000 was reflected in revolving line of credit from related party on the condensed consolidated balance sheets. With the tax-gross up, the effective interest rate on the outstanding balance as of September 30, 2022, was 10.4%. The revolving line of credit agreement will expire on November 22, 2022. Refer to Note 12 for more information on related party transactions.

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 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. As of September 30, 2022, the conversion price was \$0.37 per share.

The convertible promissory notes bear interest at the stated rate of 2% per year (10% in the event of a default), 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 Company is entitled to prepay up to 50% of the principal amount of the convertible promissory notes at any time on or before February 28, 2023 for a prepayment amount equal to the principal amount being prepaid, accrued and unpaid interest thereon and a prepayment premium equal to 50% of such principal amount. The convertible promissory notes are general, unsecured obligations of the Company.

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 September 30, 2022 and December 31, 2021 (in thousands)

Convertible promissory notes	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 7,507	\$ —
Fair value at issuance date	—	5,594
Change in fair value included in the statement of operations	(3,235)	1,913
Balance, end of period	<u>\$ 4,272</u>	<u>\$ 7,507</u>

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 September 30, 2022 and December 31, 2021 was based upon following assumptions:

Convertible promissory notes	September 30, 2022		December 31, 2021	
Stock price	\$	0.17	\$	1.67
Conversion price	\$	0.37	\$	1.48
Selected yield		30.93 %		21.99 %
Expected volatility		50 %		50 %
Time until maturity (in years)		1.41		2.16
Dividend yield		—		—
Risk-free rate		4.12 %		0.77 %

In June 2022, the Company entered into a Business Loan and Security Agreement and Addenda with a third-party lender pursuant to which the lender loaned the Company \$1,800,000, which we refer to as the “loan amount,” of which we received net proceeds of approximately \$1,666,000 after deduction of the lender’s origination fee but without deduction for other transaction expenses. The loan amount, together with interest of \$738,000, was payable over the 40-week loan term in weekly installments of \$31,725 for the first eight weeks and \$71,381 for the remaining 32 weeks. The loan amount and interest were prepayable by the Company at any time within 90 days from the disbursement date for a repayment amount of \$2,250,000, less all prior payments on the loan, unless an event of default has occurred under the Business Loan and Security Agreement. Repayment of the loan was secured by a security interest in all or substantially all our assets and all assets of our U.S. subsidiaries and was personally guaranteed by Yutaka Niihara, M.D., M.P.H., our Chairman and Chief Executive Officer and principal stockholder, and his wife and Hope Hospice International, Inc., which is wholly owned by Dr. Niihara and his wife. The personal guarantee was secured by a deed of trust on certain real property of Dr. Niihara and his wife. In August 2022, the Company repaid in full \$1.6 million principal of the outstanding balance of the loan and recognized debt extinguishment loss of \$421,000.

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 us 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 referred to above.

In September 2022, Seah Lim, M.D., Ph.D. loaned the Company \$1.2 million, the proceeds of which were used to augment the Company’s working capital. The principal amount of the loan and interest thereon at the rate of 6% per annum, together with 240,000 shares of the Company’s common stock, is due and payable in lump sum on maturity in September 2025. In October 2022, Dr. Lim was appointed as a director of the Company. In accordance with ACS 835, the Company accounted the right to receive shares as the bifurcated embedded derivative and the embedded derivative is measured at fair value at the inception and subsequently measured at fair value with changes in fair value recognized in income statements. The fair values of the embedded derivatives at the inception were \$68,000 at inception and \$41,000 as of September 30, 2022.

In July 2022, Emmaus Medical, Inc., or Emmaus Medical, an indirect wholly owned subsidiary of the Company, entered into a Standard Merchant Cash Advance Agreement with a third party pursuant to which it sold \$816,000 of accounts receivable (the “Receivables Purchased Amount”) in exchange for net proceeds of \$516,000. Under the agreement, the third party is entitled to collect a specified percentage of all accounts receivable of Emmaus Medical, not to exceed \$34,000 weekly, until the third party receives total proceeds equal to the Receivables Purchased Amount. In September 2022, Emmaus Medical and the third party entered into a similar agreement pursuant to which Emmaus Medical sold \$694,960 of accounts receivable (the “Receivables Purchased Amount”) for net proceeds of \$500,000. Under the agreement, the third party is entitled to collect a specified percentage of all accounts receivable of Emmaus Medical, not to exceed \$25,969 weekly, until the third party receives total proceeds equal to the Receivables Purchased Amount. Emmaus Medical’s obligations under the two agreements are guaranteed by the Emmaus Life Sciences, Inc. Company and its U.S. subsidiaries, and the obligations of Emmaus Medical and the guarantors are secured by a security interest in all or substantially all the assets of Emmaus Life Sciences and its U.S. subsidiaries.

NOTE 8 — STOCKHOLDERS' DEFICIT

Extension of Convertible Promissory Note - On June 15, 2020, the holder of a convertible promissory note in the principal amount of \$1,150,000 agreed to an extension of the maturity date of the convertible promissory note to June 15, 2023 in exchange for an increase in the interest rate on the note from 1% to 12%. In conjunction with the extension, the Company issued to the note holder a five-year warrant to purchase up to 1,250,000 shares (500,000 shares if the related convertible promissory note was repaid by June 15, 2022) of the Company common stock at an exercise price of \$2.05 a share. Under ASC 815-40, the warrant is recognized at fair value as a liability. The warrant liability is remeasured at fair value on a recurring basis using Level 3 input and any change in the fair value of liability is recorded in earnings. Since the loan was not repaid before June 15, 2022, the number of warrant shares became fixed per the warrant terms and the warrant was reclassified as equity.

The following table presents the fair value and the change in fair value of the warrants as of June 15, 2022 and December 31, 2020 (in thousands):

Warrant liability—Convertible Promissory Note	June 15, 2022	December 31, 2021
Balance, beginning of period	\$ 1,463	\$ 988
Change in fair value included in the statement of operations	(1,250)	475
Reclassification to equity	(213)	—
Balance, end of period	<u>\$ —</u>	<u>\$ 1,463</u>

The fair value of the warrant derivative liability was determined using the Black-Scholes Merton model based upon following assumptions:

	June 15, 2022	December 31, 2021
Exercise price	\$ 2.05	\$ 2.05
Stock price	\$ 0.36	\$ 1.67
Risk-free interest rate	3.35 %	1.04 %
Expected volatility (peer group)	126.00 %	117.00 %
Expected life (in years)	3.00	3.46
Expected dividend yield	—	—
Number outstanding	1,250,000	1,250,000

A summary of outstanding warrants as of September 30, 2022 and December 31, 2021 is presented below:

	September 30, 2022		December 31, 2021	
	Number of Warrants	Weighted-Average Exercise Price	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding, beginning of period	8,236,017	\$ 5.78	8,439,480	\$ 6.09
Granted	500,000	\$ 2.50	—	—
Exercised	—	—	—	—
Cancelled, forfeited or expired	(2,125,497)	\$ 14.38	(203,463)	\$ 4.36
Warrants outstanding, end of period	<u>6,610,520</u>	<u>\$ 2.88</u>	<u>8,236,017</u>	<u>\$ 5.78</u>
Warrants exercisable end of period	<u>6,610,520</u>	<u>\$ 2.88</u>	<u>7,486,017</u>	<u>\$ 6.12</u>

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 \$33,000 as of September 30, 2022. The change in fair value was recorded in the condensed consolidated statements of operations. For three month ended September 30, 2022, the change in fair value of warrant liability was \$51,000.

As of September 30, 2022, the weighted-average remaining contractual life of outstanding warrants was 2.3 years.

Stock options—The Company’s former Amended and Restated 2011 Stock Incentive Plan expired on May 3, 2021, and no further awards may be made under the 2011 Plan. The expiration of the 2011 Plan did not affect outstanding stock awards thereunder.

The Company also previously maintained an Amended and Restated 2012 Omnibus Incentive Compensation Plan, which was terminated in September 2021 in connection with the adoption of the 2021 Stock Incentive Plan described below.

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 and the terms of outstanding awards are subject to adjustment for stock splits, stock dividends, reverse stock splits, recapitalizations and other similar events. As of September 30, 2022 and December 31, 2021, no awards were outstanding under the 2021 Stock Incentive Plan.

A summary of outstanding stock options as of September 30, 2022 and December 31, 2021 is presented below.

	September 30, 2022		December 31, 2021	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Options outstanding, beginning of period	5,968,338	\$ 4.78	7,110,025	\$ 4.63
Granted or deemed granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Cancelled, forfeited and expired	(1,055,399)	\$ 3.45	(1,141,687)	\$ 3.82
Options outstanding, end of period	4,912,939	\$ 5.07	5,968,338	\$ 4.78
Options exercisable, end of period	4,894,938	\$ 5.09	5,937,837	\$ 4.80
Options available for future grant	4,000,000		4,000,000	

During the three months ended September 30, 2022 and September 30, 2021, the Company recognized \$3,000 and \$93,000, respectively of share-based compensation expense. During the nine months ended September 30, 2022 and September 30, 2021 the Company recognized \$13,000 and \$548,000, respectively, of share-based compensation expense. As of September 30, 2022, there was approximately \$8,000 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 0.7 year.

Collaborative Research and Development Agreement with Kainos Medicine, Inc—On February 26, 2021, the Company entered into a collaborative research and development agreement with Kainos Medicine, Inc. (“Kainos”) to lead the preclinical development of Kainos’ patented IRAK4 inhibitor (“KM10544”) as an anti-cancer drug and further advance Kainos’s research and development activities. The companies also entered into a letter of intent regarding possible future joint development of small molecule therapeutics and other pharmaceutical assets.

Pursuant to the collaborative research and development agreement, the Company paid and issued to Kainos \$500,000 in cash and 324,675 shares of common stock of the Company equivalent to \$500,000 in additional consideration, which amounts were recorded as research and development expenses in the statement of operations and comprehensive income (loss) for each of the periods ended September 30, 2021. The Company, in turn, was granted rights of first negotiation and first refusal for an exclusive license regarding the development and commercialization of products based on the intellectual property resulting from the agreement.

On October 7, 2021, the Company entered into a license agreement with Kainos under which Kainos granted the Company an exclusive license in the territory encompassing the U.S., the U.K. and the EU to patent rights, know-how and other intellectual property relating to Kainos’s novel IRAK4 inhibitor, referred to as KM10544, for the treatment of cancers, including leukemia, lymphoma and solid tumor cancers. In consideration of the license, the Company paid Kainos a six-figure upfront fee in cash and agreed to make additional cash payments upon the achievement of specified milestones totaling in the mid-eight figures and pay a single-digit percentage royalty based on net sales of the licensed products and a similar percentage of any sublicensing consideration.

During the nine months ended September 30, 2021, the Company incurred \$1.0 million of research and development expenses related to the Kainos collaboration and license agreement. The Company incurred no such expenses in the nine months ended September 30, 2022.

Amended and Restated Warrants— The Company evaluated its outstanding amended and restated warrants to purchase up to 4,038,200 shares of common stock under ASC 815-40 and concluded that the warrants should be accounted for as equity.

In June 2022, the exercise price of outstanding amended and restated warrants was reduced to \$0.446 per share pursuant to the anti-dilution adjustment provisions of the warrants triggered by the Company's issuance of restricted shares of common stock for professional relations and consulting services discussed below. The warrants were valued using the Black-Scholes Merton model and the \$446,000 change in fair value was recorded as additional paid-in capital and accumulated deficit.

Stock issued for services – In June 2022, the Company issued 246,637 shares of restricted share of common stock, with an estimated fair value of \$10,000 for professional relations and consulting services to be rendered over the six-month period beginning July 1, 2022. The value of the shares issued in connection with this agreement was recorded in prepaid expenses and other current assets in the condensed consolidated balance sheet as of September 30, 2022 and is being amortized over the six-month period beginning July 1, 2022.

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 and nine months ended September 30, 2022, the Company recorded an income tax benefit of \$5,000 and provision of \$44,000, respectively. For three and nine month ended September 30, 2021, the Company recorded an income tax provision of \$232,000 and \$58,000, 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 asset and there was no unrecognized tax benefit as of September 30, 2022 or September 30, 2021.

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 our headquarters in Torrance, California, at a base rental of \$0,886 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 Arb Emirates, which lease will expire on June 19, 2023. During nine month ended September 30, 2020, the Company terminated leases of office space in New York, New York and Tokyo, Japan. Upon termination of New York lease, the Company recognized \$31,000 of loss on leased assets.

The rent expense during the three months ended September 30, 2022 and 2021 was approximately \$272,000 and \$300,000, respectively, and during the nine months ended September 30, 2022 and September 30, 2021 was approximately \$868,000 and \$889,000, respectively.

Future minimum lease payments under the lease agreements were as follows as of September 30, 2022 (in thousands):

	Amount
2022 (three months)	\$ 263
2023	1,049
2024	1,063
2025	1,092
2026	836
Total lease payments	4,303
Less: Interest	887
Present value of lease liabilities	<u>\$ 3,416</u>

As of September 30, 2022, the Company had an operating lease right-of-use asset of \$2.9 million and lease liability of \$3.4 million reflected on the condensed consolidated balance sheet. The weighted average remaining term of the Company's leases as of September 30, 2022 was 4.0 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 Supply 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 ten 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, 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, 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 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 realized 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 nine months ended September 30, 2022 (in thousands):

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at September 30, 2022	Highest Principal Outstanding	Amount of Principal Repaid	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	—	—
	Soomi Niihara(1)	12%	1/18/2022	Due on Demand	300	300	—	—
	Yasushi Nagasaki(2)	10%	2/9/2022	Due on Demand	50	50	—	—
	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	—	—
	George Sekulich(2)	10%	2/16/2022	Due on Demand	26	26	—	—
	Soomi Niihara(1)	10%	3/7/2022	Due on Demand	200	200	—	—
	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 Pei 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	—	8
	Hope International Hospice, Inc. (1)	10%	8/15/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	250	250	—	2
	Yutaka and Soomi Niihara(1)	10%	8/16/2022	5 years	1,669	1,669	—	14
	Hope International Hospice, Inc. (1)	10%	8/17/2022	Due on Demand	50	50	—	—
	Yutaka and Soomi Niihara(1)	10%	8/17/2022	Due on Demand	60	60	—	—
	Seah Lim(2)	6%	9/16/2022	3 years	1,200	1,200	—	—
				Subtotal	\$ 6,302	\$ 6,302	\$ —	\$ 24
Revolving line of credit agreement								
	Yutaka Niihara(2)	5.25% (3)	12/27/2019	Due on Demand	400	400	—	16
				Subtotal	400	400	—	16
				Total	\$ 6,702	\$ 6,702	\$ —	\$ 40

The following table sets forth information relating to loans from related parties outstanding at any time during the year ended December 31, 2021:

Class	Lender	Interest Rate	Date of Loan	Term of Loan	Principal Amount Outstanding at December 31, 2021	Highest Principal Outstanding	Amount of Principal Repaid	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%	1/20/2021	Due on Demand	—	700	700	13
	Soomi Niihara(1)	12%	9/15/2021	Due on Demand	—	300	300	3
	Soomi Niihara(1)	12%	12/7/2021	Due on Demand	700	700	—	—
				Subtotal	\$ 800	\$ 1,800	\$ 1,000	\$ 16
Revolving line of credit								
	Yutaka Niihara(1)	5.25%(3)	12/27/2019	Due on Demand	400	800	400	35
				Subtotal	400	800	400	35
				Total	\$ 1,200	\$ 2,600	\$ 1,400	\$ 51

- (1) Dr. Niihara, a Director and the 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.
- (3) The rate varies with changes in the prime rate and does not give effect to the “tax gross-up” described in Note 7.

See Note 7 for a discussion of the Company’s revolving line of credit agreement with Dr. Niihara and Note 13 for information regarding recent related party loans.

Notes 6 and 11 for a discussion of the Company’s agreements with Telcon, which holds 4,147,491 shares of the Emmaus common stock, or approximately 8.4% of the common stock outstanding as of September 30, 2022. As of September 30, 2022, the Company held a Telcon convertible bond in the principal amount of approximately \$18.4 million as discussed in Note 5.

NOTE 13 — SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Company redeemed \$175,000 principal amount of its outstanding convertible promissory notes.

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, 2021 filed with the Securities and Exchange Commission (“SEC”) on March 31, 2022 (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 lead 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. The approval of Endari® in the U.A.E. was the first granted outside the U.S. Applications for marketing authorization are pending in the Kingdom of Saudi Arabia, Bahrain, and other Gulf Cooperation Council, or GCC, countries, as well. While the applications are pending, the FDA approval of Endari® can be referenced to allow access to Endari® on a named-patient basis.

Endari® is marketed and sold in the U.S. by our internal commercial sales team. 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. In April 2022 we launched a telehealth solution to afford SCD patients’ direct access to Endari® remotely through a web portal managed by our strategic partners, including Asembia LLC, US Bioservices Corporation and UpScript IP Holdings, LLC.

As of September 30, 2022, our accumulated deficit was \$252.6 million and we had cash and cash equivalents of \$1.2 million. We expect net revenues to increase as we expand our commercialization of Endari® in the U.S. and begin to realize revenues in the U.A.E. and perhaps other GCC countries. Until we can generate sufficient net revenues from Endari® sales, our future cash requirements are expected to be financed through public or private sales of equity or debt securities and loans, including loans from related parties, 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.

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:

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.

Sales Discounts: We provide our customers prompt payment discounts and from time to time offer additional discounts to encourage bulk orders to generate needed working capital. Sales attributable to bulk discounts offered by us increased in 2021 and adversely affected sales in the first quarter of 2022.

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 fee 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 activities related to regulatory filings, manufacturing development costs 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 the interpretation of the 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. 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 expense consists principally of salaries and related employee costs, including share-based compensation for our directors, officers, and employees. Other general and administrative expense includes 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, sale, and marketing of Endari®. Other selling cost include advertising, third party consulting costs, the cost of in-house sales personnel and travel-related costs. We expect selling expenses to increase as we acquire additional personnel to support the commercialization of Endari® in the U.S. and abroad.

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. We do not expect the ongoing epidemic to have a material adverse effect on our business or results of operation but intend to consider future changes to our business to adapt to the new post-pandemic environment, including an increased focus on our telehealth solution.

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 is not expected to have a material effect for the foreseeable future. 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 nine months ended September 30, 2022 and 2021 were supplied by one vendor.

Results of Operations:

Three months ended September 30, 2022 and 2021

Net Revenues. Net revenues decreased by \$0.8 million, or 14%, to \$4.9 million for the three months ended September 30, 2022, compared to \$5.8 million for the three months ended September 30, 2021. The decrease was primarily attributable to lower bulk order purchases in 2022 compared to the same period in 2021.

Cost of Goods Sold. Cost of goods sold increased by \$0.1 million, or 21%, to \$0.5 million for the three months ended September 30, 2022, compared to \$0.4 million for the three months ended September 30, 2021. This increase was primarily due to the establishment of an additional reserve relating to Endari® inventory with a shelf-life of less than two years.

Research and Development Expenses. Research and development expenses remained consistent at \$0.4 million for the three months ended September 30, 2022, compared to \$0.5 million for the three months ended September 30, 2021.

Selling Expenses. Selling expenses increased by \$0.1 million, or 10%, to \$1.7 million for the three months ended September 30, 2022, compared to \$1.5 million for the three months ended September 30, 2021. The increase was primarily due to increases in consulting fees.

General and Administrative Expenses. General and administrative expenses decreased by \$0.4 million, or 12%, to \$3.0 million for the three months ended September 30, 2022, compared to \$3.4 million for the three months ended September 30, 2021. The decrease was primarily due to a decrease in professional fees

Other Income (Expense). Total other income increased by \$3.1 million, or 106%, to \$0.2 million for the three months ended September 30, 2022, compared to \$2.9 million of other expense for the three months ended September 30, 2021. The increase was primarily due to an increase of \$5.2 million in change in fair value of embedded conversion option of convertible promissory notes, partially offset by an increase of \$1.2 million in foreign exchange loss.

Net Loss. Net loss for the three months ended September 30, 2022, decreased by \$2.8 million, or 88%, to a net loss of \$0.4 million for the three months ended September 30, 2022, compared to net loss of \$3.2 million for the three months ended September 30, 2021. The decrease of net loss was primarily a result of an increase of \$3.1 million in other income, partially offset by a decrease of \$0.6 million in income from operations as discussed above.

Nine months ended September 30, 2022 and 2021

Net Revenues. Net revenues decreased by \$5.1 million, or 29%, to \$12.5 million for the nine months ended September 30, 2022 compared to \$17.6 million for the nine months ended September 30, 2021. The decrease was primarily attributable to lower bulk orders in 2022 compared to the same period in 2021.

Cost of Goods Sold. Cost of goods sold increased by \$0.6 million, or 48% to \$1.9 million for nine months ended September 30, 2022 compared to \$1.3 million for the nine months ended September 30, 2021. The increase was primarily due to \$1.2 million of additional reserves relating to Endari® inventory with a shelf-life of less than two years.

Research and Development Expenses. Research and development expenses decreased by \$1.8 million, or 61%, to \$1.2 million for the nine months ended September 30, 2022, compared to \$3.0 million for the nine months ended September 30, 2021. The decrease was primarily due to \$0.5 million in cash and \$0.5 million in shares of the common stock issued in the nine months ended September 30, 2021 under the agreement with Kainos Medicine, Inc. (“Kainos”) to lead the clinical development of Kainos’ patented IRAK4 inhibitor and a decrease of \$0.5 million in expenses relating to a pharmacokinetic characteristic and safety study for Endari® in the U.S. and a clinical study in Europe. We expect our research and development costs to decrease in the remainder of 2022 as we have halted the sub-study under our Pilot/Phase 1 study of L-glutamine in diverticulosis and no new studies are currently planned for the year.

Selling Expenses. Selling expenses increased by \$0.8 million, or 19%, to \$5.1 million for the nine months ended September 30, 2022, compared to \$4.3 million for the nine months ended September 30, 2021. The increase was primarily due to increases in the consulting fees and in travel expenses of in-house sales team.

General and Administrative Expenses. General and administrative expenses decreased by \$0.7 million, or 7%, to \$9.4 million for the nine months ended September 30, 2022 compared to \$10.2 million for the nine months ended September 30, 2021. The decrease was primarily due to decreases of \$1.0 million in professional fees and \$0.2 million in travel expenses, partially offset by \$0.5 million in increased payroll expenses.

Other Income (Expense). Total other expense decreased by \$2.2 million, or 29%, to \$5.6 million for the nine months ended September 30, 2022, compared to \$7.9 million for the nine months ended September 30, 2021. The decrease was primarily due to increases of \$4.4 million in change in fair value conversion feature derivatives and \$1.7 million in change in fair value of warrant derivative liabilities partially offset by \$3.7 million in loss in foreign exchange.

Net Income (Loss). Net loss for the nine months ended September 30, 2022 increased by \$1.7 million, or 19%, to \$10.8 million for the nine months ended September 30, 2022, compared to \$9.1 million for the nine months ended September 30, 2021. The increase was primarily a result of a \$4.0 million increase in loss from operations, partially offset by a decrease of \$2.2 million in other expense as discussed above.

Liquidity and Capital Resources

Based on our losses to date, current liabilities, anticipated future net revenues and operating expenses, debt repayment obligations, planned funding to EJ Holdings and cash and cash equivalents balance of \$1.2 million as of September 30, 2022, we do not have sufficient capital for our business without raising additional capital. We realized a net loss of \$10.9 million for the nine months ended September 30, 2022 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. While we anticipate increased net revenues as we expand our commercialization of Endari® in the U.S. through telehealth and other initiatives, as well as in the U.A.E. and perhaps other GCC countries, there is no assurance that we will be able to significantly 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. If we are unable to raise needed capital, we may need to suspend all or substantially all business activities except those essential to support our Endari sales while we seek to restructure or refinance our existing indebtedness and other current liabilities and obtain needed financing.

Our subsidiary, Emmaus Medical, Inc., or Emmaus Medical, is party 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 75% 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, fund the operations and retrofitting of EJ Holdings' amino acid production plant in Ube, Japan, and meet our contractual obligations, including our obligations to purchase API under our supply arrangements with Telcon, 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 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 to purchase API from Telcon, debt service under our convertible notes payable and notes payable and planned ongoing loan funding to sustain EJ Holdings' operations. We have no contractual commitment to provide funding to EJ Holdings, but plan to continue to do so in the foreseeable future to the extent we have cash available for this purpose.

As of September 30, 2022, we had outstanding \$17.5 million principal amount of convertible promissory notes and \$12.0 million principal amount of other notes payable. Our minimum lease payment obligations were \$3.6 million, of which \$0.6 million was payable within 12 months.

Of our outstanding convertible promissory notes, \$14.3 million principal amount of the notes bear interest at the rate of 2% per year (10% in the event of a default), 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. We are in discussions with the holders of these convertible promissory notes to possibly restructure our obligations under the notes, but there can be no assurance whether, to what extent, or on what terms our obligations under the notes may be restructured.

Our API Supply Agreement and revised API Agreement with Telcon provide 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 in cash or to settle the target shortfall in exchange for principal and interest on the Telcon convertible bond and proceeds thereof that are pledged as collateral to secure our obligations. In February 2022 we agreed with Telcon to settle the target shortfall for 2020 and 2021 in exchange for a reduction in principal and accrued interest on our Telcon convertible bond and cash proceeds thereof as described in Note 5 of the Notes to condensed consolidated financial statements.

Due to uncertainties regarding our ability to meet our current liabilities and future operating expenses, there is substantial doubt about our ability to continue as a going concern for 12 months from the date of this filing 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 nine months ended September 30, 2022 and September 30, 2021

Net cash used in operating activities

Net cash used in operating activities increased by \$4.6 million, or 219%, to \$6.8 million for the nine months ended September 30, 2022 from \$2.1 million for the nine months ended September 30, 2021. This increase was primarily due to an increase of \$4.0 million in loss from operations.

Net cash used in investing activities

Net cash used in investing activities decreased by \$3.9 million, or 75%, to \$1.3 million for the nine months ended September 30, 2022 from \$5.3 million for the nine months ended September 30, 2021. This decrease was primarily due to proceeds of \$2.9 million from the deemed sale of a portion of the Telcon convertible bond resulting from the offset of target shortfalls under our revised API Agreement with Telcon against principal and interest of our Telcon convertible bond against our trade discount.

Net cash from financing activities

Net cash from financing activities decreased by \$0.1 million, or 2%, to \$7.1 million for the nine months ended September 30, 2022 from \$7.2 million for the nine months ended September 30, 2021. This decrease was the result of \$14.5 million in proceeds from the convertible promissory notes payable issued in 2021, partially offset by a \$5.9 million used to prepay our outstanding Amended and Restated 10% Senior Secured Convertible Debenture in the same period and \$8.8 million of proceeds from notes payable issued in 2022.

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 nine months ended September 30, 2022.

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 September 30, 2022 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Material Weakness and Plan of Remediation

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting that pose a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses might cause information required to be disclosed by the Company in the reports that it files or submits to not be recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

We conducted an evaluation pursuant to Rule 13a-15 of the Exchange Act of the effectiveness of the design and operation of our DCP as of June 30, 2022. This evaluation was conducted under the supervision (and with the participation) of our management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our DCP were not effective as of September 30, 2022, because of the continuation of a material weakness (the "Material Weakness") in our internal control over financial reporting due to inadequate financial closing process, segregation of duties including access control of information technology especially financial information, inadequate documentation of policies and procedures over risk assessments, internal control and significant account process and insufficient entity risk assessment process.

We engaged in ongoing efforts to remediate the control deficiencies that constituted the Material Weakness by implementing changes to our internal control over financial reporting without limitation:

- engaging a third-party accounting consulting firm to assist us in the review of our application of GAAP on complex debt financing transactions and revenue recognition under ASC 606;
- using a GAAP Disclosure and SEC Reporting Checklist;
- increasing the continuing professional training and academic education on accounting subjects for accounting staff;
- enhancing the level of the precision of review controls related to our financial close and reporting; and
- subscribing to relevant online services other supplemental internal and external resources relating to SEC reporting.

Our management and board of directors are committed to the remediation of the material weaknesses, as well as the continued improvement of our overall system of internal control over financial reporting. In addition to the measures described above, we are in the process of implementing an integrated cloud-based enterprise resource planning system to manage our financial information to replace our outdated financial accounting systems and software. We also have established a Disclosure Committee to ensure more effective internal communications regarding significant transactions and other financial reporting matters.

We believe these measures will remediate the control deficiencies that gave rise to the Material Weakness. As we continue to evaluate and work to remediate these control deficiencies, we may determine that additional remediation measures may be required.

We are committed to maintaining a strong internal control environment and believe that these remediation actions will represent improvements in our internal control over financial reporting when they are fully implemented. The Material Weakness will not be considered fully remediated until controls have been designed and implemented for a sufficient period of time for our management to conclude that the control environment is operating effectively.

There is no assurance that our remediation efforts will be successful or that our internal control over financial reporting or DCP will be effective.

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 Company’s consolidated financial statements included in this Quarterly Report have been prepared on the basis that the Company will continue as a going concern. The Company incurred a net loss of \$10.8 million for the nine months ended September 30, 2022 and had a working capital deficit of \$35.1 million at September 30, 2022. Management expects that the Company’s current liabilities and operating expenses, including the expected costs relating to the commercialization of Endari® in the Middle East North Africa region and elsewhere, will exceed our existing cash balances and cash expected to be generated from operations for the foreseeable future. To meet the Company’s current liabilities and operating expenses, the Company will need to restructure or refinance its existing indebtedness and raise additional funds through related-party loans, equity and debt financings or licensing or other strategic agreements. The Company has no understanding or arrangement to restructure or refinance its indebtedness or for any additional financing, and there can be no assurance that the Company will be able to restructure or refinance its existing indebtedness or complete any additional equity or debt financings on favorable terms, or at all, or enter into licensing or other strategic arrangements. If the Company is unable to do so, it may need to curtail business activities unrelated to the marketing and sale of Endari® or seek to restructure the Company in bankruptcy. 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 of this filing. The consolidated financial statements included in this Quarterly Report do not include any adjustments that might result from the outcome of these uncertainties.

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

In August 2022, in consideration of financial accommodations by Dr. and Mrs. Niihara and their affiliated company, Hope International Hospice, Inc., the Company granted to Dr. Niihara a five-year warrant to purchase up to 500,000 shares of our common stock at an exercise price of \$2.50 a share. If Dr. Niihara’s service to the Company terminates for any reason other than a termination for “cause” (as defined) or by reason of his death or disability, the warrant will expire to the extent it is not exercised within 90 days following his termination. In the event of his termination as a director for “cause,” the warrant will immediately terminate. The warrant will remain exercisable for its full term in the event of termination of Dr. Niihara’s service by reason of his death or disability.

The warrant was granted without registration under the Securities Act of 1933, as amended, pursuant to the exemptions from registration under Section 4(a)(2) of such Act and Regulation D for transactions not involving a public offering based upon the facts that it was granted to the Chairman and Chief Executive Officer of the Company in a private transaction.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Related Party Loans

Over the period January 1, 2022 through September 30, 2022, certain of the Company's directors and executive officers loaned the Company an aggregate of \$5.8 million to augment the Company's working capital as reflected in the following table (in thousands):

	Principal Amounts	Annual Interest Rate	Term
Soomi Niihara(1)	\$ 300	12%	Due on Demand
Yasushi Nagasaki(2)	\$ 50	10%	Due on Demand
Hope International Hospice, Inc.(1)	\$ 350	10%	Due on Demand
Hope International Hospice, Inc.(1)	\$ 210	10%	Due on Demand
Soomi Niihara(1)	\$ 100	10%	Due on Demand
George Sekulich(2)	\$ 26	10%	Due on Demand
Soomi Niihara(1)	\$ 200	10%	Due on Demand
Osato Medical Clinic.(3)	\$ 250	12%	Due on Demand
Alfred Lui(2)	\$ 50	12%	Due on Demand
Hope International Hospice, Inc.(1)	\$ 150	12%	Due on Demand
Hope International Hospice, Inc.(1)	\$ 150	12%	Due on Demand
Wei Pei Derek Zen(2)	\$ 200	10%	Due on Demand
Willis Lee(2)	\$ 45	10%	Due on Demand
Hope International Hospice, Inc.(1)	\$ 40	10%	Due on Demand
Yutaka and Soomi Niihara(1)	\$ 402	12%	5 years
Hope International Hospice, Inc.(1)	\$ 50	10%	Due on Demand
Yutaka and Soomi Niihara(1)	\$ 250	10%	5 years
Yutaka and Soomi Niihara(1)	\$ 1,669	10%	5 years
Hope International Hospice, Inc.(1)	\$ 50	10%	Due on Demand
Yutaka and Soomi Niihara(1)	\$ 60	10%	Due on Demand
Seah Lim(2)	\$ 1,200	6%	3 years

- (1) Soomi Niihara is Dr. Niihara's wife. Dr. Niihara, a Director and the Chairman, and Chief Executive Officer of the Company, is also a director and the Chief Executive Officer of Hope International Hospice, Inc., which is wholly owned by him and his wife.
- (2) Officer or current or former director.
- (3) Dr. Osato, a former director of Emmaus, and his wife are the sole owners of Osato Medical Clinic.

Diverticulosis

As reported in the Annual Report, based upon data from the initial Pilot/Phase 1 study of the safety and efficacy of prescription grade L-glutamine oral powder ("PGLG") in diverticulosis, in July 2021 we initiated a sub-study under an amendment to the original IND protocol. The purpose of the sub-study was to standardize data collection and recording using video capture to support the accurate assessment of any changes in the sigmoid colon, the most frequent site for diverticulosis, as well as diverticulitis, a more severe manifestation of diverticulosis. The sub-study objective was to provide additional safety and efficacy data to support further clinical development. For the sub-study, five patients were administered oral L-glutamine 15g BID over six months beginning early this year. Unfortunately, as the study was ending a patient in the sub-study experienced serious health complications unrelated to the sub-study which necessitated his withdrawal from the study before treatment could be completed, while other patients showed marginal improvement. As a result, we do not have definitive data to conclude the study.

At present, we have plan for further study of PGLG in diverticulosis but are considering a future study in diverticulitis patients in order to possibly increase measurable clinical endpoints from the treatment with PGLG.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished
		Form	File No.	Exhibit	Filing Date	
4.1	Warrant to Purchase Shares of Common Stock dated as of August 9, 2022					*
10.1	Promissory Note dated July 27, 2022					*
10.2	Promissory Note dated August 15, 2022					*
10.3	Promissory Note dated August 16, 2022					*
10.4	Promissory Note dated August 16, 2022					*
10.5	Promissory Note dated August 17, 2022					*
10.6	Promissory Note dated August 17, 2022					*
10.7	Promissory Note dated September 16, 2022					*
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 because XBRL tags are embedded within the Inline XBRL document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

* 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.

Dated: November 14, 2022

Emmaus Life Sciences, Inc.

By: /s/ Yutaka Niihara
Name: Yutaka Niihara, M.D., M.P.H.
Its: Chief Executive Officer

By: /s/ Yasushi Nagasaki
Name: Yasushi Nagasaki
Its: Chief Financial Officer

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

Date of Issuance: Void after:
August 9, 2022 August 9, 2027

EMMAUS LIFE SCIENCES, INC.

**Warrant to Purchase Shares of
Common Stock**

FOR VALUE RECEIVED, Yutaka Niihara, M.D., M.P.H. (“Holder”) is entitled to purchase, subject to the provisions of this Warrant (“Warrant”), from Emmaus Life Sciences, Inc., a Delaware corporation (“Company”), up to 500,000 shares (the “Warrant Shares”) of the Company’s Common Stock, par value \$0.001 per share (“Common Stock”), at a price per share of \$2.50 (the “Exercise Price”) at any time and from time to time on or before August 9, 2027. The Exercise Price and the number of Warrant Shares purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as described herein

1. Method of Exercise.

(a) Subject to compliance with the terms and conditions of this Warrant and applicable securities laws, this Warrant may be exercised, from time to time by the delivery (including, without limitation, delivery by facsimile) of the form of Notice of Exercise attached hereto as Exhibit A (the “Notice of Exercise”), duly executed by the Holder, at the principal office of the Company, and as soon as practicable after such date, surrendering:

(i) this Warrant at the principal office of the Company, and

(ii) payment, (i) in cash (by check) or by wire transfer, (ii) by cancellation by the Holder of indebtedness of the Company to the Holder; or (iii) by a combination of (i) and (ii), of an amount equal to the product obtained by multiplying the number of shares of Common Stock being purchased upon such exercise by the then effective Exercise Price (the “Exercise Amount”):

(b) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant is surrendered to the Company as provided above. The person or persons entitled to receive the Warrant Shares

issuable upon exercise of this Warrant shall be treated for all purposes as the holder of record of such Warrant Shares as of the close of business on the date the Holder is deemed to have exercised this Warrant.

(c) As soon as practicable after the exercise of this Warrant, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of Warrant Shares to which such Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock equal to the number of such Warrant Shares described in this Warrant minus the number of such Warrant Shares purchased by the Holder upon all exercises made in accordance with this Section 2.

2. Representations and Warranties of the Company.

In connection with the transactions provided for herein, the Company hereby represents and warrants to the Holder that:

(a) **Organization, Good Standing, and Qualification.** The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

(b) **Authorization.** Except as may be limited by applicable bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' rights, all corporate action has been taken on the part of the Company, its officers and directors necessary for the authorization, execution and delivery of this Warrant. The Company has taken all corporate action required to make all the obligations of the Company reflected in the provisions of this Warrant the valid and enforceable obligations they purport to be. The issuance of this Warrant will not be subject to preemptive rights of any stockholders of the Company. The Company has authorized sufficient shares of Common Stock to allow for the exercise of this Warrant.

3. Representations and Warranties of the Holder.

In connection with the transactions provided for herein, the Holder hereby represents and warrants to the Company that:

(a) **Purchase Entirely for Own Account.** The Holder acknowledges that this Warrant is entered into by the Holder in reliance upon such Holder's representation to the Company that the Warrant and the Warrant Shares (collectively, the "Securities") will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Holder has no present intention of selling, granting any participation in or otherwise distributing the same. By acknowledging

this Warrant, the Holder further represents that the Holder does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Securities.

(b) **Accredited Investor.** The Holder is an “accredited investor” within the meaning of Rule 501 of Regulation D, as presently in effect, as promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Act”).

(c) **Restricted Securities.** The Holder understands that the Securities are characterized as “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, Holder represents that it is familiar with Rule 144, as presently in effect, as promulgated by the SEC under the Act (“Rule 144”), and understands the resale limitations imposed thereby and by the Act.

(d) **Further Limitations on Disposition.** The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the SEC under the Act covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all of this Warrant or such Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such Securities is made pursuant to SEC Rule 144.

(e) **Restrictive Legend.** It is understood that the Securities may bear the following or a similar legend:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.”

4. **Valid Issuance; Taxes.** All Warrant Shares issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable, and the Company shall pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery thereof. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for Warrant Shares in any

name other than that of the Holder of this Warrant, and in such case the Company shall not be required to issue or deliver any stock certificate or security until such tax or other charge has been paid, or it has been established to the Company's reasonable satisfaction that no tax or other charge is due.

5. Adjustment of Exercise Price and Number and Kind of Warrant Shares. The number and kind of Warrant Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a) **Subdivisions, Combinations and Other Issuances.** If the Company shall at any time after the issuance but prior to the expiration of this Warrant subdivide its Common Stock, by split-up or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the Exercise Price shall be proportionally decreased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately increased in the case of a subdivision or stock dividend. The Exercise Price shall be proportionally increased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately decreased in the case of a combination. Any adjustment under this Section 5(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) **Reclassification, Reorganization and Consolidation.** In case of any reclassification, capital reorganization or change in the capital stock of the Company (other than as a result of a subdivision, combination or stock dividend provided for in Section 5(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities or property receivable in connection with such reclassification, reorganization or change by a holder of the same number and type of securities as were purchasable as Warrant Shares by the Holder immediately prior to such reclassification, reorganization or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities or property deliverable upon exercise hereof, and appropriate adjustments shall be made to the per-share Exercise Price payable hereunder, provided the aggregate Exercise Price shall remain the same.

(c) **Notice of Adjustment.** When any adjustment is required to be made in the number or kind of Warrant Shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the Holder of such event and of the new Exercise Price and number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

6. Termination of Warrant.

(a) **General.** If the Holder's service to the Company shall terminate for any reason, including retirement, other than (i) Cause (as defined below), (ii) death or (iii) disability, this

Warrant, to the extent that it is exercisable at the time of such termination, shall remain exercisable for the 90 day period following such termination, but in no event shall the Holder be entitled to purchase any of the Warrant Shares after the expiration of this Warrant. This Warrant, to the extent it remains unexercised as of the end of such 90-day period shall thereupon terminate and be of no further force or effect.

(b) **Death or Disability.** In the event that the Holder's service to the Company shall terminate on account of the death or disability of the Holder, Holder (or the Holder's legal representatives, heirs or legatees) shall be entitled to purchase those number of Warrant Shares that the Holder was entitled to purchase upon exercise of this Warrant prior to such termination of the Holder's service, for the one year period following such termination, but in no event shall the Holder (or the Holder's legal representatives, heirs or legatees) be permitted to purchase any of the Warrant Shares after the expiration of this Warrant. This Warrant, to the extent it remains unexercised as of the end of such one-year period shall thereupon terminate and be of no further force or effect.

(c) **Cause.** If Holder is removed from service as a director of the Company by action of the Board of Directors or stockholders of the Company for Cause, this Warrant shall terminate at the commencement of business on the date of such removal. For purposes of this Warrant "Cause" shall mean (i) the Holder's willful and intentional repeated failure or refusal, continuing after notice that specifically identifies the breach(es) complained of, to perform substantially his material duties, responsibilities and obligations (other than a failure resulting from Holder's incapacity due to physical or mental illness or other reasons beyond the control of Holder), and which failure or refusal results in demonstrable direct and material injury to the Company; (ii) any willful and intentional act or failure to act involving fraud, misrepresentation, theft, embezzlement, dishonesty or moral turpitude (collectively, "Fraud"), that results in demonstrable direct and material injury to the Company; and (iii) conviction of (or a plea of nolo contendere to) an offense that is a felony in the jurisdiction involved or which is a misdemeanor in the jurisdiction involved but which involves Fraud. For purposes of determining whether Cause exists, no act, or failure to act, on the Holder's part shall be deemed "willful" or "intentional" unless done, or omitted to be done, by such Holder in bad faith, and without reasonable belief that his action or omission was in the best interests of the Company. If, subsequent to the Holder's voluntary termination or involuntary termination without Cause, it is discovered that the Holder's service to the Company could have been terminated for Cause, the Company may deem such Holder's service to the Company to have been terminated for Cause. The Holder's termination for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

7. No Fractional Shares or Scrip.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the Exercise Price then in effect.

8. No Stockholder Rights.

Prior to exercise of this Warrant, the Holder shall not be entitled to any rights of a stockholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of stockholder meetings, and, except as

otherwise provided in this Warrant, such Holder shall not be entitled to any stockholder notice or other communication concerning the business or affairs of the Company.

9. No Right to Continued Service or Directorship. Nothing contained in this Warrant will confer upon the Holder any right to become or remain in the service of the Company or any subsidiary, nor limit or affect in any manner the right of the Company or any subsidiary to terminate the service of Holder.

10. Restrictions on Transfer.

As provided herein, this Warrant may be transferred only pursuant to a registration statement filed under the Act, or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel to the effect that such transfer is exempt from the registration requirements of the Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

11. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial.

This Warrant shall be governed by and construed under the laws of the State of California as applied to agreements among California residents, made and to be performed entirely within the State of California, except for provisions that apply to the regulation of the Company as a Delaware corporation, in which case Delaware General Corporate Law shall apply. The Company and, by accepting this Warrant, the Holder, each irrevocably submits to the exclusive jurisdiction of the courts of the State of California located in Los Angeles County and the United States District Court for the Central District of California for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Warrant and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Warrant. The Company and, by accepting this Warrant, the Holder, each irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company and, by accepting this Warrant, the Holder, each irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

12. Successors and Assigns.

The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the Holder and their respective successors and assigns.

13. Titles and Subtitles.

The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

14. Notices.

Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (a) if given by personal delivery, then such notice shall be deemed given upon such delivery, (b)

if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (c) if given by mail, then such notice shall be deemed given upon the earlier of (i) receipt of such notice by the recipient or (ii) three days after such notice is deposited in first class mail, postage prepaid, and (d) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Holder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Holder or the Company may designate by ten days' advance written notice to the other:

If to the Company:

Emmaus Life Sciences, Inc.
21250 Hawthorne Blvd, Suite 800
Torrance, CA 90503
Attn: Chief Financial Officer
Fax: (310) 214-0075

15. Expenses.

If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

16. Entire Agreement; Amendments and Waivers.

This Warrant constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof. Nonetheless, any term of this Warrant may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder; or if this Warrant has been assigned in part, by the holders or rights to purchase a majority of the shares originally issuable pursuant to this Warrant.

17. Severability.

If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Warrant as of the date above written.

EMMAUS LIFE SCIENCES, INC.

B _____ y _____ :
Name: Yasushi Nagasaki
Title: Chief Financial Officer

EXHIBIT A

Notice of Exercise

EMMAUS LIFE SCIENCES, INC.

Attention: Chief Financial Officer

The undersigned hereby elects to purchase, pursuant to the provisions of the Warrant, as follows:

_____ shares of Common Stock pursuant to the terms of the attached Warrant at \$_____ per share (the applicable Exercise Price as of the date of this Notice of Exercise) , and tenders herewith payment in cash of the Exercise Price of such Warrant Shares in full, together with all applicable transfer taxes, if any.

The undersigned hereby represents and warrants that Representations and Warranties in Section 3 of the Warrant are true and correct as of the date hereof.

HOLDER:

Date: _____ B _____ y _____ :
Name
Addre

Name in which shares should be registered:

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

Principal Amount: \$402,000.00
Interest Rate: 12% per year
Lender: Yutaka and Soomi Niihara
Address for Payment:

Loan Date: July 27, 2022
Loan Due Date: July 31, 2027

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. Accrued interest shall be payable monthly on or before the last day of each month. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 27th day of July 2022.

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EMMAUS LIFE SCIENCES, INC.

Promissory Note

Principal Amount: \$50,000.00
Interest Rate: 10% per year
Lender: Hope International Hospice, Inc.
Address for Payment:

Loan Date: August 15, 2022
Loan Due Date: On demand

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 15th day of August, 2022

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EXHIBIT A TO UNANIMOUS WRITTEN CONSENT

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: \$1,668,751.00
Interest Rate: 10% per year
Lender: Yutaka and Soomi Niihara
Address for Payment:

Loan Date: August 16, 2022
Loan Due Date: August 16, 2027

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. Accrued interest shall be payable monthly on or before the last day of each month. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder upon demand therefor by Lender.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 16th day of August 2022.

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EXHIBIT A TO UNANIMOUS WRITTEN CONSENT

EMMAUS LIFE SCIENCES, INC.
Promissory Note

Principal Amount: \$250,000.00
Interest Rate: 10% per year
Lender: Yutaka and Soomi Niihara
Address for Payment:

Loan Date: August 16, 2022
Loan Due Date: August 16, 2027

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. Accrued interest shall be payable monthly on or before the last day of each month. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder upon demand therefor by Lender.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 16th day of August 2022.

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EMMAUS LIFE SCIENCES, INC.

Promissory Note

Principal Amount: \$60,000.00
Interest Rate: 10% per year
Lender: Yutaka & Soomi Niihara
Address for Payment:

Loan Date: August 17, 2022
Loan Due Date: On demand

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 17th day of August, 2022

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

EMMAUS LIFE SCIENCES, INC.

Promissory Note

Principal Amount: \$50,000.00
Interest Rate: 10% per year
Lender: Hope International Hospice, Inc.
Address for Payment:

Loan Date: August 17, 2022
Loan Due Date: On demand

FOR VALUE RECEIVED, Emmaus Life Sciences, Inc., a Delaware corporation, located at 21250 Hawthorne Blvd., Suite 800 Torrance, CA 90503 (“Borrower”), agrees to pay to Lender or his or her registered assigns (the “Holder”) the Principal Amount, together with accrued interest at the stated Interest Rate, on the following terms of this Promissory Note (this “Note”).

Terms of Repayment: Simple interest at the stated Interest Rate will accrue on the outstanding Principal Amount hereof commencing on the stated Loan Date until this Note is paid in full. The entire unpaid Principal Amount hereof and accrued and unpaid interest hereon shall become immediately due and payable upon the stated Loan Due Date.

2. Prepayment: This Note may be prepaid in whole or in part at any time after the Loan Date without premium or penalty. All prepayments shall first be applied to accrued interest and then to principal.

3. Place of Payment: All payments due under this Note shall be made by check of Borrower sent to the Lender’s address set forth above, or at such other place as the Holder may designate in writing to Borrower. At Borrower’s request, the Holder shall furnish Borrower with the Holder’s taxpayer ID number or Social Security number to facilitate the Borrower’s tax reporting.

4. Default: In the event of default hereunder, Borrower agrees to pay all costs and expenses, including reasonable attorney’s fees, incurred by the Holder in connection therewith.

5. Acceleration of Debt: If Borrower (i) fails to make any payment due under the terms of this Note or seeks relief under the U.S. Bankruptcy Code, (ii) suffers an involuntary petition in bankruptcy or receivership that is not vacated within 60 days, (iii) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official or such appointment is not discharged or stayed within 60 days, (iv) makes a general assignment for the benefit of its creditors or (v) admits in writing that it is generally unable to pay its debts as they become due, the entire outstanding Principal Amount and any accrued and unpaid interest hereon shall be immediately due and payable to the Holder without demand therefor.

6. Modification: No modification or waiver of any of the terms of this Note shall be effective unless set forth in a writing signed by Borrower and the Holder. 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 parties with respect to the subject matter hereof. This Note replaces and supersedes all prior written or oral agreements or statements by and among the parties with respect to the same subject matter. No representation, statement, condition or warranty is made by the parties in connection with this Note except as expressly set forth herein.

8. Transfer of the Note: This Note may be transferred, in whole or in part, at any time or from time to time, by the Lender upon surrender of this Note to Borrower, whereupon the Borrower will forthwith issue and deliver a new Note registered as the Holder may request, representing the outstanding Principal Amount hereof being transferred and, if less than the entire outstanding Principal Amount is being transferred, a new Note to the Holder representing the outstanding Principal Amount not being transferred. Prior to due presentment for transfer to Borrower of this Note, Borrower and its agents may treat the Holder in whose name this Note is duly registered on Borrower's books and records as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

9. Lost, Stolen or Mutilated Note: Upon receipt by Borrower of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, a written undertaking by the Holder in customary form and content to indemnify Borrower and, in the case of mutilation, upon surrender and cancellation of this Note, the Borrower shall execute and deliver to the Holder a new promissory note of like tenor representing the outstanding Principal Amount hereof and accrued and unpaid interest hereon.

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

11. Choice of Law: This Note shall be construed and interpreted under the internal laws of California without regard to conflict of law principles.

(Signature Page Follows)

Signed this 17th day of August, 2022

Emmaus Life Sciences, Inc.

By: _____
Willis C. Lee, Chief Operating Officer

THE SECURITIES ISSUABLE UNDER THIS PROMISSORY NOTE HAVE 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 COMPANY.

THIS NOTE IS REGISTERED WITH THE COMPANY 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.

Original Issue Date: September 16, 2022

Original Principal Amount: \$ 1,200,000.00

PROMISSORY NOTE

THIS PROMISSORY NOTE is one of duly authorized and validly issued Promissory Notes of Emmaus Life Sciences, Inc., a Delaware corporation (the "Company"), having its principal place of business at 21250 Hawthorne Boulevard, Suite 800, Torrance, California 90503 (this Promissory Note, as amended, restated, supplemented or otherwise modified from time to time, together with any replacement hereof, this "Note" and collectively with the such other Promissory Notes, the "Notes").

FOR VALUE RECEIVED, the Company promises to pay in cash to Seah Lim, or registered assigns (the "Holder"), or shall have paid pursuant to the terms hereof, the principal sum of \$ 1,200,000 on September 16, 2025 (the "Maturity Date"), or such earlier date as this Note is required or permitted to be repaid as provided herein, and to pay interest to the Holder on the aggregate then outstanding principal amount hereof in accordance with the provisions hereof.

This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, the following terms shall have the following meanings:

"Affiliate" shall have the meaning set forth in Rule 12b-2 under the Exchange Act.

“Applicable Interest Rate” means an annual rate of six percent (6.0%); provided, however, that following the occurrence and during the continuance of an Event of Default, the “Applicable Interest Rate” shall automatically, without notice or any other action required by Holder, mean an annual rate equal to ten percent (10.0%) or the highest rate permitted by applicable law, whichever is lower.

“Bankruptcy Event” means any of the following events: (a) the Company or any Subsidiary thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company, (b) there is commenced against the Company or any Subsidiary thereof any such case or proceeding that is not dismissed within sixty (60) days after commencement, (c) the Company or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within sixty (60) calendar days after such appointment, (d) the Company or any Subsidiary thereof makes a general assignment for the benefit of creditors, or (e) the Company or any Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of California are authorized or required by law or other governmental action to close; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay at home,” “shelter-in-place,” “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in the State of California generally are open for use by customers on such day.

“California Courts” shall have the meaning set forth in Section 8(d).

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of fifty percent (50%) of the voting power of the Company (other than by means of conversion or exercise of this Note), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than fifty percent (50%) of the aggregate voting power of the Company or the successor entity of such transaction, or (c) the Company, directly or indirectly, Disposes of all or substantially all of its assets to another Person.

“Commission” means the U.S. Securities Exchange Commission.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Shares” means, collectively, the shares of Common Stock issuable upon the Maturity Date pursuant to Section 4(a).

“Delivery Date” shall have the meaning set forth in Section 4(a)(iii).

“Dispose” and “Disposition” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction or by way of a merger) for value of assets or property of a Person (other than intra-Company transactions), in each case, whether or not the consideration therefor consists of cash, securities or other assets owned by the acquiring Person, excluding any sales of inventory in the ordinary course of business.

“Distribution” shall have the meaning set forth in Section 5(d).

“DTC” means the Depository Trust Company.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“Event of Default” shall have the meaning set forth in Section 7(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Fundamental Transaction” means (a) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person (other than a merger with a parent or Subsidiary to effect a name change or a change in domicile), (b) the Company, directly or indirectly, effects any sale, lease, exclusive license, assignment, transfer, conveyance or other Disposition of all or substantially all of its assets in one or a series of related transactions, (c) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell,

tender or exchange their shares for other securities, cash or property and has been accepted by the holders of fifty percent (50%) or more of the outstanding Common Stock, (d) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock (but, for the avoidance of doubt, excluding any transaction, event or occurrence covered by Section 5(a)) or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (e) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than fifty percent (50%) of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or Affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination).

“Governmental Authority” means any national, supranational, federal, state, county, provincial, local, municipal or other government or political subdivision thereof (including any Regulatory Authority), whether domestic or foreign, and any agency, authority, commission, ministry, instrumentality, regulatory body, court, tribunal, arbitrator, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to any such government.

“Material Adverse Effect” means a material adverse effect upon: (a) the business, operations, properties, assets or financial condition of the Company and its Subsidiaries taken as a whole; (b) the prospect of payment when due of any part of the Company’s obligations under this Note; or (c) the ability of Holder to enforce any of its rights or remedies with respect to such obligations.

“Note Register” shall have the meaning set forth in Section 2(c).

“Original Issue Date” means the date set forth in the heading to this Note, regardless of any transfers of this Note or amendments to this Note and regardless of the number of instruments which may be issued to evidence this Note.

“Purchase Rights” shall have the meaning set forth in Section 4(b).

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Standard Settlement Period” means the standard settlement period, expressed in Trading Days, on the Principal Market.

“Successor Entity” shall have the meaning set forth in Section 4(d).

Section 2. Principal and Interest Payments; Prepayment.

a) Repayment. Subject to paragraphs (b) and (d) of this Section 2, all unpaid principal, accrued and unpaid interest and other amounts payable in respect of this Note

shall be due and payable in full on the Maturity Date in cash (by wire transfer of immediately available funds to the account of the Holder). This Note may be prepaid in accordance with Section 2(d).

b) Payment of Interest and Issuance of Shares. The Company shall pay interest to the Holder on the aggregate principal amount of this Note outstanding from time to time at the Applicable Interest Rate, payable in full on the Maturity Date or earlier prepayment of this Note, in cash (by wire transfer of immediately available funds to the account of the Holder). On the Maturity Date or earlier prepayment of this Note, the Company also shall pay and issue to the Holder in book-entry form one (1) Share for each \$5 original principal amount of this Note or, in the event of the prepayment of this Note, each \$5 principal amount of this Note so prepaid, which number of Shares is subject to adjustment as provided in Section 4. All book-entry notices evidencing the Shares shall bear a restrictive legend under applicable securities laws.

c) Interest Calculations. Interest shall be calculated based on a 360-day year and the actual number of days elapsed and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal amount of this Note, together with all accrued and unpaid interest and other amounts which may become due hereunder, has been made. Interest hereunder will be paid to the person in whose name this Note is duly registered on the records of the Company regarding registration and transfers of this Note (the “Note Register”) or such person’s designee identified to the Company in writing.

d) Prepayment. The principal amount of this Note may be prepaid, in whole in full or in part, by the Company only with the prior written consent of the Holder. Any such prepayment shall include payment of accrued and unpaid interest on, and payment and issuance of the Shares payable with respect to, such prepaid principal amount prepaid.

Section 3. Registration of Transfers and Exchanges.

a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of like Notes of different denominations as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Reliance on Note Register. Prior to due presentment for transfer to the Company of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or

distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any Shares of Common Stock issued by the Company under any of the Notes), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company in exchange therefor, then the number of Shares issuable as provided in Section 2(b) shall be multiplied by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 4(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Shares issuable upon the Maturity Date of this Note immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

c) Pro Rata Distributions. During such time as this Note is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Note, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Shares issuable upon the Maturity Date of this Note immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

d) Fundamental Transaction. If, at any time while this Note is outstanding, the Company effects a Fundamental Transaction, then, upon the Maturity Date of this Note, the Holder shall have the right to receive, for each Share that would have been issuable upon the Maturity Date, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock issuable

upon the Maturity Date of this Note. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon the Maturity Date of this Note following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Note and the Voting Agreement in accordance with the provisions of this Section 4(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Note, deliver to the Holder in exchange for this Note a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Note which is payable upon the Maturity Date in accordance with Section 2(b) by issuance and delivery to the Holder of a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Shares issuable upon the Maturity Date of this Note and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Note and the Voting Agreement referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Note and the Voting Agreement with the same effect as if such Successor Entity had been named as the Company herein and therein. For the avoidance of doubt, nothing in this Section 4(d) shall be deemed implied consent to any Fundamental Transaction otherwise prohibited by Section 5.

e) Calculations. All calculations under this Section 4 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. For purposes of this Section 4, the number of outstanding shares of Common Stock on a given date shall exclude any treasury shares of the Company.

f) Notice to the Holder.

i. Adjustment to Shares. Whenever the number of Shares is adjusted pursuant to any provision of this Section 4, the Company shall promptly deliver to the Holder a notice setting forth the number of Shares or other adjustment in the Shares after such adjustment and setting forth a brief statement of the facts underlying such adjustment.

Section 5. Covenants.

a) Reservation of Authorized Shares.

i. So long as any of this Note is outstanding, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the payment of this Note upon the Maturity Date, the number of Shares issuable upon the Maturity Date (the "Required Reserve Amount").

ii. If at any time while this Note remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to have reserved for issuance upon the Maturity Date of this Note at least a number of shares of Common Stock equal to the Required Reserve Amount (an "Authorized Share Failure"), then the Company shall promptly take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than seventy-five (75) days after the occurrence of such Authorized Share Failure, the Company shall either (x) obtain the written consent of its stockholders for the approval of an increase in the number of authorized shares of Common Stock and provide each stockholder with an information statement with respect thereto or (y) file with the Commission a proxy statement for a meeting of its stockholders at which meeting the Company will seek the approval of its stockholders for an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use commercially reasonable efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its Board of Directors to recommend to the stockholders that they approve such proposal. Notwithstanding the foregoing, if during any such time of an Authorized Share Failure, the Company is able to obtain the written consent of a majority of the shares of its issued and outstanding Common Stock to approve the increase in the number of authorized shares of Common Stock, the Company may satisfy this obligation by obtaining such consent and submitting for filing with the Commission an Information Statement on Schedule 14C.

Section 6. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of principal, interest or other amounts owing to the Holder under this Note, as and when the same shall become due and payable;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in this Note (other than a breach by the Company of (x) its obligations to pay principal, interest or other amounts owing to the Holder under this Note, which breach is addressed in clause (i)), which failure is not cured, if possible to cure, within a reasonable period after notice of such failure sent by the Holder to the Company;

iii. the Company shall be subject to a Bankruptcy Event;

iv. a judgment in excess of \$1,000,000 is entered against the Company and, within sixty (60) days after entry thereof, such judgment is not discharged or satisfied or execution thereof stayed pending appeal, or within sixty (60) days after the expiration of any such stay, such judgment is not discharged or satisfied; or

v. if any of the following occurs, (i) the U.S. Food and Drug Administration or any other Governmental Authority initiates an enforcement action against the Company or any of its Subsidiaries that causes the Company or any such Subsidiary to recall, withdraw, remove or discontinue marketing any of its products and such recall, withdraw, removal or discontinuation would have a Material Adverse Effect; (ii) the U.S. Food and Drug Administration or any other Governmental Authority issues a warning letter to the Company or any of its Subsidiaries with respect to any regulatory matter which would, in the aggregate when considered with all other existing and effective warning letters, to have a Material Adverse Effect; (iii) the Company or any of its Subsidiaries conducts a mandated or voluntary recall which could reasonably be expected to result in aggregate liability and expense to the Company and its Subsidiaries that reasonably would have a Material Adverse Effect; or (iv) the Company or any of its Subsidiaries enters into a settlement agreement with the U.S. Food and Drug Administration or any other Governmental Authority that results in aggregate payments in respect of or related to any single or related series of transactions, incidents or conditions, in excess of \$1,000,000, or that would have a Material Adverse Effect.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Note, plus accrued but unpaid interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any notice, presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as the Holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 6(b). No such rescission or annulment shall affect any Event of Default or impair any right consequent thereon.

Section 7. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number, email address, or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 8(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a U.S. nationally or internationally recognized overnight courier service addressed to the Holder at the facsimile number or email address or address of the Holder set forth on the Holder Signature Page of this Note, or such other facsimile number, email address, or address as the Holder may specify for such purposes by notice to the Company delivered in accordance with this Section 8(a). Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto prior to 5:30 p.m. (local time in Los Angeles, California) (or such later time expressly specified elsewhere in this Note) on any date, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email

attachment to the email address set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (local time in Los Angeles, California) (or such later time expressly specified elsewhere in this Note) on any Business Day, (iii) the third Trading Day following the date of mailing, if sent by U.S. nationally or internationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal amount of, accrued and unpaid interest on, and the Shares payable under, this Note as provided herein. This Note is a direct debt obligation of the Company. All payments by the Company hereunder shall be made without setoff, deduction or counterclaim.

c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company. The applicant for a new Note under such circumstances shall also pay or provide for any reasonable third-party costs (including a customary indemnity) associated with the issuance of such replacement Note.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts in Los Angeles, California (the "Los Angeles Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the Los Angeles Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the Los Angeles Courts, or such Los Angeles Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of

process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby.

e) Amendments; Waivers. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note on any other occasion. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. 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 or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms of this Note.

h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

j) Limitation of Liability. Neither Holder, the Company nor any Affiliate, officer, director, employee, attorney, or agent of Holder or the Company shall have any liability with respect to, and the Company and the Holder hereby waives, releases, and agrees not to sue any of them upon, any claim for any punitive, special, indirect, incidental, or consequential damages suffered or incurred in connection with, arising out of, or in any way related to, this Note.

k) Costs of Enforcement. The Company hereby covenants and agrees to indemnify, defend and hold the Holder harmless from and against all costs and expenses, including reasonable attorneys' fees and costs, together with interest thereon at the Applicable Rate, incurred by the Holder in enforcing its rights under this Note; or if the Holder is made a party as a defendant in any action or proceeding arising out of or in connection with its status as a lender, or if the Holder is requested to respond to any subpoena or other legal process issued in connection with this Note; or reasonable disbursements arising out of any costs and expenses, including reasonable attorneys' fees and costs, incurred in any bankruptcy case; or for any legal or appraisal reviews, advice or counsel performed for the Holder following a request by the Company for waiver, modification or amendment of this Note.

l) Counterparts. This Agreement may be executed in counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page was an original thereof.

(Signature Pages Follow)

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

EMMAUS LIFE SCIENCES, INC.

Address for Notice:
21250 Hawthorne Boulevard
Suite 800
Torrance, California 90503

By: _____
Yutaka Niihara, M.D., M.P.H.
Chairman and Chief Executive Officer

Email: yniihara@emmauslifesciences.com
Fax: 310-214-0075

With a copy to (which shall not constitute notice):

Email: dshort@emmauslifesciences.com
Fax: 310-214-0075

[HOLDER SIGNATURE PAGE FOLLOWS]

HOLDER SIGNATURE PAGE TO PROMISSORY NOTE

IN WITNESS WHEREOF, the undersigned has caused this Note to be duly executed by a duly authorized officer as of the date first indicated above.

Name of Purchaser: _____

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser: _____

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, Yutaka Niihara, 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: November 14, 2022

/s/ Yutaka Niihara

Yutaka Niihara, M.D., M.P.H.

Chief Executive Officer

(Principal Executive Officer)

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: November 14, 2022

/s/ Yasushi Nagasaki

Yasushi Nagasaki

Interim Chief Financial Officer

(Principal Financial Officer)

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 September 30, 2022, 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/ Yutaka Niihara

Yutaka Niihara, M.D., M.P.H.

Chief Executive Officer

(Principal Executive Officer)

November 14, 2022

/s/ Yasushi Nagasaki

Yasushi Nagasaki

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

November 14, 2022