

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

or

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

For the transition period from _____ to _____
Commission File Number: 000-42115

SmartKem, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

Manchester Technology Centre, Hexagon Tower,
Delannays Road, Blackley
Manchester, U.K.

(Address of Principal Executive Offices)

85-1083654

(I.R.S. Employer Identification Number)

M9 8GQ

(Zip code)

+44 161 721 1514

(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 exchange on which registered
Common Stock, par value \$0.0001 per share	SMTK	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting stock and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter ended June 30, 2025 was \$3,596,234 based upon the closing price of the registrant's common stock of \$1.010 on The Nasdaq Capital Market as of June 27, 2025.

As of April 1, 2026 there were 21,202,911 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference: **None.**

SmartKem, Inc.
Form 10-K for the Fiscal Year Ended December 31, 2025
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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains express or implied forward-looking statements that are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in forward-looking statements are reasonable, such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. All statements other than statements of historical fact contained in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “could,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “seek,” “contemplate,” “project,” “continue,” “potential,” “ongoing” or the negative of these terms or other comparable terminology.

These forward-looking statements include, but are not limited to, statements about:

- the implementation of our business model and strategic plans for our business, technologies and products;
- the rate and degree of market acceptance of any of our products or organic semiconductor technology in general, including changes due to the impact of (i) new semiconductor technologies, including MicroLED technology, (ii) the performance of organic semiconductor technology, whether perceived or actual, relative to competing semiconductor materials, and (iii) the performance of our products, whether perceived or actual, compared to competing silicon-based and other products;
- the timing and success of our and our customers’ product releases;
- our ability to develop new products and technologies;
- our ability to meet management goals;
- our estimates of our expenses, ongoing losses, future revenue and capital requirements, including our needs for additional financing;
- our ability to obtain additional funds for our operations and our intended use of any such funds;
- our ability to maintain compliance with the continued listing requirements of The Nasdaq Stock Market LLC (“Nasdaq”);
- our receipt and timing of any royalties, milestone payments or payments for products, under any current or future collaboration, license or other agreements or arrangements;
- our ability to obtain and maintain intellectual property protection for our technologies and products and our ability to operate our business without infringing the intellectual property rights of others;
- the strength and marketability of our intellectual property portfolio;
- our dependence on current and future collaborators for developing, manufacturing or otherwise bringing our products to market;
- the ability of our third-party supply and manufacturing partners to meet our current and future business needs;
- our exposure to risks related to international operations;
- our dependence on third-party fabrication facilities;
- our relationships with our executive officers, directors, and significant stockholders;
- our expectations regarding our classification as a “smaller reporting company,” as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and an “emerging growth company” under the Jumpstart Our Business Startups Act (the “JOBS Act”) in future periods;
- our future financial performance;
- the competitive landscape of our industry;
- the impact of government regulation and developments relating to us, our competitors, or our industry; and
- other risks and uncertainties, including those listed under the caption “Risk Factors.”

These statements relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and elsewhere in this Report.

Any forward-looking statement in this Report reflects our current view with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our business, results of operations, industry and future growth. Given these uncertainties, you should not place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or the SEC as exhibits hereto completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

SUMMARY OF THE MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors, but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “Risk Factors,” together with the other information in this Annual Report on Form 10-K. If any of the following risks actually occurs (or if any of those listed elsewhere in this Annual Report on Form 10-K occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

Risks Related to our Financial Position, Financial Reporting Matters and Need for Capital

- We have a history of losses, anticipate continued operating losses in the future, and may not be able to achieve or maintain profitability. If we cannot achieve or maintain profitability, stockholders could lose all or part of their investment.

Risks Related to our Company

- We rely on our management team and other key employees and will need additional personnel to grow our business. The loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business.
- We compete in highly competitive markets characterized by rapid technological changes, and existing and new companies may introduce products that compete with ours, which may adversely affect our business and operating results.
- We may not be able to develop technologies and products to satisfy changes in customer demand or industry standards, and our competitors could develop products that decrease the demand for our products.
- Any international operations we undertake may subject us to risks inherent with operations outside of the United States.

Risks Related to Product Development, Regulatory Approval, Manufacturing and Commercialization

- If MicroLED technology is not widely adopted by display manufacturers, our business would be harmed.
- If we are unable to establish sales capabilities on our own or through third parties, we may not be able to market and sell our existing or future products - or generate product revenue.
- We rely on access to third-party facilities for prototyping and commercial process development and expect to enter into arrangements with third parties to fabricate our products at commercial scale. The loss of access to a third-party facility, or our inability to enter into agreements with third-party fabricators could have a material adverse effect on our business development.
- Because we will depend on third-party fabricators to manufacture products for us, we will be susceptible to manufacturing delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales, income and customers.
- Any failure by us to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete.

Risks Related to our Common Stock

- Unstable market and economic conditions and adverse developments with respect to financial institutions and associated liquidity risk may have serious adverse consequences on our business, financial condition and stock price.
- Future sales and issuances of our securities could result in additional dilution of the percentage ownership of our shareholders and could cause our share price to fall.
- We do not intend to pay cash dividends on our shares of common stock so any returns will be limited to the value of our shares.
- If we are unable to maintain listing of our securities on The Nasdaq Capital Market (“Nasdaq”) or any stock exchange, our stock price could be adversely affected and the liquidity of our stock and our ability to obtain financing could be impaired.

PART I

Item 1. Business

Overview

We are seeking to change the world of electronics with a new class of transistor developed using our proprietary advanced semiconductor materials that we believe has the potential to revolutionize the display industry. Our TRUFLEX® semiconductor polymers enable low-temperature printing processes that are compatible with existing manufacturing infrastructure to deliver low-cost, high-performance displays. Our semiconductor platform can be used in a range of display technologies, including MicroLED, liquid crystal display (“LCD”), and AMOLED, as well as in applications in advanced computer and artificial intelligence chip packaging, sensors, and logic.

We design and develop our materials at our research and development facility in Manchester, UK, and provide prototyping services at the Centre for Process Innovation in Sedgefield, UK. We also operate a field application office in Hsinchu, Taiwan, in close proximity to our collaboration partner, The Industrial Technology Research Institute of Taiwan. Together with our collaboration partners, we are developing a commercial-scale production process and Electronic Design Automation (“EDA”) tools for our materials to demonstrate the commercial viability of manufacturing a new generation of displays using our materials.

During the first quarter of 2026, Smartkem was involved in a number of financing transaction. These included the transfer of our patent portfolio to a third party. The company still owns its process and formulation intellectual property as codified in 40 trade secrets. As previously disclosed the company is continuing to conduct a review of its strategy. In particular it is evaluating its display prototyping activities, its materials formulation activities and the possibility of adding new materials to its portfolio.

Products and Services

We supply our advanced materials as a set of stable liquid inks, with each ink forming a separate layer of the device. Each of the inks forming these layers has been carefully designed to achieve the device performance and electrical stability specified by the customer. We supply the ink set with a detailed process of record (“POR”) for producing the desired device. In addition to supplying our organic thin-film transistor (“OTFT”) stack materials as a package, prospective customers also evaluate the use of our range of interlayer materials as single layers in new and existing chip and display products (in so-called advanced semiconductor packaging). The interlayer materials are being tested as redistribution layers, pixel definition layers, permanent resists, and organic dielectric layers due to their favorable processability, patternability, planarity, and other properties when compared with existing materials. During 2023, we began developing a range of customized dielectric inks for customers’ advanced electronics packaging applications.

Products have been scaled up for formulated ink supply to customers in package sizes ranging from 100ml to several liters, all supplied from our Manchester facility. These are supplied with a certificate of analysis (CoA) and POR, alongside device and design consultancy to ensure successful technology transfer.

In January 2025, we completed the first sale of our TRUFLEX® materials to Chip Foundation under our co-development agreement.

We developed the “MiP4,” a package of four MicroLEDs connected using our chip-first architecture and its unique interlayer dielectric semiconductor materials. A demonstration of the first application of the MiP4—a 12.3-inch MicroLED Smart Backlight—was unveiled at Taiwan’s largest technical conference, Touch Taiwan 2025. The MicroLED Smart Backlight delivers higher brightness and better contrast in LCD screens that are frequently used in the automotive industry today.

In December 2025, we announced that we had created the world's first all-organic-transistor ("AOT") biometric sensor, in collaboration with Shanghai Jiao Tong University ("SJTU"). This novel technology significantly increases the sensitivity of optical detection for flexible biometric applications, such as fingerprint or palm print recognition on curved surfaces, and has the potential to help address challenges such as fingerprint spoofing. By enabling advanced liveness detection techniques, the sensor can capture subtle signals that distinguish real fingerprints from fake ones, whether through multi-wavelength imaging or dynamic imaging that reveals motion or blood flow.

A paper describing this new technology, titled 'Flexible 256x256 All-Organic-Transistor Active-Matrix Optical Imager with Integrated Gate Driver' and co-authored by our Chief Technology Officer, Dr. Simon Ogier, was published by the Institution of Electrical and Electronic Engineers ("IEEE") and presented by Prof. Xiuyan Li, SJTU at the 71st Annual IEEE International Electron Devices Meeting.

Market Opportunity

Our proprietary TRUFLEX® organic materials set enable customers to make backlight units and direct emissive displays that are both flexible and capable of driving stable currents, combined with the benefits of low temperature processing. Recently, several manufacturers have launched TVs with mini-LED backlight units, and a number of companies are developing a new generation of direct emission MicroLED displays (including Samsung, with 'The Wall' offering unparalleled brightness and visual clarity, Sony, LG and AUO), flexible OLED displays, and transparent OLED displays. These new formats are supported by a variety of different backplanes using tiled versions of existing technologies or printed circuit board ("PCB") backplanes. We believe that our TRUFLEX® materials can be used to provide active-matrix transistor arrays that can address these new product categories using low-cost, flexible substrates.

Our customized inks can be made with low viscosity, low processing temperatures and without the use of hazardous solvents. In addition, our organic inks offer low film stress and shrinkage/warpage versus many established materials.

We believe there are other markets in which our materials may offer advantages. For example, we believe that our OTFTs are suitable for applications where a relatively low number of transistors are required over a wide area such as chemical/biological sensors or distributed logic circuits. We believe the growth in Internet of Things (IoT) devices also offers opportunities for low-cost, mass manufacturable, printable logic devices, as can be made possible by our technology platform. We believe that our strategy of targeting low cost of prototyping and an ability to rapidly transition from design to device will help drive the development of these technologies with our customers.

Advanced chip packaging has become a critical enabler of next-generation semiconductor systems, driven by the rapid growth of artificial intelligence, high-performance computing, and data-center applications that increasingly require heterogeneous integration, higher interconnect density, and improved power efficiency. As traditional silicon scaling faces physical and economic constraints, architectures such as chiplet-based designs, fan-out packaging, and multi-die integration are increasingly relied upon to deliver system-level performance gains. During 2025, SmartKem announced the extension of its OTFT materials platform and "chip-first" process architecture beyond display applications into advanced chip packaging, including development collaborations with Manz Asia focused on inkjet-printed dielectric layers for semiconductor packaging applications. These initiatives are intended to enable low-temperature, additive manufacturing processes compatible with large-area substrates and advanced packaging workflows. We believe that our materials expertise, combined with partnerships established in 2025, positions the Company to participate in emerging opportunities within advanced packaging markets that are expanding alongside increased investment in AI-driven computing infrastructure and demand for scalable, cost-effective semiconductor integration solutions.

Commercialization Strategy

Continued Development of Our Materials

We design and develop our materials at our research and development facility in Manchester, UK, where we respond to customer inquiries and anticipate market trends. In response to requests from potential customers, our chemistry team has focused on the development of a range of specialized dielectric polymer interlayers. Additional specialty dielectric polymer formulations are being designed for use in advanced mobile communications operating at frequencies in excess of 5 GHz (5G applications and beyond). Interlayer inks are also being provided to potential customers for evaluation across a wide range of advanced electronics packaging applications. We believe that our knowledge base and experience in the design and characterization of OTFTs gives us the ability to respond rapidly to customer preferences and emerging market trends.

Development of EDA Tools

We have developed an initial process design kit (“PDK”) for our process that is designed to be used by third parties in EDA software to allow them to design digital logic devices. The PDK contains information such as design rules that are specific to our process equipment, and it will also incorporate models of OTFTs made using our materials set. This will be used for digital device simulation and layout of circuit designs. We continue to characterize the electrical performance of our materials and to use that data to improve the correlation between simulations produced using those tools and actual devices. As part of this development, we expect to populate a library of reference designs for common gates used in digital electronic circuits to further simplify third-party design processes. At this time, our circuit layout work is performed manually by skilled engineers.

Once we have identified a specific application requirement, we expect to proceed with development work through an understanding of the product specifications and engineering work to calculate the size and capabilities of pixel OTFTs and storage capacitors. For digital logic applications, the situation is more complex, and circuits cannot be designed without access to supporting simulation, design, and layout software. In silicon integrated circuit (“IC”) design, EDA tools are used to predict the behavior of circuits made using foundry services, allowing designers to simulate the behavior of prototype circuits and verify their functionality prior to fabrication, thereby saving time and cost.

We believe that the development of proprietary EDA tools that permit customers to efficiently design circuits using our processes and materials is an important requirement for our commercial success. We have entered into a four-year collaboration with Flexible Integrated Circuits S.L. (FlexiIC) with the aim of configuring open-source or low-cost, paid-for EDA tools for our OTFTs.

Development of Robust Commercial Manufacturing Processes

Our base layer, self-assembled monolayer, organic semiconductor, organic gate insulator, sputter resistant layer and Passivation layer inks can be deposited using standard coating techniques such as spin-coating or slot-die coating which are widely used for the lithography processes used in TFT manufacturing. As a result, our OTFT process can be integrated into existing manufacturing lines using standard industrial techniques without the need for additional large capital investment. Furthermore, the solubility of our inks would permit customers to digitally print the features of the OTFT device, which we believe may be attractive to potential customers seeking to lower manufacturing costs.

Through our relationship with the Industrial Technology Research Institute (“ITRI”), we have successfully demonstrated the direct patterning of one of our interlayer dielectric materials using DLT, a common commercial manufacturing technology. In 2023, we entered into a transfer technology agreement with ITRI pursuant to which ITRI is developing Gen 2.5 scale (370mm x 470mm) commercial manufacturing processes for a range of our OTFT materials.

Sales and Marketing

The majority of our target customers are large consumer electronics companies based in Asia (Taiwan, South Korea, Japan and China). We believe that these customers are seeking to create novel, higher added value electronics products. The same region is also a source of new inquiries for evaluation of use of our unique dielectrics in the advanced chip packaging sector.

We have a direct sales force consisting of one employee located in Taiwan, assisted by two technology transfer engineers, and sales representation in China. Our technical specialists and senior management team also play an active role in promotional events and engage with strategic partners in Asia. We believe that our initial customers will be located in Taiwan, South Korea, Japan and China but we are also directly working with original equipment manufacturers (“OEMs”) located in North America, Europe and elsewhere in Asia who have the ability to require their suppliers to use our materials. Our sales team is supported for new program delivery by engineers and product specialists located at the materials technology center in Manchester. We anticipate building up our sales and marketing resources through a mixture of new in-house and specialist agencies.

Our marketing efforts include increased attendance at significant industry trade shows (including in 2025: SEMICON® Korea, Touch Taiwan, SEMICON® China, SID Display Week, the 25th International Meeting on Information Display (“IMID”), PlayNitride MicroLED Technology Forum, SEMICON® Taiwan, MicroLED Connect, TechBlick Berlin and IDW Japan) at which we demonstrate the capabilities of our TRUFLEX® technology and respond to requests for proposals and other inquiries from potential customers. We publish technical papers that explain our products and technology to inform and engage with potential customers. We have also entered into several joint development agreements to demonstrate the capabilities of our materials and to show the feasibility of utilizing our products in specific applications. In addition, we make presentations at trade events to showcase our technology and familiarize potential customers with the value we believe our technology adds to various applications. We also publish press releases and other announcements relating to our technical capabilities or achievements and include product information and related technical materials on our website.

We expect that the time between the identification of a potential customer and the receipt of a purchase order or agreement for the sale of our products will be relatively long. In certain instances, a potential customer may contact us seeking a generic sample of our materials for evaluation. In other instances, a customer may approach us with specific performance specifications and inquire about our ability to provide products meeting those specifications, after which we provide samples of materials or specific data for evaluation.

Following the satisfactory completion of development work and any related pilot project, an interested customer would then enter into a sales agreement with us, pursuant to which we would either: (i) agree to manufacture products to the customer’s specifications from time to time as requested by the customer, including subject to potential minimum quantity requirements; or (ii) agree to license our process to the customer for a fee based on a royalty of sales and enter into a supply agreement for our proprietary inks, utilizing a process owned and qualified by us, formulated into inks either at our own facilities or by third-party formulators and shipped directly to customers.

We expect that the sales cycle described above will take approximately 12 to 24 months. During that period, we will be required to incur significant expenses without any assurance that a customer order will be obtained. Accordingly, we face a significant risk that we will incur those expenses without ever making a sale.

Research and Development

Since 2023, our chemistry team has switched its focus from the development of organic semiconductors to the development of a range of specialized photoimageable dielectric polymers. Some of these dielectric materials are intended for use in the display industry as redistribution layers, passivation layers, MicroLED interlayers, and pixel definition layers. In response to requests from potential customers, we have also directed our efforts to the development of customized dielectric materials for use in the field of advanced electronics packaging. Some of the technical challenges facing the development of these dielectrics include tuning interfacial adhesion between a broad

range of different interlayers, including polymer-to-polymer, polymer-to-metal, and polymer-to-silicon interfaces. Another important aspect of the development of novel dielectric inks for advanced packaging applications is the need for them to be capable of being deposited using a range of coating and printing techniques, including additive printing methods such as industrial inkjet printing.

Once new dielectric materials have been characterized, our materials development team customizes the formulations and process parameters to allow integration into the fabrication processes at ITRI. This team establishes the BKMs for each material and develops an understanding of the parameters that can influence performance. Customers frequently request detailed materials data packages for our customized dielectric materials which, once approved by them, should enable them to quickly process our polymer inks at their in-house facilities. At any given time, our dielectric inks are under evaluation by a number of potential end users. Initial work is also being done to identify scale-up routes and potential supply chains for our materials in anticipation of customer needs.

Collaboration Agreements

In October 2021, we entered into a joint development agreement with RiTdisplay, a Taiwan-based developer of displays, pursuant to which the two parties are collaborating on the production of a full-color demonstration AMOLED display. In 2023, we entered into a technology transfer agreement with RiTdisplay, pursuant to which the parties commenced a joint project to develop the world's first commercially ready active-matrix OLED display using OTFT technology. In 2025, we entered into a memorandum of understanding with RiTdisplay for the extension of our existing technology transfer agreement which, when finalized, will include the integration of our OTFT process onto RiTdisplay's Gen 2.5 Pilot Line, which will enable us to provide product prototyping of the world's first commercially ready AMOLED display using OTFT technology on a commercial Gen 2.5 OTFT product manufacturing line at RiTdisplay's existing state-of-the-art facility in Hsinchu, Taiwan. The memorandum of understanding is non-binding, and there can be no assurance as to whether or when a definitive agreement will be executed by the parties or as to the ultimate terms of any such agreement.

In 2022, we entered into a joint development agreement with a Taiwan-based company for the development of a new generation of MiniLED signage. This collaboration is expected to lead to the development of a roll-to-roll process for the manufacture of large-format LED displays.

In 2023, we entered into a joint development agreement with a company in Taiwan for the development of a MicroLED-based display using our OTFT backplane.

In July 2023, we entered into a three-year technical services agreement with ITRI. Pursuant to this technical services agreement, ITRI is developing Gen 2.5 scale (370mm x 470mm) commercial manufacturing processes for a range of our OTFT materials. The goal of our agreement with ITRI is to develop robust commercial scale manufacturing processes that will enable potential customers to develop prototypes on ITRI's Gen2.5 line using our OTFT technology before transferring the manufacturing process to their own lines or to a third-party foundry, including ITRI. We believe that the successful development of commercial manufacturing processes will help to accelerate the adoption of our technology by display manufacturers in Taiwan and other areas of Asia. We have two employees supporting this work in Taiwan in addition to support from our staff in the UK.

In February 2024, we entered into a joint development agreement with Tianma Microelectronics Co., Ltd. to integrate our organic thin-film transistor technology with Tianma's oxide transistors to develop OTFT-based microarray biochips.

Also in February 2024, we entered into a collaboration agreement with FlexiC to develop low-cost, rapid turnaround custom circuits using organic transistor technology. Several months later, we signed a multi-year agreement with FlexiC to develop a new generation of complementary metal oxide semiconductors ("CMOS") for smart sensors.

In March 2024, we entered into a technology collaboration agreement with ITRI to enable product prototyping on ITRI's Gen 2.5 equipment using our technology.

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In September 2024, we entered into a joint development agreement with Chip Foundation to co-develop a new generation of MicroLED backlight technology for Liquid Crystal Displays.

In November 2024, we entered into a collaboration agreement with AUO to develop a new generation of rollable, transparent MicroLED displays using our technology.

In May 2025, we entered into a collaboration agreement with Manz Asia for advanced computer and artificial intelligence chip packaging, and in July 2025 we entered into a preliminary joint development agreement with Manz Asia in furtherance of that collaboration.

In December 2025, we entered into a proof-of-concept agreement with a leading global consumer electronics company for the development of MicroLED wearables.

Manufacturing and Supply

We obtain strategic intermediates and final products from multiple sources who produce our active semiconductor materials to our specifications. Our TRUFLEX® materials fall into two main categories, “active” organic materials and “passive” interlayer materials. Our active materials generally require high levels of process and product control, and therefore these are synthesized from start to end by us or a third party that has met certain certification requirements and then formulated by us into organic semiconductor inks. We validate active components internally before use. Our passive interlayer inks use a range of commercially available intermediates, formulated to our specifications to meet differing end-use performance parameters depending on the intended use. Our active and passive inks are proprietary to us.

We synthesize the active materials either internally or using third-party suppliers that meet specific certification requirements. The raw materials used to produce the formulated passive interlayers are purchased from multiple suppliers and tested and validated internally before use. The active and passive interlayer inks are presently manufactured internally in our formulation facility located in Manchester, U.K. We are also evaluating a base layer material manufactured on a larger scale by a third-party contractor. Initial results have been promising, and we are continuing our testing and evaluation.

We use our U.K.-based formulation activity to enable customers to validate our materials on their Gen 1–Gen 2.5 pilot lines. Our TRUFLEX® inks typically comprise from 1.2% up to 25% by weight of solids, with the remainder being made up of electronic grade solvents. For commercial supply quantities, to avoid the shipping costs associated with large quantities of locally available solvents, we expect to supply fully formulated ink to customers from a formulation facility located close to the customer’s manufacturing facility. We may also outsource the ink manufacture to an accredited third-party local formulator, subject to our final quality control testing of the formulated inks.

We have not experienced any supply shortages with respect to the materials used to formulate our proprietary inks.

Competition

We believe that competition in our targeted markets is based on a variety of factors, including capability, functionality, performance, reliability, ease of use, and ability to supply in sufficient quantities. We believe we can, or will be able to, compete effectively on the basis of these factors.

a-Si technology is an inorganic process widely used in the manufacture of backplanes for LCDs. More recent developments in inorganic semiconductors include the use of the metal oxide indium gallium zinc oxide (“IGZO”) for backplanes for large-area OLED TVs and low temperature polycrystalline silicon (“LTPS”) for high-resolution cell phones. All of these inorganic processes are operated at high temperatures and therefore require high-cost substrates, particularly where processing on plastic is required. We believe that the integration of TFTs with temperature-sensitive devices will be made easier with our OTFT inks due to their lower temperature requirements.

In addition, we believe that all inorganic TFT-based active-matrix technologies face challenges in bending compared with organic TFTs, resulting in greater manufacturing complexity and higher costs.

A number of competitors have engaged in the development of organic inks. However, these competitors either opt to use polymeric semiconductors (BASF SE, Merck KGaA and Sumitomo Chemical Co., Ltd.) that process well but have lower mobility than the polycrystalline organic materials in our TRUFLEX® materials, or polycrystalline semiconductors that have high mobility but relatively poor uniformity when processed. We believe our proprietary technology, which combines a polycrystalline molecule with a matched semiconducting polymer, provides higher mobility, particularly at short channel lengths, and better processability than these technologies.

Many of our potential competitors could have substantial competitive advantages, such as greater name recognition, longer operating histories, broader and deeper product portfolios, larger customer bases, and substantially greater financial and other resources, as well as larger-scale manufacturing operations. However, we believe our products have the potential to compete with many of our competitors' offerings through product performance, product reliability, and satisfaction of customer qualifications and standards.

Government Regulation

In addition to customer-specific requirements for safety, health and the environment, our formulated materials may also be subject to government regulation during their use in the country of device manufacture and under regulations covering the materials in the finished device. Such regulations may address the toxicity of materials (including potential carcinogenicity, mutagenicity, and teratogenicity) and restrictions imposed by the environmental protection agencies in the countries of manufacture.

All new chemicals we obtain are evaluated at the time of order and a Control of Substances Hazardous to Health ("COSHH") assessment is performed prior to commencement of any practical work with these materials. The COSHH assessment considers chemical hazards associated with the material, its physical properties, the scale of the planned work and the nature of that work e.g., temperature and containment. This process provides the first opportunity to screen out any materials that may be prohibited by the ultimate customer. Any use of material in Health and Safety Executive COSHH hazard category E, all but gram scale uses of non-volatile material in hazard category D and use of material in hazard category C in quantities of more than 1kg would trigger a management review. While it is possible that management authorization may be given to conduct research using materials in categories D & E, their use in a potentially formulated product would be discouraged and an alternative sought at an early stage. Materials are also screened against lists of banned and restricted materials provided by display manufacturers. Any material present on the display manufacturers banned list would not be used in formulated product.

We work with a third-party service provider to create safety data sheets for our formulated products that are shipped to customers and other end users. Our formulated products contain no materials that are restricted in the U.K. and no permissions or exemptions are required.

Our OGI material is fluorinated and spun from a fluorosolvent listed under regulation (EC) No 428/2009 of 5 May 2009 under section 1C006d. Export of formulations may require a Standard individual export license to be applied for, and end use declaration made by the customer. These can be obtained through the U.K.'s SPIRE system.

To the extent our products are or become subject to U.K. export controls and regulations, these regulations may limit the export of our products and technology, and provision of our services outside of the U.K., or may require export authorizations, including by license, a license exception, or other appropriate government authorizations and conditions, including annual or semi-annual reporting. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons, and entities. In addition, various countries regulate the importation of certain products through import permitting and licensing requirements and have enacted laws that could limit our ability to distribute our products. The exportation, re-exportation, and importation of our products and technology and the provision of services, including by our partners, must comply with these laws or else we may be adversely affected, through

reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products and technology. Complying with export control and sanctions laws may be time-consuming and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products and technology from being provided in violation of such laws, our products and technology may have previously been, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we are found to be in violation of U.K. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Export or import laws or sanctions policies are subject to rapid change and have been the subject of recent U.K. and non-U.K. government actions. Changes in export or import laws or sanctions policies may adversely impact our operations, delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products and technology to certain countries, regions, governments, persons, or entities altogether, which could adversely affect our business, financial condition and results of operations.

Employees

As of April 1, 2026, we had 28 full-time employees and one part-time employee located in the United Kingdom, Taiwan, and United States. We are not a party to any collective bargaining agreements. We believe that we maintain good relations with our employees.

Our Corporate Information and History

We were incorporated as Parasol Investments Corporation in the State of Delaware on May 13, 2020. SmartKem Limited was incorporated under the laws of England and Wales on July 21, 2008. On February 23, 2021, we completed an exchange with SmartKem Limited and the former shareholders of SmartKem Limited (the “Exchange”) pursuant to which substantially all of the equity interests in SmartKem Limited were exchanged for shares of our common stock, and SmartKem Limited became our wholly owned subsidiary. Immediately following the Exchange, the business of SmartKem Limited became our business and we changed our name to “SmartKem, Inc.” Prior to the Exchange, Parasol Investments Corporation was a “shell” company registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with no specific business plan or purpose until it began operating the business of SmartKem Limited following the closing of the Exchange.

Our principal executive offices are located at Manchester Technology Center, Hexagon Tower, Delaunays Road, Blackley Manchester, M9 8GQ U.K. Our telephone number is 011-44-161-721-1514. Our website address is www.smartkem.com. Information contained on, or that can be accessed through, our website is not a part of this prospectus.

Additional Information

Our website address is www.smartkem.com. The contents of, and information accessible through, our website are not part of this Annual Report, and our website address is included herein as an inactive textual reference only. We make our filings with the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, available free of charge on our website as soon as reasonably practicable after we file such reports with, or furnish such reports to, the SEC. The public may read and copy the materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC’s website is www.sec.gov. The information contained on the SEC’s website is not intended to be a part of this Annual Report.

Item 1A. Risk Factors

Risks Related to Our Financial Position, Financial Reporting Matters and Need for Capital

We have generated no revenue from commercial sales to date, and our future profitability is uncertain.

We were incorporated in 2009, and since inception we have incurred losses and expect to continue to operate at a net loss for at least the next several years as we continue our research and development efforts and develop manufacturing, sales, marketing and distribution capabilities for our TRUFLEX® materials. Our comprehensive losses for the years ended December 31, 2025 and 2024 were \$13.0 million and \$9.9 million, respectively, and our accumulated deficit as of December 31, 2025 was \$125.1 million. There can be no assurance that the products and technologies under development by us will achieve commercial acceptance or generate meaningful revenue. Furthermore, there can be no assurance that if our products are adopted by customers they will be successfully commercialized at scale, and the extent of our future losses and the timing of our profitability are highly uncertain. If we are unable to achieve profitability, we may be unable to continue our operations.

If we fail to obtain the capital necessary to fund our operations, we will be unable to continue or complete our product development, and you will likely lose your entire investment.

We will need to raise capital from time to time to continue the development of our products and technologies. There can be no assurance that any revenues we may generate in the future will be sufficient to fund our ongoing operations. We believe that we will need to raise substantial additional capital to fund our operations and the development and commercialization of our products and technologies, and there can be no assurance that such capital will be available on acceptable terms, or at all.

Risks Related to Our Business and the Industry in Which We Operate

Our recurring losses from operations have raised substantial doubt regarding our ability to continue as a going concern and will likely require additional capital to support our business and objectives.

We have incurred recurring losses since inception and, as of December 31, 2025, had an accumulated deficit of \$125.1 million. We anticipate operating losses to continue for the foreseeable future due to, among other things, costs related to research funding, further development of our technology and products and expenses related to the commercialization of our products, and it is possible we will never achieve profitability.

These efforts may be more costly than we expect, and we may not be able to generate revenue to offset our increased operating expenses. We expect our cash and cash equivalents of \$0.4 million as of December 31, 2025 to be insufficient to meet our operating expenses and capital expenditure requirements for at least 12 months from the filing of this Form 10-K. Our forecast of the period of time through which our current financial resources will be adequate to support our operations and the costs to support our general and administrative and research and development activities are forward-looking statements and involve risks and uncertainties. Our consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional working capital through public or private equity or debt financings or other sources, which may include collaborations with third parties. There can be no assurance, however, that such financing will be available, on acceptable terms and conditions, or at all. The precise amount and timing of the funding needs cannot be determined accurately at this time, and will depend on a number of factors, including our ability to generate significant revenue, the market demand for our products, the quality of product development efforts including potential joint collaborations, management of working capital, and the continuation of normal payment terms and conditions for purchase of services.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our working capital requirements through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. To the extent that we raise additional capital through the sale of equity or

convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or products, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate commercialization, our research and product development, or grant rights to develop and market our products that we would otherwise prefer to develop and market ourselves, it may also impact our ability to continue as a going concern. The perception that we may not be able to continue as a going concern may cause others to choose not to deal with us due to concerns about our ability to meet our contractual obligations.

Our quarterly results of operations are likely to vary from period to period, which could cause the market price of our common stock to fluctuate or decline.

Our results of operations have varied from period to period, and we expect that our quarterly results of operations will continue to vary as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to attract existing customers, including due to our perceived or actual financial condition;
- the budgeting cycles and purchasing practices of customers;
- the timing and length of our sales cycles, including the ability of our customers to design-in successfully with our technology;
- changes in customer requirements or market needs, including market acceptance of our technology;
- the timing and impact of new product introductions by us or our competitors or any other change in the competitive landscape of the semiconductor industry, including consolidation among our customers or competitors;
- deferral of orders from customers in anticipation of new products or product enhancements announced by us or our competitors;
- our ability to execute our growth strategy and operating plans;
- our ability to successfully expand our business domestically and internationally;
- our ability to successfully compete with other companies in our market;
- changes in our pricing policies or those of our competitors;
- any disruption in, or termination of, our relationship with channel partners;
- insolvency or credit difficulties confronting our customers, affecting their ability to purchase or pay for our products, or confronting our key suppliers, which could disrupt our supply chain;
- the cost and potential outcomes of potential future litigation;
- general economic conditions; and
- the amount and timing of operating costs and capital expenditures related to the expansion of our business.

Any of the above factors, individually or in the aggregate, may result in significant fluctuations in our quarterly operating results. As a result of this variability, our historical results of operations should not be relied upon as an indication of future performance. Moreover, this variability and unpredictability could result in our failure to follow through on our operating plans or meet the expectations of investors for any period. If we fail to follow through on our operating plans or meet such expectations for these or other reasons, the market price of our common stock could fall substantially.

We may not be able to develop technologies and products to satisfy changes in customer demand or industry standards, and our competitors could develop products that decrease the demand for our products.

Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries of many of our customers and potential customers. Our financial performance depends, in part, on our ability to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis.

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We have not sold our products at commercial scale. Our principal focus has been on research and development activities to improve our technology and make our product offerings more attractive to potential customers. These projects are subject to various risks and uncertainties we are not able to control, including changes in customer demand or industry standards and the introduction of new or superior technologies by others. Moreover, any failure by us in the future to develop new technologies or timely reaction to changes in existing technologies could materially delay our development of new products, which could result in product obsolescence, decreased revenues and a loss of our market share to our competitors. In addition, products or technologies developed by others may render our products or technologies obsolete or non-competitive. Further, if our products are not in compliance with prevailing industry standards, such non-compliance could materially and adversely affect our financial condition, cash flows and results of operations.

We participate in highly competitive markets characterized by rapid technological changes, and existing and new companies may introduce products that compete with ours, which may adversely affect our business and operating results.

The markets in which we participate are highly competitive. We expect competition to intensify in the future as existing competitors and new market entrants introduce new products into our markets. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses, and the loss of market share, any of which could seriously harm our business, financial condition, and results of operations. Additionally, our competitors may develop technology that would make ours non-competitive or obsolete. If we do not keep pace with product and technology advances and otherwise keep our product offerings competitive, there could be a material and adverse effect on our competitive position, revenue and prospects for growth. Many of our existing competitors, have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition, longer operating histories and larger customer bases;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with channel partners and customers;
- broader and deeper product lines;
- greater customer support resources;
- greater resources to make acquisitions;
- lower labor and research and development costs;
- substantially greater financial and other resources; and
- larger scale manufacturing operations.

Some of our larger competitors have substantially broader product offerings and may be able to leverage their relationships with channel partners and customers based on other products to gain business in a manner that discourages users from purchasing our products, including by selling at zero or negative margins or product bundling. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. As a result, even if the features of our products are superior, customers may not purchase our products. In addition, innovative start-up companies, and larger companies that are making significant investments in research and development, may invent similar or superior products and technologies that compete with our products. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition, and results of operations could be adversely affected.

If we are unable to establish sales capabilities on our own or through third parties, we may not be able to market and sell our existing or future products or generate product revenue.

We do not currently have a fully staffed sales organization. We intend to commercialize our products with a direct sales force. To achieve this, we will be required to build a direct sales organization. We also will have to build our marketing, sales, managerial and other non-technical capabilities or make arrangements with third parties for distribution and to perform certain of these other services, and we may not be successful in doing so. Building an internal sales organization is time-consuming and expensive and will significantly increase our compensation expense. We may be unable to secure

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contracts with distributors on favorable terms or at all. We have no prior experience in the marketing, sale and distribution of our products and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and motivate qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel, and effectively oversee a geographically dispersed sales and marketing team. If we are unable to build an effective sales organization and/or if we are unable to secure relationships with third-party distributors, we will not be able to successfully commercialize our products, our future product revenue will suffer, and we would incur significant additional losses.

We expect that our sales cycles will be long and unpredictable, and our sales efforts will require considerable time and expense. As a result, our revenue is difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.

Our results of operations may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of our expected sales cycle and the short-term difficulty in adjusting our operating expenses. We provide reference designs and prototypes intended to demonstrate our ability to satisfy customer requirements and we expect that we will be required to continue to do so before receiving sales orders, which will result in a relatively long sales cycle. Because we expect that the length of time required to close a sale will vary substantially from customer to customer and each customer has its own requirements, it is difficult to predict exactly when, or even if, we will make a sale with a potential customer after significant work has been put in to create a model or prototype. As a result, we expect that individual sales will, in some cases, occur in quarters subsequent to or in advance of those we anticipated, or will not occur at all, which makes it difficult for us to forecast our revenue accurately in any quarter. Because a substantial portion of our expenses are relatively fixed in the short term, our results of operations will suffer if our revenue falls below expectations in a particular quarter, which could cause the market price of our common stock to decline. Additionally, to the extent our competitors develop products that our prospective customers view as equivalent or superior to ours, the average duration of our sales cycles may increase, and our sales efforts may be less successful.

Risks Related to Our Operations and Manufacturing

We rely on access to third-party facilities, including ITRI, for prototyping and commercial process development, and the loss of access to such facilities could have a material adverse effect on our business.

We rely on third-party facilities, including the Industrial Technology Research Institute ("ITRI") in Taiwan, for prototyping and the development of commercial-scale manufacturing processes for our TRUFLEX® materials. Our ability to demonstrate our technology to potential customers and to develop commercially viable manufacturing processes depends in significant part on our continued access to these facilities. If our agreements with ITRI or other third-party facility providers are terminated or not renewed, or if we are unable to enter into new agreements with alternative third-party fabricators on acceptable terms, our ability to develop and commercialize our products could be materially impaired. In addition, we expect to rely on third-party fabricators to manufacture our products at commercial scale. Such third-party fabricators may experience manufacturing delays, capacity constraints, quality control issues or pricing fluctuations that could prevent us from delivering products to customers on time or on a cost-effective basis, which could result in the loss of sales and customers and have a material adverse effect on our business, financial condition and results of operations.

Our current operations are concentrated, and in the event of an earthquake, terrorist attack or other disaster affecting these locations or those of our major suppliers, our operations may be interrupted, and our business may be harmed.

Our principal executive offices and primary operating facilities are situated in England and Asia, and most of our major suppliers, which are wafer foundries and assembly houses, are located in areas that have been subject to severe earthquakes and are susceptible to other disasters such as tropical storms, typhoons or tsunamis. In the event of a disaster, such as an earthquake and tsunami in Japan, we or one or more of our major suppliers may be temporarily unable to continue operations and may suffer significant property damage. Any interruption in our ability, or that of our major suppliers, to continue operations could delay the development and shipment of our products and have a substantial negative impact on our financial results. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts or coverage of insurance will be sufficient to satisfy any damages and losses.

Certain of our partners are and many of our potential customers will be located in Taiwan, which increases the risk that a natural disaster, epidemic, labor strike, war or political unrest could have a material adverse effect on our business, financial condition and results of operations.

Certain of our partners are located in Taiwan. In addition, we expect that many of our potential customers will be located in Taiwan. From time to time, Taiwan has been impacted by significant seismic activity in the area, including earthquakes and related aftershocks, and it is expected that similar events will happen in the future. Because of the relatively small size of Taiwan and the proximity of our partners and future customers to each other, earthquakes, tsunamis, fires, floods, other natural disasters, epidemics such as the COVID-19 outbreak, political unrest or war, including as a result of current tensions with China, labor strikes or work stoppages could simultaneously affect our partners' production capability, our ability to supply our customers, and our customers' ability to produce products incorporating our technology. As a result, we may be subject to unanticipated costs and delays that could have a material adverse effect on our business, financial condition and results of operations.

We rely on our management team and other key employees and will need additional personnel to grow our business. The loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business.

Our future success is substantially dependent on our ability to attract, retain and motivate the members of our management team and other key employees throughout our organization. The loss of one or more members of our management team or other key employees could materially impact our sales or our research and development programs and materially harm our business, financial condition, results of operations and prospects. We do not maintain key person life insurance policies on any of our management team members or key employees. Competition for highly skilled personnel is intense. We may not be successful in attracting or retaining qualified personnel to fulfill our current or future needs. Our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms, or at all.

If we fail to effectively manage our growth, our business, financial condition and results of operations would be harmed.

We are a development stage company and are subject to the strains of ongoing development and growth, which has placed significant demands on our management and our operational and financial infrastructure. To manage any growth effectively, we must continue to improve our operational, financial and management systems and controls by, among other things:

- effectively attracting, training and integrating new employees, particularly members of our sales, applications and research and development teams;
- further improving our key business applications, processes and IT infrastructure to support our business needs;
- enhancing our information and communication systems to ensure that our employees and offices around the world are well coordinated and can effectively communicate with each other and our channel partners and customers; and
- appropriately documenting and testing our IT systems and business processes.

These and other improvements in our systems and controls will require significant capital expenditures and the allocation of valuable management and employee resources. If we fail to implement these improvements effectively, our ability to manage growth and ensure ongoing operation of key business systems would be impaired, and our business, financial condition and results of operations would be harmed.

Public health crises, such as pandemics, epidemics, or widespread outbreaks of infectious disease, have had, and could in the future have, an adverse effect on our business, financial condition and results of operations.

The occurrence of pandemics, epidemics, or widespread outbreaks of infectious diseases, as well as the imposition of related public health measures and travel and business restrictions or other actions that may be taken by governmental authorities in an effort to contain such pandemics, epidemics or outbreaks, have had, and could in the future have, a

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material adverse effect on our business. For example, the COVID-19 global pandemic adversely impacted us by disrupting our operations and increasing our costs as a result of, among other things, measures to address the health and safety of our employees, government work from home directives, quarantines, worker absenteeism as a result of illness, social distancing and travel restrictions that prevented face to face meetings with joint development partners, prospects and suppliers. Future pandemics and similar events could materially increase our costs, severely negatively impact business development and commercialization, net income, and other results of operations, and impact our liquidity position. The duration of any such impacts cannot be predicted, and such impacts may also have the effect of heightening many of the other material risks we face.

Disruptions in global supply chains have impacted, and may in the future, impact, our business, results of operations and financial condition.

An interruption within our supply chain may increase costs or otherwise impact our business, results of operations and financial condition. For example, the COVID-19 pandemic adversely impacted our operations and those of our customers, contract manufacturers, suppliers and logistics providers. At the same time, the global silicon semiconductor industry experienced a shortage in supply and difficulties in ability to meet customer demand and led to an increase in lead-times of the production of semiconductor chips and components. From 2020 - 2023, we experienced disruption to parts of our semiconductor supply chain, including procuring necessary components and inputs, such as wafers and substrates, in a timely fashion, with suppliers increasing lead times or placing products on allocation and raising prices. We also incurred higher costs to secure available inventory or had extended our purchase commitments or placed non-cancellable orders with suppliers, which introduced inventory risk if our forecasts and assumptions were inaccurate. The degree to which the future pandemics and similar events ultimately impact our business and results of operations will depend on future developments beyond our control.

Risks Related to Our International Operations and Regulatory Compliance

We are subject to risks associated with international sales and operations.

We have operations in the United Kingdom and Asia and expect that most of our sales revenue will result from sales to customers in Asia. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including:

- fluctuations in U.S. dollar/U.K. pound value arising from transactions denominated in foreign currencies and the translation of certain foreign currency subsidiaries balances;
- difficulties in staffing and managing multinational operations;
- adverse changes in economic and political conditions resulting from political instability, acts of terrorism, armed conflict, social unrest, and other circumstances impacting countries in which we or our customers operate, including as a result of any escalation of the current tensions between Taiwan and China;
- limitations on our ability to enforce legal rights and remedies;
- restrictions on the repatriation of funds;
- changes in trade policies, laws, regulations, political leadership and environment, and/or security risks;
- tariff regulations;
- difficulties in obtaining export and import licenses and compliance with export/import controls and regulations;
- the risk of government-financed competition;
- compliance with a variety of international laws as well as U.K. regulations, rules and practices affecting the activities of companies abroad; and
- difficulties in managing and staffing international operations and the required infrastructure costs, including legal, tax, accounting, and information technology.

In addition, we have small teams that are engaged in marketing, selling and supporting our products internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing and retaining international employees, particularly managers and

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other members of our international sales team, we may experience difficulties in sales productivity in, or market penetration of, foreign markets. We may enter into strategic distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor and reseller relationships with our international channel partners or recruit additional channel partners, our future success in these international markets could be limited.

We are subject to economic, political and other risks that could have a materially adverse effect on our business, financial condition and results of operations.

Our operations and our financial results, including our ability to execute our business strategy, can be adversely affected by changes in global economic conditions as well as the potential impacts of geopolitical uncertainties and international conflicts.

We have operations in the United Kingdom and Asia and certain of our partners, including ITRI, are located in Taiwan. In addition, we expect that many of our potential customers will be located in Taiwan. As a result, the escalation of tensions between Taiwan and China could lead to embargoes, blockades, trade sanctions, military invasion and other risks that could significantly affect political or economic conditions in Taiwan. Any of these events could significantly disrupt our business operations and those of our partners and prospective customers, which would have a material adverse effect on our business. Moreover, other conflicts around the world, including the Ukraine-Russia war and the conflict in the Middle East could escalate and expand, which in turn could negatively impact the global economy and financial markets. It is not possible to predict the broader consequences of these conflicts, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability and cost of materials, supplies, labor, currency exchange rates and financial markets, all of which could negatively impact our business, financial condition and results of operations.

In addition, recently there has been a significant increase in the imposition of tariffs and other trade restrictions around the world. In many cases, the imposition of tariffs or other trade restrictions have resulted in retaliatory actions by governments in the affected countries. Uncertainty surrounding the length, severity, scope and timing of these trade actions may disrupt trade throughout the world which could result in the inability or unwillingness of customers to purchase our products. The escalation or broadening of these trade actions could also significantly increase our costs or make it more difficult for us to sell our products, which could materially and adversely affect our business.

Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations could subject us to penalties and other adverse consequences.

We are subject to anti-bribery, anti-corruption and anti-money laundering laws and regulations including the U.K. Bribery Act 2010 (“Bribery Act”), the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption, anti-bribery, and anti-money laundering laws in the jurisdictions in which we do business from time to time, both domestic and abroad. These laws generally prohibit us and our employees from improperly influencing government officials or commercial parties in order to obtain or retain business, direct business to any person or gain any improper advantage. The Bribery Act, FCPA and similar applicable anti-bribery and anti-corruption laws also prohibit our third-party business partners, representatives and agents from engaging in corruption and bribery. We and our third-party business partners, representatives and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners and agents, even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions.

We are also subject to other laws and regulations governing international operations, including regulations administered by the governments of the U.K and the U.S., and authorities in the European Union, including applicable export control regulations, economic sanctions and embargoes on certain countries and persons, anti-money laundering laws, import and customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws.

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Any violation of the Bribery Act, FCPA or other applicable anti-bribery, anti-corruption laws and anti-money laundering laws including Trade Control laws could result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions or suspension or debarment from government contracts, substantial diversion of management's attention, drop in stock price or overall adverse consequences to our business, all of which may have an adverse effect on our reputation, business, financial condition, and results of operations.

In order to comply with environmental laws and regulations, we may need to modify our activities or incur substantial costs, and such laws and regulations, including any failure to comply with such laws and regulations, could subject us to substantial costs, liabilities, obligations and fines.

We must comply with federal, state, local and foreign governmental regulations related to the use, storage, discharge and disposal of materials used in our products and manufacturing processes. Our failure to comply with such regulations could result in significant fines, suspension of production, cessation of operations or future liabilities. Such regulations could also require us in the future to incur significant expenses to comply with such regulations. Our use of potentially hazardous materials could also restrict our ability to manufacture or sell our products to certain countries, require us to modify our logistics, or require us to incur other significant costs and expenses. For example, in February 2023 the Member States Committee of the European Chemicals Agency, or the ECHA, published a report and supporting annexes related to a proposal to ban the manufacturing, placing on the market, and use of per-and polyfluoroalkyl substances ("PFAS") in the European Union. In this regulatory process, more than 10,000 substances, including chemicals we use, are being considered for potential broad regulatory action. We submitted evidence in September 2023 supporting requests to be exempt from the ban for specific uses of PFAS, both in materials formulations and packaging materials for chemicals. If the PFAS ban in the EU is ultimately enacted, and our derogation requests are not granted, we will not be able to manufacture and sell our products in the EU as they are currently manufactured, and our business would be adversely affected. In addition, any exemptions may be limited in time, and in such case, we would eventually be required to eliminate the use of PFAS in our products, which may make it more expensive for us to manufacture, sell and ship our products. Environmental laws and regulations continue to expand with a focus on reducing or eliminating hazardous substances in electronic products and it may be difficult for us to timely comply with any future environmental laws applicable to us. In addition, we may have to write off inventory if we hold unsaleable inventory as a result of changes to regulations. These requirements may increase our own costs, as well as those passed on to us by our supply chain

Our business may be affected by litigation and government investigations.

We may from time to time receive inquiries and subpoenas and other types of information requests from government authorities and others and we may become subject to claims and other actions related to our business activities. While the ultimate outcome of investigations, inquiries, information requests and legal proceedings is difficult to predict, defense of litigation claims can be expensive, time-consuming, and distracting, and adverse resolutions or settlements of those matters may result in, among other things, modification of our business practices, costs and significant payments, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Our Information Technology and Cybersecurity

Security breaches, computer malware, computer hacking attacks and other security incidents could harm our business, reputation, brand and operating results.

Security incidents have become more prevalent across industries and may occur on our systems. Security incidents may be caused by, or result in but are not limited to, security breaches, computer malware or malicious software, computer hacking, unauthorized access to confidential information, denial of service attacks, security system control failures in our own systems or from vendors we use, email phishing, software vulnerabilities, social engineering, sabotage and drive-by downloads. Such security incidents, whether intentional or otherwise, may result from actions of hackers, criminals, nation states, vendors, employees or customers.

We rely on our internal technology systems for development, marketing, operational, support and sales activities. A disruption or failure of these systems or in those of our external service providers, in the event of a major storm, earthquake, fire, telecommunications failure, cyber-attack, terrorist attack or other catastrophic event could cause system interruptions, reputational harm, delays in our product development and loss of critical data and could materially and adversely affect our ability to operate our business.

We may experience disruptions, data loss, outages and other performance problems on our systems due to service attacks, unauthorized access or other security related incidents. Any security breach or loss of system control caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss, modification or corruption of data, software, hardware or other computer equipment and the inadvertent transmission of computer malware could harm our business.

In addition, our software stores and transmits customers' confidential business information in our facilities and on our equipment, networks, corporate systems and in the cloud. Security incidents could expose us to litigation, remediation costs, increased costs for security measures, loss of revenue, damage to our reputation and potential liability. Our customer data and corporate systems and security measures may be compromised due to the actions of outside parties, employee error, malfeasance, capacity constraints, a combination of these or otherwise and, as a result, an unauthorized party may obtain access to our data or our customers' data. Outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our customers' data or our information. We must continuously examine and modify our security controls and business policies to address new threats, the use of new devices and technologies, and these efforts may be costly or distracting.

Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement sufficient control measures to defend against these techniques. Though it is difficult to determine what harm may directly result from any specific incident or breach, any failure to maintain confidentiality, availability, integrity, performance and reliability of our systems and infrastructure may harm our reputation and our ability to retain existing customers and attract new customers. If an actual or perceived security incident occurs, the market perception of the effectiveness of our security controls could be harmed, our brand and reputation could be damaged, we could lose customers, and we could suffer financial exposure due to such events or in connection with remediation efforts, investigation costs, regulatory fines and changed security control, system architecture and system protection measures.

Risks Related to Our Intellectual Property

Any failure by us to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete.

SmartKem agreed to assign, transfer, and convey to SmartKem IP LLC, a Delaware limited liability company, certain of the Company's right, title, and interest in and to certain patents and patent applications, together with all continuations, continuations-in-part, divisionals, reissues, reexaminations, extensions, foreign counterparts, and all rights to sue for past, present, and future infringement thereof. In furtherance thereof, the Company and its subsidiary, SmartKem Ltd, a corporation organized under English law (the "Assignor"), entered into an Intellectual Property Assignment Agreement (the "IP Assignment Agreement") with SmartKem IP LLC (the "Assignee"), pursuant to which the Assignor irrevocably conveyed, transferred, and assigned to the Assignee certain of the Assignor's right, title, and interest in and to certain patents, patent applications, and related intellectual property rights, together with all royalties, fees, income, and proceeds related thereto, and all claims and causes of action with respect thereto. The Company also agreed to maintain the employment of a designated patent liaison for a period of six (6) months following the effective date of the Settlement Agreements to provide the Holders with information, assistance, and support relating to the Assigned IP.

There can be no assurance that an issued patent will remain valid and enforceable in a court of law through the entire patent term. Should the validity of a patent be challenged, the legal process associated with defending the patent can be costly and time consuming. Issued patents can be subject to oppositions, interferences and other third-party challenges that can result in the revocation of the patent or limit patent claims such that patent coverage lacks sufficient breadth to protect

subject matter that is commercially relevant. Competitors may be able to circumvent our patents. In cases where market ramp of our products may encounter delays it is possible that some patents or licensed patents covering the product has expired or will be in force for only a short period of time following such market ramp. We cannot predict with any certainty if any third-party patent rights, or other proprietary rights, will be deemed infringed by the use of our technology. Nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties.

To protect our product technology, documentation and other proprietary information, we enter into confidentiality agreements with our employees, customers, consultants and strategic partners. We require our employees to acknowledge their obligation to maintain confidentiality with respect to our products. Despite these efforts, we cannot guarantee that these parties will maintain the confidentiality of our proprietary information in the course of future employment or working with other business partners. We develop, manufacture and sell our products in Asia and other countries that may not protect our intellectual property rights to the same extent as the laws of the U.K. and the U.S. This makes piracy of our technology and products more likely. Steps we take to protect our proprietary information may not be adequate to prevent theft of our technology. We may not be able to prevent our competitors from independently developing technologies and products that are similar to or better than ours.

Vigorous protection and pursuit of intellectual property rights or positions characterize the semiconductor industry. This often results in expensive and lengthy litigation. We, and our customers or suppliers, may be accused of infringing patents or other intellectual property rights owned by third parties in the future. An adverse result in any litigation against us or a customer or supplier could force us to pay substantial damages, stop manufacturing, using, and selling the infringing products, spend significant resources to develop non-infringing technology, discontinue using certain processes or obtain licenses to use the infringing technology. In addition, we may not be able to develop non-infringing technology or find appropriate licenses on reasonable terms or at all.

Patent disputes in the semiconductor industry between industry participants are often settled through cross-licensing arrangements. Our portfolio of patents may not have the breadth to enable us to settle an alleged patent infringement claim through a cross-licensing arrangement, especially for patent disputes brought by non-practicing entities (patent holders who do not manufacture products but only seek to monetize patent rights) that cannot be settled through cross-licensing and cannot be avoided through cross-licensing with industry practitioners. We may therefore be more exposed to third-party claims than some of our larger competitors and customers.

Customers may make claims against us in connection with infringement claims made against them that are alleged to relate to our products or components included in our products, even where we obtain the components from a supplier. In such cases, we may incur monetary losses due to the cost of defense, settlement or damage award and non-monetary losses as a result of diverting valuable internal resources to litigation support. To the extent that claims against us, or our customers relate to third-party intellectual property integrated into our products, there is no assurance that we will be fully or even partially indemnified by our suppliers against any losses.

Furthermore, we may initiate claims or litigation against third parties for infringing our proprietary rights or to establish the validity of our proprietary rights. This could consume significant resources and divert the efforts of our technical and management personnel, regardless of the litigation's outcome.

Risks Related to Our Financial Controls and Reporting

We incur significant costs as a result of operating as a public company.

As a public company, we incur significant legal, accounting and other expenses. For example, we are subject to the information and reporting requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act and other federal securities laws, rules and regulations related thereto, including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, Nasdaq listing requirements and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel are required to devote a substantial amount of time to these

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compliance initiatives. Moreover, these rules and regulations significantly increase our legal and financial compliance costs and make some activities more time-consuming and costly. Among other things, we are required to:

- maintain and evaluate a system of internal controls over financial reporting in compliance with the requirements of Section 404(a) of the Sarbanes-Oxley Act and the related rules and regulations of the Securities and Exchange Commission (the “SEC”) and the Public Company Accounting Oversight Board;
- maintain policies relating to disclosure controls and procedures;
- prepare and distribute periodic reports in compliance with our obligations under federal securities laws;
- institute a more comprehensive compliance function, including with respect to corporate governance; and
- involve, to a greater degree, our outside legal counsel, and accountants in the above activities.

The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders is expensive and compliance with these rules and regulations involves a material increase in regulatory, legal and accounting expenses and the attention of our board of directors and management. In addition, being a public company makes it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain this coverage. These factors could also make it more difficult for us to attract and retain qualified executives and members of our board of directors. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to fines, sanctions and other regulatory action and potentially civil litigation.

If we fail to maintain effective internal controls, we may not be able to report financial results accurately or on a timely basis, or to detect fraud, which could have a material adverse effect on our business or share price.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in those controls. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis.

In connection with the preparation of our financial statements for the first quarter of 2025, we identified a material weakness in our internal control over financial reporting relating to the lack of an independent review and assessment of our internal controls environment. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. Although the financial statements contained in this Annual Report on Form 10-K reflect the appropriate accounting for the relevant period and no prior financial statements were impacted, we cannot assure you that we will be able to remediate this material weakness in a timely manner, or at all, or that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. Due to fiscal constraints during the year ended December 31, 2025, we were not able to fund an independent assessment of our internal control environment; however, with the financing activities described in Note 15 to our consolidated financial statements, we intend to reinstitute the independent evaluation of our internal control environment. If we fail to remediate this material weakness or if we identify additional material weaknesses or significant deficiencies in our internal controls, we may be unable to accurately report our financial results or report them within the timeframes required by law or applicable stock exchange regulations, which could adversely affect investor confidence in the accuracy and completeness of our financial reports and cause the price of our common stock to decline. In addition, failure to maintain effective internal control over financial reporting could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities or to stockholder litigation, any of which could require additional financial and management resources and have a material adverse effect on our business, financial condition, and results of operations.

As of the end of the year covered by this Report, we were unable to carry out an independent evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) pursuant to Rule 13a-15 of the Exchange Act. As a result, and as of the date of this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2025. See “Item 9A Controls and Procedures.”

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Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent financial fraud. Pursuant to the Sarbanes-Oxley Act, we are required to periodically evaluate the effectiveness of the design and operation of our internal controls. Internal controls over financial reporting may not prevent or detect misstatements because of inherent limitations, including the possibility of human error or collusion, the circumvention or overriding of controls, or fraud. If we fail to maintain an effective system of internal controls, our business and operating results could be harmed, and we could fail to meet our reporting obligations, which could have a material adverse effect on our business and our share price. Additionally, for as long as we are a “smaller reporting company” under the U.S. securities laws, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. An independent assessment of the effectiveness of internal control over financial reporting could detect problems that management’s assessment might not. Undetected material weaknesses in our internal control over financial reporting could lead to further financial statement restatements and require us to incur the expense of remediation.

If we fail to maintain proper disclosure controls and procedures or have additional material weaknesses in our internal control over financial reporting, we may be unable to accurately report our financial results or report them within the timeframes required by law or any stock exchange regulations, and we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline. Failure to maintain effective internal control over financial reporting also could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities or stockholder lawsuits, which could require additional financial and management resources.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below the expectations of investors, resulting in a decline in the market price of our common stock.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the amounts reported in our financial statements. Significant assumptions and estimates used in preparing our financial statements include those related to assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of investors, resulting in a decline in the market price of our common stock.

Changes in accounting rules and regulations, or interpretations thereof, could result in unfavorable accounting charges or require us to change our compensation policies.

Accounting methods and policies for companies such as ours, including policies governing revenue recognition, leases, research and development and related expenses, and accounting for stock-based compensation, are subject to review, interpretation and guidance from our auditors and relevant accounting authorities, including the SEC. Changes to accounting methods or policies, or interpretations thereof, may require us to reclassify, restate or otherwise change or revise our historical financial statements, including those contained in this Report.

Risks Related to Our Common Stock

We are a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common stock less attractive to investors.

We are currently a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company, and we have a public float of less than \$250 million and annual revenues of less than \$100 million during our most recently completed fiscal year. In the event that we are still considered a smaller reporting company at such time as we cease being an “emerging growth company,” we will be required to provide additional disclosure in our SEC filings. However, similar to emerging growth

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companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports and in a registration statement under the Exchange Act on Form 10. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze our results of our operations and financial prospects.

An active trading market for our common stock may not develop or be sustained, which may make it difficult for investors to sell shares of our common stock and may make it difficult for us to raise capital.

An active trading market for our common stock may not develop or be sustained. Because of the lack of an active trading market, shares of our common stock trade infrequently and in low volumes, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent and the trading price of our common stock may be extremely volatile. The lack of an active market for our common stock may impair investors' ability to sell their common stock at the time they wish to sell them or at a price that they consider reasonable, may reduce the fair market value of their shares of common stock and may impair our ability to raise capital to continue to fund operations by selling securities. No assurance can be given that an active trading market for our common stock will develop or be sustained. The lack of an active market for our common stock may make it difficult for investors to sell shares of our common stock and may make it difficult for us to raise capital.

If we fail to meet all applicable Nasdaq listing requirements our common stock would be subject to delisting from Nasdaq which could negatively affect the trading price of our common stock, reduce the liquidity of our common stock and restrict our ability to access the capital markets.

Our common stock is listed on The Nasdaq Capital Market. We must satisfy the continued listing requirements of Nasdaq to maintain the listing of our common stock on The Nasdaq Capital Market.

On August 15, 2025, we received a letter (the "Letter") from the Listing Qualifications Department of Nasdaq indicating that we were not in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market, under Listing Rule 5550(b)(1) (the "Minimum Stockholders' Equity Requirement"), because our stockholders' equity of \$(0.1) million as reported in our Quarterly Report on Form 10-Q for the period ended June 30, 2025 was below the required minimum of \$2.5 million, and because, as of August 15, 2025, we did not meet the alternative compliance standards relating to the market value of listed securities of \$35 million or net income from continuing operations of \$500,000 in the most recently completed fiscal year or in two of the last three most recently completed fiscal years. Pursuant to the Letter, Nasdaq gave us 180 calendar days, or until February 11, 2026, to regain compliance. On February 12, 2026, Nasdaq notified us that, based upon our continued non-compliance with the Equity Rule, the Staff had determined to delist our securities from Nasdaq unless we timely request a hearing before the Nasdaq Hearings Panel (the "Panel"). We timely requested a hearing, which stayed the delisting and suspension of our securities pending the decision of the Hearings Panel. There can be no assurance that we will be able to evidence compliance with the Equity Rule or other applicable requirements for continued listing on The Nasdaq Capital Market prior to the hearing or that the Panel will grant us a further extension period in accordance with the Nasdaq Listing Rules.

On March 5, 2026, we received an additional letter (the "Bid Price Deficiency Letter") from the Listing Qualifications Department of Nasdaq indicating that we are not in compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Rule") for continued listing on the Nasdaq Capital Market. Based on the closing bid price of our common stock between January 21, 2026, and March 4, 2026, we no longer meet the minimum bid price requirement. The Bid Price Deficiency Letter has no immediate effect on the listing or trading of our common stock on the Nasdaq Capital Market.

The Bid Price Deficiency Letter provides us with 180 calendar days, or until September 1, 2026, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, our common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If we do not regain compliance by September 1, 2026, an additional 180 days may be granted to regain compliance, so long as we meet the Nasdaq Capital Market initial listing

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requirement of \$5 million in stockholders' equity and all other continued listing requirements (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the bid price deficiency during the second compliance period. We currently have less than \$5 million in stockholders' equity; however, the determination on eligibility for a second bid price grace period will not be made until the first bid price grace period expires. If we do not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify us of its determination to delist the Company's common stock, at which point the Company will have an opportunity to request a hearing before the Panel.

The Company intends to monitor the closing bid price of its common stock and may, if appropriate, consider implementing available options, including, but not limited to, implementing a reverse stock split of its outstanding securities, to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

There can be no assurance that we will be able to maintain compliance with the Nasdaq continued listing requirements, and if we are unable to maintain compliance with the continued listing requirements, including the \$1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) and the Minimum Stockholders' Equity Requirement, our shares may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock.

In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees, suppliers, customers and business development opportunities. Such a delisting likely would impair your ability to sell or purchase our common stock when you wish to do so. Further, if we were to be delisted from Nasdaq, our common stock may no longer be recognized as a "covered security," and we would be subject to regulation in each state in which we offer our securities. Delisting can also lead a termination that our common stock is stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stock. Thus, delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly impact the ability of investors to trade our securities and would negatively impact the value and liquidity of our common stock.

We do not anticipate paying dividends on our common stock, and investors may lose the entire amount of their investment.

Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. Any future determination about the payment of dividends will be made at the discretion of our board of directors and will depend upon our earnings, if any, capital requirements, operating and financial conditions, contractual restrictions, including any loan or debt financing agreements, and on such other factors as our board of directors deems relevant. In addition, we may enter into agreements in the future that could contain restrictions on payments of cash dividends. We expect to use future earnings, if any, to fund business growth. Therefore, stockholders will not receive any funds absent a sale of their shares of our common stock. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates. We cannot assure stockholders of a positive return on their investment when they sell their shares of our common stock, nor can we assure that stockholders will not lose the entire amount of their investment.

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA") has adopted rules requiring that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative or low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA has indicated its belief that there is a high probability that speculative or low-priced securities will not be suitable for at least some customers. If these FINRA requirements are applicable to us or our securities, they may make it more difficult for broker-dealers to recommend that at least some of their customers buy our common stock, which may limit the ability of our stockholders to buy and sell our common stock and could have an adverse effect on the market for and price of our common stock.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

A substantial portion of outstanding shares of our common stock has been registered for resale by the holders thereof. The resale, or expected or potential resale, of a substantial number of shares of our common stock in the public market could adversely affect the market price for our common stock and make it more difficult for you to sell shares of our common stock at times and prices that you feel are appropriate. Furthermore, we expect that selling stockholders holding shares that have been registered by us for resale will continue to offer such shares of our common stock for a significant period of time, the precise duration of which cannot be predicted. Accordingly, the adverse market and price pressures resulting from these sales may continue for an extended period of time and continued negative pressure on the market price of our common stock could have a material adverse effect on our ability to raise additional equity capital.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. We cannot assure you that brokerage firms will provide analyst coverage of our company in the future or continue such coverage if started. In addition, investment banks may be less likely to agree to underwrite secondary offerings on our behalf than they might if we became a public reporting company by means of an underwritten initial public offering, because they may be less familiar with our company as a result of more limited coverage by analysts and the media, which could harm our ability to raise additional funding in the future. The failure to receive research coverage or support in the market for shares of our common stock will have an adverse effect on our ability to develop a liquid market for our common stock, which will negatively impact the trading price of our common stock.

In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, or if our operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our principal stockholders and management have substantial control over us and could delay or prevent a change in corporate control.

Our executive officers and directors, together with holders of 5% or more of our outstanding common stock and their respective affiliates, beneficially own 4.1% of our common stock. As a result, these stockholders, acting together have the ability to significantly impact the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these stockholders, acting together, have the ability to significantly impact the management and affairs of our company. The interests of these stockholders may not be the same as or may even conflict with your interests. The concentration of ownership might decrease the market price of our common stock by:

- delaying, deferring, or preventing a change in control of the Company, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company or our assets and might affect the prevailing market price of our common stock;
- impeding a merger, consolidation, takeover, or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

The significant concentration of stock ownership may also adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

Provisions in our amended and restated certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our Amended and Restated Certificate Of Incorporation and Bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- establish a classified board of directors so that not all members of our board are elected at one time;
- provide that directors may only be removed “for cause”;
- authorize the issuance of “blank check” preferred stock that our board of directors could issue from time to time to increase the number of outstanding shares and discourage a takeover attempt;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which has the effect of requiring all stockholder actions to be taken at a meeting of stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- require supermajority approvals to remove the protective provisions in our certificate of incorporation and bylaws listed above or to amend our bylaws.

Such provisions could impede any merger, consolidation, takeover or other business combination involving the Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

Our Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit the ability of our stockholders to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation requires that, unless we consent in writing to the selection of an alternative forum:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of any fiduciary duty owed by any current or former director, officer, other employee, or stockholder of ours to our company or our stockholders;
- any action asserting a claim arising pursuant to any provision of the Delaware General Corporate Law (the “DGCL”), our certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or
- any action asserting a claim governed by the internal affairs doctrine;

The Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the exclusive forum or if the Court of Chancery of the State of Delaware does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware.

Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

The exclusive forum provisions described above do not apply to claims arising under the Exchange Act.

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While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States of America. In such an instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our certificate of incorporation. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, this provision may limit or discourage a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in the amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

We note that there is uncertainty as to whether a court would enforce the provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this provision will benefit us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

Because we became a reporting company under the Exchange Act by means other than a traditional underwritten initial public offering, we may not be able to attract the attention of research analysts at major brokerage firms.

Because we did not become a reporting company by conducting an underwritten initial public offering of our common stock, security analysts of brokerage firms may not provide coverage of our company. In addition, investment banks may be less likely to agree to underwrite secondary offerings on our behalf than they might if we became a public reporting company by means of an underwritten initial public offering, because they may be less familiar with our company as a result of more limited coverage by analysts and the media, and because we became public at an early stage in our development. The failure to receive research coverage or support in the market for shares of our common stock will have an adverse effect on our ability to develop a liquid market for our common stock.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 1C. Cybersecurity

We rely on our information technology to operate our business. As such, we have policies and processes designed to protect our information technology systems, some of which are managed by third parties, and resolve issues in a timely manner in the event of a cybersecurity threat or incident.

We have designed our business applications and hosting services to minimize the impact that cybersecurity incidents could have on our business and have identified back-up systems where appropriate. We seek to further mitigate cybersecurity risks through a combination of monitoring and detection activities, use of anti-malware applications, employee training, quality audits and communication and reporting structures, among other processes. We engage a third-party consultant to assist us with our cybersecurity risk management framework, including the monitoring and detection of cybersecurity threats and responding to any cybersecurity threats or incidents. Our third-party consultant team is managed by our Chief Financial Officer who reports to the Audit Committee at the board level, as appropriate.

As of December 31, 2025, we have not identified an indication of a cybersecurity incident that would have a material impact on our business and consolidated financial statements.

Item 2. Properties

Our headquarters are located in Manchester, England, where we lease approximately 10,000 square feet of commercial space for research and development, engineering, testing and corporate offices pursuant to a lease that expires in April 2028. We also have a leased office in Hsinchu City Taiwan where we lease approximately 1,000 square feet of office space pursuant to a lease which expires in July 2028.

Item 3. Legal Proceedings

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases Of Equity Securities

Market Information

Our common stock has been trading on the Nasdaq Stock Market LLC under the symbol “SMTK” since May 31, 2024.

Holder of Record

As of April 1, 2026, there were 21,202,911 shares of our common stock outstanding which were held by 241 stockholders of record as reported by our transfer agent. This number does not include beneficial owners whose shares are held in street name. The actual number of holders of our common stock is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or held by other nominees.

Dividend Policy

Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. Any future determination about the payment of dividends will be made at the discretion of our board of directors and will depend upon our earnings, if any, capital requirements, operating and financial conditions, contractual restrictions, including any loan or debt financing agreements, and on such other factors as our board of directors deems relevant. In addition, we may enter into agreements in the future that could contain restrictions on payments of cash dividends. We expect to use future earnings, if any, to fund business growth.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Our Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and other financial information included in this Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties as described under the heading “Cautionary Note on Forward-Looking Statements” above. You should review the disclosure under the heading “Item 1A. Risk Factors” in this Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statement.

Overview

We develop and manufacture custom electronic materials designed to enable the next generation of electronics. Our advanced TRUFLEX® materials integrate into existing manufacturing processes, supporting efficient, scalable production and high-performance outcomes across a broad range of electronic applications. We combine materials science expertise with practical engineering to deliver tailored solutions for partners seeking to innovate in electronics.

We design and develop our materials at our research and development facility in Manchester, UK and operate a field application office in Hsinchu, Taiwan. We operate with an international footprint, providing materials development, prototyping and technical support to customers and collaborators globally.

Key Factors Affecting Our Performance

There are a number of industry factors that affect our business which include, among others:

Overall Demand for Products and Applications using Organic thin film transistors

Our potential for growth depends significantly on the adoption of OTFT materials in the display and sensor markets and our ability to capture a significant share of any market that does develop. We expect that demand for our technology will also fluctuate based on various market cycles, continuously evolving industry supply chains, trade and tariff terms, as well as evolving competitive dynamics in each of the respective markets. These uncertainties make demand difficult to forecast for us and our customers.

Intense and Constantly Evolving Competitive Environment

Competition in the industries we serve is intense. Many companies have made significant investments in product development and production equipment. To remain competitive, market participants must continuously increase product performance, reduce costs, and develop improved ways to serve their customers. To address these competitive pressures, we have invested in research and development activities to support new product development, improve ease of use, lower product costs and deliver higher levels of performance to differentiate our products in the market.

Governmental Trade and Regulatory Conditions

Our potential for growth depends on a balanced and stable trade, political, economic and regulatory environment among the countries where we do business. Changes in trade policy such as the imposition of tariffs or export bans to specific customers or countries could reduce or limit demand for our products in certain markets.

Technological Innovation and Advancement

Innovations and advancements in organic materials continue to expand the potential commercial application for our products. However, new technologies or standards could emerge, or improvements could be made in existing technologies that could reduce or limit the demand for our products in certain markets.

Intellectual Property Issues

We rely on patented and non-patented proprietary information relating to product development, manufacturing capabilities and other core competencies of our business. Protection of intellectual property is critical. Therefore, steps such as additional patent applications, confidentiality, and non-disclosure agreements, as well as other security measures are important. While we believe we have a strong patent portfolio and there is no actual or, to our knowledge, threatened litigation against us for patent-related matters, litigation or threatened litigation is a common method to effectively enforce or protect intellectual property rights. Such action may be initiated by or against us and would require significant management time and expenses.

Components of Results of Operations

Revenue

Revenue. Our revenue consists of revenue from the sale of TRUFLEX® inks and demonstration products and revenue earned from various joint development agreements.

Cost of Revenues. Cost of revenues consists of (1) direct product costs incurred for the raw materials and manufacturing services for our products, (2) fixed product costs primarily relating to production, manufacturing and personnel and (3) depreciation consisting primarily of expenses related to our fixed assets. We expect our cost of goods sold attributable to direct product costs to increase proportionately with increases in revenue, and our cost of goods sold attributable to fixed product costs to remain substantially flat or moderately increase in connection with increases in revenue.

Other Operating Income. Our Other Operating Income includes government grants received for qualifying research and development projects, and research and development tax credits related to the United Kingdom's Research and Development tax relief for small and medium-sized enterprises, which is a government tax incentive designed to reward innovative companies for investing in research and development. The income associated with these items is recognized in the period which the research and development expenses occurred.

Operating Expenses

Research and Development. Research and development expenses consist primarily of compensation and related costs for personnel, including share-based compensation and employee benefits as well as costs associated with design, fabrication and testing of OTFT devices. In addition, research and development expenses include depreciation expenses related to our fixed assets. We expense research and development expenses as incurred. As we continue to invest in developing our technology for new products, we expect research and development expenses to remain flat or moderately increase in absolute dollars but to decline as a percentage of revenue. We do not believe that it is possible at this time to accurately project total program-specific expenses through commercialization. There are numerous factors associated with the successful commercialization of our technology, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and other factors beyond our control will impact our development programs and plans.

General and Administrative. General and administrative expenses consist primarily of allocated compensation and related costs for personnel, including share-based compensation, employee benefits and travel. In addition, general and administrative expenses include third-party consulting, legal, audit, accounting services, allocations of overhead costs, such as rent, facilities and information technology. We expect general and administrative expenses to increase in absolute dollars in future periods due to additional legal, accounting, insurance, investor relations and other costs associated with being a public company, as well as other costs associated with growing our business.

Non-Operating Income (Expense)

Non-operating income/expense aggregates the following amounts:

Foreign Currency Translation. Foreign currency translation reflects adjustments made due to currency fluctuations.

Fair Value of Warrant Liability. The fair value of equity contracts that are classified as a liability.

Interest Income. Interest income is interest on our cash deposits.

Interest Expense. Interest Expense is related to our short term note payables.

Income Tax Expense/Refund

Income tax expense/refund consists primarily of income taxes in jurisdictions in which we conduct business.

Results of Operations

Twelve months ended December 31, 2025 compared with the twelve months ended December 31, 2024

Revenue and Cost of Revenue

Our revenue and cost of revenue reflects sales of TRUFLEX® inks and demonstration products, and the direct costs associated with those sales.

Revenues were \$697 thousand for the year ended December 31, 2025, compared to \$82 thousand for the same period of 2024. The increase in revenues resulted primarily from an increase of \$107 thousand in the sale of demonstrator products to potential partners, as we sought to expand our marketing efforts and \$508 thousand related to several joint development agreements that were completed in 2025. Cost of revenue was \$272 thousand for the twelve months ended December 31, 2025, compared to \$32 thousand for the same period of 2024, primarily as a result of a unit increase in the number of products sold during 2025 and costs associated with the completed joint development agreements during 2025.

Other Operating Income

Other operating income was \$1.0 million for both years ended December 31, 2025 and 2024 and is comprised primarily of research grants and research and development tax credits.

Operating Expenses

Operating expenses increased by \$2.7 million to \$14.2 million for the year ended December 31, 2025, compared to \$11.5 million for the comparable period of 2024.

Research and development expenses, which represented 49.4% and 44.3% of our total operating expenses for the twelve months ended December 31, 2025 and 2024, respectively, increased by \$1.9 million to \$7.0 million for the year ended December 31, 2025, compared to \$5.1 million for the same period of 2024. The increase in research and development expenses was mainly due to the increase in the cost of our prototyping activities.

General and administrative expense, which represented 51.9% and 55.0% of our total operating expenses for the twelve months ended December 31, 2025 and 2024, respectively, increased by \$1.1 million to \$7.4 million for year ended December 31, 2025 as compared to \$6.3 million for the same period in 2024. This increase was mainly due to increased professional service fees.

Non-Operating Income/(Expenses)

Total non-operating income was \$2.3 million for the year ended December 31, 2025, compared to \$0.1 thousand for the year ended December 31, 2024. The increase in non-operating income resulted primarily from a gain on foreign currency transactions of \$2.4 million in 2025, compared to a loss of \$0.1 thousand for the comparable period of 2024. The increase in loss on foreign currency transactions resulted from fluctuations in U.S. dollar/British pound value affecting transactions denominated in foreign currencies and the translation of foreign currency denominated balances on intra-group loans. There was a decrease of \$0.7 million in non-operating income resulting from the change in the valuation of the warrant liability.

Net Loss

Net loss was \$10.5 million for the year ended December 31, 2025, an increase of \$0.2 million, compared to a net loss of \$10.3 million for the year ended December 31, 2024. The increase in net loss in the 2025 period was attributable to the factors described in the preceding paragraphs.

Liquidity and Capital Resources

As of December 31, 2025, our cash and cash equivalents were \$0.4 million compared with \$7.1 million as of December 31, 2024. We anticipate operating losses to continue for the foreseeable future due to, among other things, costs related to research and development of our technology and products and expenses related to the marketing and commercialization of our products.

We expect that our cash and cash equivalents of \$0.4 million as of December 31, 2025 will not be sufficient to fund our operating expenses and capital expenditure requirements for the next 12 months and that we will require additional capital funding to continue our operations and research development activity thereafter.

Our expected cash payments over the next twelve months include (a) \$2.6 million to satisfy accounts payable and accrued expenses, (b) \$271 thousand to satisfy the lease liabilities and (c) \$1.1 million to satisfy the note payable. Additional expected cash payments beyond the next twelve months include \$312 thousand of lease liabilities.

Our future viability is dependent on our ability to raise additional capital to fund our operations. We will need to obtain additional funds to satisfy our operational needs and to fund our sales and marketing efforts, research and development expenditures, and business development activities. Until such time, if ever, as we can generate sufficient cash through revenue, management's plans are to finance our working capital requirements through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. If we raise additional funds by issuing equity securities, our existing security holders will likely experience dilution. If we borrow money, the incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict its operations. If we enter into a collaboration, strategic alliance or other similar arrangement, it may be forced to give up valuable rights. There can be no assurance however that such financing will be available in sufficient amounts, when and if needed, on acceptable terms or at all. The precise amount and timing of the funding needs cannot be determined accurately at this time, and will depend on a number of factors, including the market demand for the Company's products and services, the quality of product development efforts, management of working capital, and continuation of normal payment terms and conditions for purchase of services. If the Company is unable to substantially increase revenues, reduce expenditures, or otherwise generate cash flows for operations, then the Company will need to raise additional funding.

There is substantial doubt that we will be able to pay our obligations as they fall due, and this substantial doubt is not alleviated by management plans.

Cash Flow from Operating Activities

Net cash used in operating activities was \$7.7 million for the year ended December 31, 2025 and \$8.1 million for the year ended December 31, 2024. Our net loss increased by \$0.2 million for the year ended December 31, 2025, the non-cash expenses decreased by \$1.4 million and the change in operating asset and liabilities increased by \$1.9 million.

Cash Flow from Investing Activities

Net cash used in investing activities was \$123 thousand for the year ended December 31, 2025, compared to \$75 thousand for the year ended December 31, 2024, an increase of \$48 thousand. The increase resulted from additional purchases of laboratory and capital equipment in 2025.

Cash Flow from Financing Activities

Net cash flows provided by financing activities was \$1.0 million for the year ended December 31, 2025, compared to \$6.5 million for the year ended December 31, 2024, a decrease of \$5.5 million. The decrease in net cash provided by financing activities resulted primarily from lower proceeds from offering activities in 2025 compared to 2024.

Contractual Payment Obligations

Our principal commitments primarily consist of obligations under leases for office space and purchase commitments in the normal course of business for research & development facilities and services, communications infrastructure, and administrative services. We expect to fund these commitments from our cash balances and working capital.

Recently Issued Accounting Pronouncements

For recently issued accounting announcements, see “Recently Issued Accounting Pronouncements” in Note 2, “Significant Accounting Policies and Recent Accounting Pronouncements” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Although there are items within our financial statements that require management to make accounting estimates, we do not believe them to be critical, as defined above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act; therefore, pursuant to Item 301(c) of Regulation S-K, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

**SmartKem, Inc.
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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
SmartKem, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of SmartKem, Inc. and Subsidiaries (the “Company”) as of December 31, 2024, the related consolidated statements of operations and comprehensive loss, stockholders’ equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred recurring losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We served as the Company’s auditor from 2023 to 2025

New York, NY

March 31, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
SmartKem, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of SmartKem, Inc. and Subsidiaries (the "Company") as of December 31, 2025, the related consolidated statements of operations and comprehensive loss, stockholders' (deficit) equity, and cash flows for the year ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, based on our audit, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses, and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ CBIZ CPAS P.C.

CBIZ CPAs P.C.

We have served as the Company's auditor since 2023 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

New York, NY
April 7, 2026

SMARTKEM, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except number of shares and per share data)

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 374	\$ 7,141
Accounts receivable	3	—
Research and development tax credit receivable	549	519
Prepaid expenses and other current assets	575	849
Total current assets	1,501	8,509
Property, plant and equipment, net	180	269
Right-of-use assets, net	607	120
Other assets, non-current	—	6
Total assets	\$ 2,288	\$ 8,904
Liabilities and stockholders' (deficit) / equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,603	\$ 1,791
Lease liabilities, current	271	47
Notes payable, net	928	—
Deferred revenue	108	450
Total current liabilities	5,910	2,288
Lease liabilities, non-current	312	25
Total liabilities	6,222	2,313
Contingencies (Note 7)	—	—
Stockholders' (deficit) / equity:		
Preferred stock, par value \$0.0001 per share, 10,000,000 shares authorized, 0 and 856 shares issued and outstanding, at December 31, 2025 and December 31, 2024, respectively	—	—
Common stock, par value \$0.0001 per share, 300,000,000 shares authorized, 6,839,689 and 3,590,217 shares issued and outstanding, at December 31, 2025 and December 31, 2024, respectively	1	—
Additional paid-in capital	124,772	122,316
Accumulated other comprehensive loss	(3,578)	(1,105)
Accumulated deficit	(125,129)	(114,620)
Total stockholders' (deficit) / equity	(3,934)	6,591
Total liabilities and stockholders' (deficit) / equity	\$ 2,288	\$ 8,904

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

SMARTKEM, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except number of shares and per share data)

	Year Ended December 31,	
	2025	2024
Revenue	\$ 697	\$ 82
Cost of revenue	272	32
Gross profit	425	50
Other operating income	951	1,017
Operating expenses		
Research and development	7,017	5,111
General and administrative	7,371	6,342
(Gain) / loss on foreign currency transactions	(177)	78
Total operating expenses	14,211	11,531
Loss from operations	(12,835)	(10,464)
Non-operating income / (expense)		
Gain / (loss) on foreign currency transactions	2,375	(544)
Change in fair value of the warrant liability	—	672
Interest, net	(73)	7
Total non-operating income / (expense)	2,302	135
Loss before income taxes	(10,533)	(10,329)
Income tax refund / (expense)	24	(1)
Net loss	\$ (10,509)	\$ (10,330)
Preferred stock deemed dividends	—	(9,224)
Net loss attributed to common stockholders	\$ (10,509)	\$ (19,554)
Common share data:		
Basic net loss per common share	\$ (1.29)	\$ (3.17)
Weighted average shares outstanding - basic	8,156,638	3,260,127
Diluted net loss per common share	\$ (1.29)	\$ (6.00)
Weighted average shares outstanding - diluted	8,156,638	3,260,127
Dividends per common share	\$ —	\$ (2.83)
Net loss	\$ (10,509)	\$ (10,330)
Other comprehensive loss:		
Foreign currency translation	(2,473)	473
Total comprehensive loss	\$ (12,982)	\$ (9,857)

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

SMARTKEM, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Preferred Stock \$0.0001 par value		Common stock \$0.0001 par value		Additional paid-in capital	Accumulated other comprehensive income / (loss)	Accumulated deficit	Total Stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2025	856	\$ —	3,590,217	\$ —	\$ 122,316	\$ (1,105)	\$ (114,620)	\$ 6,591
Stock-based compensation expense	—	—	—	—	1,040	—	—	1,040
Issuance of common stock to vendor	—	—	490,000	—	1,258	—	—	1,258
Conversion of Preferred stock into common stock	(856)	—	690,788	—	—	—	—	—
Exercise of warrants into common stock	—	—	2,068,684	1	(1)	—	—	—
Fair value of warrants issued related to note payable	—	—	—	—	159	—	—	159
Foreign currency translation adjustment	—	—	—	—	—	(2,473)	—	(2,473)
Net loss	—	—	—	—	—	—	(10,509)	(10,509)
Balance at December 31, 2025	<u>—</u>	<u>\$ —</u>	<u>6,839,689</u>	<u>\$ 1</u>	<u>\$ 124,772</u>	<u>\$ (3,578)</u>	<u>\$ (125,129)</u>	<u>\$ (3,934)</u>

	Preferred Stock \$0.0001 par value		Common stock \$0.0001 par value		Additional paid-in capital	Accumulated other comprehensive income / (loss)	Accumulated deficit	Total Stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2024	13,765	\$ —	889,668	\$ —	\$ 104,757	\$ (1,578)	\$ (95,066)	\$ 8,113
Stock-based compensation expense	—	—	—	—	829	—	—	829
Issuance of stock awards	—	—	3,400	—	21	—	—	21
Issuance of common stock to vendor	—	—	130,000	—	253	—	—	253
Exchange of Preferred stock into common stock warrants	(6,356)	—	—	—	—	—	—	—
Deemed dividend on extinguishment of Preferred stock	—	—	—	—	7,094	—	(7,094)	—
Cashless exercise of warrants into common stock	—	—	388	—	—	—	—	—
Fair value of warrants reclassified from liability to equity	—	—	—	—	700	—	—	700
Issuance of common stock and warrants, net of issuance costs	—	—	1,619,781	—	6,508	—	—	6,508
Deemed dividend on general release and amendment of Preferred stock	—	—	—	—	2,130	—	(2,130)	—
Conversion of preferred stock into common stock	(6,553)	—	749,016	—	—	—	—	—
Exercise of warrants into common stock	—	—	197,964	—	24	—	—	24
Foreign currency translation adjustment	—	—	—	—	—	473	—	473
Net loss	—	—	—	—	—	—	(10,330)	(10,330)
Balance at December 31, 2024	<u>856</u>	<u>\$ —</u>	<u>3,590,217</u>	<u>\$ —</u>	<u>\$ 122,316</u>	<u>\$ (1,105)</u>	<u>\$ (114,620)</u>	<u>\$ 6,591</u>

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

SMARTKEM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2025	2024
Cash flow from operating activities:		
Net loss	\$ (10,509)	\$ (10,330)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	212	258
Stock-based compensation expense	1,040	850
Issuance of common stock to vendor	1,258	253
Right-of-use asset amortization	205	268
(Loss) / gain on foreign currency transactions	(2,552)	647
Change in fair value of the warrant liability	—	(672)
Debt discount amortization	87	—
Change in operating assets and liabilities:		
Accounts receivable	(3)	269
Research and development tax credit receivable	(29)	84
Prepaid expenses and other assets	268	(33)
Accounts payable and accrued expenses	2,811	504
Lease liabilities	(182)	(281)
Other current liabilities	(342)	87
Net cash used in operating activities	(7,736)	(8,096)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(123)	(75)
Net cash used by investing activities	(123)	(75)
Cash flow from financing activities:		
Proceeds from the issuance of common stock and warrants in private placement	—	3,300
Proceeds from the issuance of common stock and warrants in public placement	—	4,350
Payment of issuance costs	—	(1,142)
Proceeds from the issuance of debt	1,000	—
Proceeds from the exercise of warrants	—	24
Net cash provided by financing activities	1,000	6,532
Effect of exchange rate changes on cash	92	(56)
Net change in cash	(6,767)	(1,695)
Cash, beginning of period	7,141	8,836
Cash, end of period	\$ 374	\$ 7,141
Supplemental disclosure of cash and non-cash investing and financing activities		
Right-of-use asset and lease liability additions	\$ 708	\$ 82

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

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. ORGANIZATION & BUSINESS

Organization & Reverse Recapitalization

SmartKem, Inc. (“SmartKem” or the “Company”) a Delaware corporation, formerly known as Parasol Investments Corporation (“Parasol”), was formed on May 13, 2020, and is the successor, as discussed below, of SmartKem Limited, which was formed under the Laws of England and Wales. The Company was founded as a “shell” company registered under the Exchange Act, with no specific business plan or purpose until it began operating the business of SmartKem Limited following the closing of the Exchange described below.

On February 23, 2021, Parasol entered into a Securities Exchange Agreement (“the Exchange Agreement”), with SmartKem Limited. Pursuant to the Exchange Agreement all of the equity interests in SmartKem Limited, except certain deferred shares which had no economic or voting rights (the “Deferred Shares”) and which were purchased by Parasol for an aggregate purchase price of \$1.40, were exchanged for shares of Parasol common stock, par value \$0.0001 per share (“common stock”), and SmartKem Limited became a wholly owned subsidiary of Parasol (the “Exchange”).

As a result of the Exchange, Parasol legally acquired the business of SmartKem Limited, and continues as the existing business operations of SmartKem Limited as a public reporting company under the name SmartKem, Inc.

Business

We are seeking to change the world of electronics with a new class of transistor developed using our proprietary advanced semiconductor materials that we believe has the potential to revolutionize the display industry. Our TRUFLEX® semiconductor polymers enable low-temperature printing processes that are compatible with existing manufacturing infrastructure to deliver low-cost, high-performance displays. Our semiconductor platform can be used in a range of display technologies, including MicroLED, liquid crystal display (“LCD”), and AMOLED, as well as in applications in advanced computer and artificial intelligence chip packaging, sensors, and logic.

We design and develop our materials at our research and development facility in Manchester, UK, and provide prototyping services at the Centre for Process Innovation in Sedgefield, UK. We also operate a field application office in Hsinchu, Taiwan, in close proximity to our collaboration partner, The Industrial Technology Research Institute of Taiwan. Together with our collaboration partners, we are developing a commercial-scale production process and Electronic Design Automation (“EDA”) tools for our materials to demonstrate the commercial viability of manufacturing a new generation of displays using our materials.

During the first quarter of 2026, Smartkem was involved in a number of financing transaction. These included the transfer of our patent portfolio to a third party. The company still owns its process and formulation intellectual property as codified in 40 trade secrets. As previously disclosed the company is continuing to conduct a review of its strategy. In particular it is evaluating its display prototyping activities, its materials formulation activities and the possibility of adding new materials to its portfolio.

The consolidated entity presented is referred to herein as “SmartKem”, “we”, “us”, “our”, or the “Company”, as the context requires and unless otherwise noted.

Certain Risk and Uncertainties

The Company’s activities are subject to significant risks and uncertainties including the risk of failure to secure additional funding to properly execute the Company’s business plan. The Company is subject to risks that are common to companies in the growth stage, including, but not limited to, development by the Company or its competitors of new technological innovations, dependence on key personnel, reliance on third party manufacturers, protection of proprietary technology, and compliance with regulatory requirements.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN:

Basis for Presentation

These consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and accounting principles generally accepted in the United States of America (“US GAAP”) as defined by the Financial Accounting Standards Board (FASB) within the FASB Accounting Standards Codification (“ASC”) and are presented in thousands, except number of shares and per share data.

Going Concern

As of December 31, 2025, we have incurred recurring losses including net losses of \$10.5 million and \$10.3 million for the years ended December 31, 2025, and 2024, respectively. Our working capital deficit is \$4.4 million as of December 31, 2025. We anticipate operating losses to continue for the foreseeable future due to, among other things, costs related to research funding, further development of our technology and products and expenses related to the commercialization of our products.

The Company expects that its cash and cash equivalents of \$0.4 million as of December 31, 2025, will not be sufficient to fund its operating expenses and capital expenditure requirements for the 12 months from the issuance of these financial statements and that the Company will require additional capital funding to continue its operations and research development activity thereafter. It is possible this period could be shortened if there are any significant increases in spending or more rapid progress of development programs than anticipated.

Our future viability is dependent on our ability to raise additional capital to fund our operations. We will need to obtain additional funds to satisfy our operational needs and to fund our sales and marketing efforts, research and development expenditures, and business development activities. Until such time, if ever, as we can generate sufficient cash through revenue, management’s plans are to finance our working capital requirements through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. If we raise additional funds by issuing equity securities, our existing security holders will likely experience dilution. If we borrow money, the incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations. If we enter into a collaboration, strategic alliance or other similar arrangement, we may be forced to give up valuable rights. There can be no assurance however that such financing will be available in sufficient amounts, when and if needed, on acceptable terms or at all. The precise amount and timing of the funding needs cannot be determined accurately at this time, and will depend on a number of factors, including the market demand for the Company’s products and services, the quality of product development efforts, management of working capital, and continuation of normal payment terms and conditions for purchase of services. If the Company is unable to substantially increase revenues, reduce expenditures, or otherwise generate cash flows for operations, then the Company will need to raise additional funding.

There is substantial doubt that the Company will be able to pay its obligations as they fall due, and this substantial doubt is not alleviated by management plans. The consolidated financial statements as of December 31, 2025 have been prepared assuming that the Company will continue as a going concern. Accordingly, the consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

Basis of Consolidation

The consolidated financial statements include the accounts of SmartKem, Inc. and its wholly-owned subsidiary, SmartKem Limited. The Company does not have any non-consolidated subsidiaries. All intercompany balances and transactions have been eliminated on consolidation, including unrealized gains and losses on transactions between the companies.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Comprehensive loss

Comprehensive loss of all periods presented is comprised primarily of net loss and foreign currency translation adjustments.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in the Company's consolidated financial statements relates to the fair value of stock-based compensation expense and for the valuation allowance of deferred taxes. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Due to the uncertainty of factors surrounding the estimates or judgments used in the preparation of the consolidated financial statements, actual results may materially vary from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of 90 days or less at acquisition to be cash equivalents. As of December 31, 2025 and 2024, the Company did not have any cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. These receivables have historically been paid timely. Due to the nature of the accounts receivable balance, the Company believes there is no significant risk of non-collection. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, allowances for credit losses would be required. There was no allowance for credit losses recorded as of December 31, 2025 and 2024.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Periodically, the Company maintains deposits in financial institutions in excess of government insured limits.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Maintenance and repairs are expensed when incurred. Additions and improvements that extend the economic useful life of the asset are capitalized and depreciated over the remaining useful lives of the assets. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any resulting gain or loss is reflected in current earnings. Depreciation and amortization are provided using the accelerated declining balance method in amounts considered to be sufficient to amortize the cost of the assets to operations over their estimated useful lives. Property, plant and equipment is depreciated over an estimated useful life of approximately 4 years.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Impairment of Long-Lived Assets

Management continually evaluates whether events or changes in circumstances might indicate that the remaining estimated useful life of long-lived assets may warrant revision, or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related undiscounted cash flows in measuring whether the long-lived asset should be written down to fair value. Measurement of the amount of impairment would be based on generally accepted valuation methodologies, as deemed appropriate. If the carrying amount is greater than the undiscounted cash flows, the carrying amount of the asset is reduced to the asset's fair value. An impairment loss is recognized immediately as an operating expense in the consolidated statements of operations. As of December 31, 2025, and 2024, Company's management believed that no impairment of the Company's long-lived assets was required.

Non-retirement Post-employment Benefits

The company records employee severance benefits as non-retirement post-employment benefits that are accounted for under the guidance of ASC 712-10 *Compensation - Nonretirement Postemployment Benefits*. A liability is accrued when it becomes probable that a payment will be made, and the amount is estimable. In most cases, a payment is not deemed probable until the employer makes the decision to terminate the employee. All severance payments identified were paid and expensed in the period incurred.

Leases

Operating lease assets are included within operating lease right-of-use assets, and the corresponding operating lease obligation on the consolidated balance sheets as of December 31, 2025 and 2024. The Company has elected not to present short-term leases as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, the Company used an incremental borrowing rate based on inception date of the lease agreement in determining the present value of lease payments.

Revenue

The Company applies the provisions of ASC 606, *Revenue from Contracts with Customers*. The Company recognizes revenue under the core principle to depict the transfer of control to the Company's customers in an amount reflecting the consideration the Company expects to be entitled to. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when a performance obligation is satisfied.

The Company's current contracts with customers do not contain significant estimates or judgments. A portion of the Company's revenue contains a single performance obligation that is recognized upon fulfilment of the sales order. The company also recognized a portion of revenue related to the certain agreements over time based on output method. The Company received cancellation notification from two customers in fourth quarter 2025 and recognized remaining contract liability.

In 2025, the Company recorded \$147 thousand related to the sale of the of materials to various customers which was recognized at the point of the sale. The Company also recorded \$550 thousand related to the recognition of income over the project term related to two project agreements that had been cancelled in 2025. In 2024, the Company recorded \$40 thousand related to the sale of the of materials to various customers which was recognized at the point of the sale. The Company also recorded \$42 thousand related to the recognition of income over the project term related to a project agreements that had been completed in 2024.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Customer A and B comprised of 60% and 19% of revenue for the year ended December 31, 2025. No customers comprised over 10% of revenue for the year ended December 31, 2024.

The Company derives its revenues primarily from sales of TRUFLEX® inks and of demonstrator units to customers evaluating organic semiconductor technology. The transaction price is stated in each customer agreement and is allocated to a single performance obligation. Revenue is recognized upon shipment of each TRUFLEX® ink or demonstrator, at a point in time. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Contract Liability

The Company has recognized contract liabilities, primarily related to advance payments received from collaboration agreements for services to be performed in future periods. These contract liabilities are expected to be recognized as revenue within the next 12 month. The Company's balance on January 1, 2024 was \$360 thousand. During 2024, the Company added \$128 thousand related to new advanced deposits collected, offset by a release of \$42 thousand for the recognition of revenue related to the completion of the performance obligation contracts and foreign currency translations of \$4 thousand. The Company's balance as of December 31, 2024 was \$450 thousand. During 2025, the Company added \$3 thousand related to new advanced deposits collected, offset by a release of \$391 thousand for the recognition of revenue related to the completion of the performance obligation contracts and foreign currency translations of \$46 thousand. The Company's balance as of December 31, 2025 was \$108 thousand.

Research and Development Expenses

The Company expenses research and development costs as incurred. Research and development costs include salaries, employee benefit costs, direct project costs, supplies and other related costs. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received.

Patent and Licensing Costs

Patent and licensing costs are expensed as incurred because their realization is uncertain. These costs are classified as research and development expenses in the accompanying consolidated statements of operations and comprehensive loss.

Other Operating Income

The Company's other operating income includes government grants received for qualifying research and development projects, and research and development tax credits related to the United Kingdom's Research and Development tax relief for small and medium-sized enterprises, which is a government tax incentive designed to reward innovative companies for investing in research and development. Such incentives are recorded as other income when it is probable the amounts are collectible and can be reasonably estimated.

The Company has applied the guidance of IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* to account for grants and recognition of the other operating income related to the grant. The government grant is recognized only when there is reasonable assurance that a) the Company will comply with any conditions attached to the grant and, (b) the grant will be received. The grant is recognized as income over the period necessary to match the related costs, for which the grant is intended to compensated, on a systematic basis. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognized as other operating income in the period in which it is receivable.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the year ended December 31, 2025 and 2024, the Company recorded grant income and research & development tax credits of \$1.0 million for both years, which are recorded as other operating income in the accompanying consolidated statements of operations. As of December 31, 2025 and 2024, the Company had receivables related to research & development tax credits for payments not yet received of \$0.5 million for both years.

Share-based compensation

All share-based payments, including grants of stock options, are measured based on the fair value of the share-based awards at the grant date and recognized over their respective vesting periods. Outstanding options generally expire 10 years after the grant date. The Company has issued options that vest based on service requirements and issued options that vest based on performance requirements. Options become exercisable when service requirements are met. In the case of performance-based options, options become exercisable when there is a liquidity event, such as a change in control, sale, or admission (listing as a public company or initial public offering (“IPO”)), and the employee, or consultant, must be providing services to the Company at the time of the event. Due to the Exchange, all options outstanding immediately prior to the event with a performance obligation requirement became vested and exercisable..

The estimated fair value of stock options at the grant date is determined using the Black-Scholes pricing model. The Black-Scholes option pricing model requires inputs such as the fair value of common stock on date of grant, expected term using a simplified method, expected volatility, dividend yield, and risk-free interest rate. The assumptions used in calculating the fair value of stock-based awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards. The Company records forfeitures when they occur.

Functional Currency and Operations

The Company’s functional currency is USD. The functional currency of the Company’s foreign operation is the respective local currency. Assets and liabilities of foreign operations denominated in local currencies are translated at the spot rate in effect at the applicable reporting date. The consolidated statements of operations and comprehensive loss are translated at the weighted average rate of exchange during the applicable period. The resulting unrealized gain/loss is recognized as foreign currency translation as a component of other comprehensive income.

Income Taxes

Valuation allowance of deferred tax assets

Income taxes are recorded in accordance with ASC 740, *Income Taxes*, which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We considered the positive and negative evidence bearing upon its ability to realize the deferred tax assets. In addition to the Company’s history of cumulative losses, the Company cannot be certain that future taxable income will be sufficient to realize its deferred tax assets. Accordingly, a full valuation allowance has been provided against its net deferred tax assets at both December 31, 2025 and 2024. Should the Company change its determination, based on the evidence available as to the amount of its deferred tax assets that can be realized, the valuation allowance will be adjusted with a corresponding impact to the provision for income taxes in the period in which such determination is made and which may be material.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2025, and 2024, there were no material uncertain tax positions.

Contingent Liabilities

A provision for contingent liabilities is recorded when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. From time to time, the Company may be party to certain litigation and disputes arising in the normal course of business. As of December 31, 2025, the Company is not a party to any litigation or disputes.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business as one operating segment: Semiconductor materials.

Basic and Diluted Loss Per Share

Basic net loss per share is determined by dividing net loss by the weighted average shares of common stock outstanding during the period, without consideration of potentially dilutive securities, except for those shares that are issuable for little or no cash consideration. Diluted net loss per share is determined by dividing net loss by diluted weighted average shares outstanding. Diluted weighted average shares reflects the dilutive effect, if any, of potentially dilutive common shares, such as stock options and warrants calculated using the treasury stock method. In periods with reported net operating losses, all common stock options and warrants are generally deemed anti-dilutive such that basic net loss per share and diluted net loss per share are equal.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following potentially dilutive securities were excluded from the computation of earnings per share as of December 31, 2025 and 2024 because their effects would be anti-dilutive:

	December 31,	
	2025	2024
Common stock warrants	2,300,328	4,450,324
Assumed conversion of preferred stock	—	1,973,200
Stock options	1,643,122	619,910
Total	3,943,450	7,043,434

Recently Issued Accounting Pronouncement

On November 2024, the FASB issued Accounting Standards Update (ASU) No. 2024-03, Income Statement (Topic 220): Reporting Comprehensive Income - Expense Disaggregation Disclosures, Disaggregation of Income Statement Expenses, which requires public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the financial statements. The amendments in this pronouncement will be effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and is effective on either a prospective basis or retrospective basis. The Company is currently assessing the potential impacts of adoption on its consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments - Credit Losses, which provides a practical expedient for estimating expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under Topic 606, Revenue from Contracts with Customers. ASU 2025-05 is effective for annual periods beginning after December 15, 2025 and interim periods within those annual reporting periods and should be applied prospectively, with early adoption permitted. The Company is assessing the impact of adopting this standard.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements, which clarifies various topics in the Accounting Standards Codification to improve consistency and address technical corrections. Key improvements include clarifying the calculation of diluted earnings per share (EPS) when a loss from continuing operations exists. The amendments in this update are effective for the Company beginning January 1, 2027, with early adoption permitted. The Company is assessing the impact of adopting this standard.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow Scope Improvements. This update clarifies the applicability of interim reporting guidance and the form and content of interim financial statements. It also establishes a disclosure principle requiring an entity to disclose material events and changes occurring since the end of the last annual reporting period. ASU 2025-11 is effective for the Company for interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is assessing the impact of adopting this standard.

In December 2025, the FASB issued ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities. This update establishes authoritative guidance for the recognition, measurement, presentation, and disclosure of government grants received by business entities. ASU 2025-10 is effective for the Company for interim periods within annual reporting periods beginning after December 15, 2028, with early adoption permitted. The Company is assessing the impact of adopting this standard.

The Organization for Economic Co-operation and Development (“OECD”) reached an agreement among various countries to implement a minimum 15% tax rate on certain multinational enterprises, commonly referred to as Pillar Two. Many countries continue to announce changes in their tax laws and regulations based on Pillar Two Proposals. We are continuing to evaluate the impact of these proposed and enacted legislative changes as new guidance becomes

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

available. Given the numerous proposed changes in law and uncertainty regarding such proposed changes, the impact cannot be determined at this time.

Recently Adopted accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures which applies to all entities subject to income taxes. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to provide more detailed income tax disclosures. For public business entities (PBEs), the new requirements will be effective for annual periods beginning after December 15, 2024. The Company adopted ASU 2023-09 on a prospective basis for the year ended December 31, 2025.

3. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets consist of the following:

<i>(in thousands)</i>	December 31, 2025	December 31, 2024
Advances and retainers	\$ 54	\$ —
Prepaid insurance	152	194
Deferred research & development costs	—	138
Research grant receivable	88	62
Prepaid facility costs	68	67
Prepaid software licenses	52	66
VAT receivable	—	319
Tax Receivable	117	—
Other receivable and other prepaid expenses	44	3
Total prepaid expenses and other current assets	<u>\$ 575</u>	<u>\$ 849</u>

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following:

<i>(in thousands)</i>	December 31, 2025	December 31, 2024
Plant and equipment	\$ 1,786	\$ 1,562
Furniture and fixtures	114	106
Computer hardware and software	106	98
	<u>2,006</u>	<u>1,766</u>
Less: Accumulated depreciation	(1,826)	(1,497)
Property, plant and equipment, net	<u>\$ 180</u>	<u>\$ 269</u>

Depreciation expense was \$0.2 million and \$0.3 million for the year ended December 31, 2025 and 2024, respectively, and is classified as research and development expense.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

<i>(in thousands)</i>	December 31, 2025	December 31, 2024
Accounts payable - trade	\$ 4,435	\$ 843
Payroll liabilities	39	397
Accrued expenses – other	129	158
VAT payable	—	287
Accrued expenses – audit & accounting fees	—	106
Total accounts payable and accrued expenses	<u>\$ 4,603</u>	<u>\$ 1,791</u>

6. LEASES:

The Company has operating leases consisting of office space, lab space, and equipment with remaining lease terms of less than 3 years, subject to certain renewal options as applicable.

The Company evaluates the nature of each lease at the inception of an arrangement to determine whether it is an operating or financing lease and recognizes the right of use asset and lease liability based on the present value of future minimum lease payments over the expected lease term. The Company's leases do not generally contain an implicit interest rate and therefore the Company uses the incremental borrowing rate it would expect to pay to borrow on a similar collateralized basis over a similar term in order to determine the present value of its lease payments.

On May 22, 2025, the Company renewed its lease for research & development, engineering, testing and corporate offices in Manchester, England. The renewed lease term expires in 2028 with an option for the Company to end the lease in 2027.

On July 14, 2025, the Company entered into a sublease agreement for its office in Taoyuan City, Taiwan. The lease term expires in 2028 and can be terminated with 60 days' notice.

The Company is not the lessor in any lease agreement, and no related party transactions for lease arrangements have occurred.

The table below presents certain information related to the lease costs for the Company's operating leases for the periods ended:

<i>(in thousands)</i>	Year Ended December 31,	
	2025	2024
Operating lease cost	\$ 297	\$ 293
Short-term lease cost	40	29
Total lease cost	<u>\$ 337</u>	<u>\$ 322</u>

The total lease cost is included in the consolidated statements of operations as follows:

<i>(in thousands)</i>	Year Ended December 31,	
	2025	2024
Research and development	\$ 328	\$ 293
General and administrative	9	29
Total lease cost	<u>\$ 337</u>	<u>\$ 322</u>

SMARTKEM, INC. AND SUBSIDIARIES
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Right of use lease assets and lease liabilities for our operating leases were recorded in the consolidated balance sheets as follows:

<i>(in thousands)</i>	December 31, 2025	December 31, 2024
Assets		
Right of use assets - Operating Leases	\$ 607	\$ 120
Total lease assets	<u>\$ 607</u>	<u>\$ 120</u>
Liabilities		
Current liabilities:		
Lease liability, current - Operating Leases	\$ 271	\$ 47
Noncurrent liabilities:		
Lease liability, non-current - Operating Leases	312	25
Total lease liabilities	<u>\$ 583</u>	<u>\$ 72</u>

The Company had no right of use lease assets or lease liabilities classified financing leases as of December 31, 2025 and 2024.

The table below presents certain information related to the weighted average remaining lease term and the weighted average discount rate for the Company's operating leases as of the period ended:

	Year Ended December 31,	
	2025	2024
Weighted average remaining lease term (in years) – operating leases	2.27	1.47
Weighted average discount rate – operating leases	10.64%	10.31%

Undiscounted operating lease liabilities as of December 31, 2025, by year and in the aggregate, having non-cancelable lease terms in excess of one year were as follows:

<i>(in thousands)</i>	December 31, 2025
2026	\$ 323
2027	310
2028	23
Total undiscounted lease payments	656
Less imputed interest	(73)
Total net lease liabilities	<u>\$ 583</u>

7. NOTES PAYABLE:

Notes payable consist of the following:

<i>(in thousands)</i>	December 31, 2025		
	Gross	Discount	Net
Notes Payable, Current	\$ 1,100	\$ (172)	\$ 928
Total Notes Payable	<u>\$ 1,100</u>	<u>\$ (172)</u>	<u>\$ 928</u>

SMARTKEM, INC. AND SUBSIDIARIES
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Senior Secured Loan

On October 31, 2025, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with certain purchasers (the “Purchasers”), pursuant to which the Company issued and sold to the Purchasers in a private placement: (i) Senior Secured Notes (the “Notes”) in the aggregate principal amount of \$1,100,000 and (ii) warrants (the “Note Warrants”) exercisable for up to an aggregate of 400,000 shares of the Company’s common stock, at an exercise price of \$2.75 per share for an aggregate purchase price of \$1,000,000.

The Notes mature on April 30, 2026 and do not bear interest prior to an event of default. If an event of default occurs, interest will accrue at an interest rate equal to the lesser of 10% of the accrued principal amount due and owing under the Notes per annum or the maximum rate permitted under applicable law. The Notes are not convertible into shares of the Company’s common stock.

In connection with the issuance of the Notes, on October 31, 2025, the Company and its subsidiaries entered into a security agreement with The Hewlett Fund LP, as collateral agent (the “Security Agreement”). Pursuant to the Security Agreement, each of the Company and its subsidiaries granted the collateral agent a security interest in substantially all of their assets for the benefit of the Purchasers.

The Note Warrants have an exercise price of \$2.75 per share. The Note Warrants are exercisable upon issuance and will expire five (5) years from the date of issuance. The Note Warrants are exercisable in whole or in part in cash. If at the time of exercise more than six months after the issuance date there is no effective registration statement registering, or the prospectus contained therein is not available for the resale or other disposition of the shares of common stock underlying the Note Warrants, then the Note Warrants may also be exercised, in whole or in part, at such time by means of a cashless exercise, in which case the holder would receive upon such exercise the net number of shares of common stock determined according to the formula set forth in the Note Warrants.

A holder of the Note Warrants will not have the right to exercise any portion of its Note Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of the holder prior to issuance of the Warrants, 9.99%) of the number of shares of the Company’s common stock outstanding immediately after giving effect to such exercise. A holder may increase or decrease the beneficial ownership limitation up to 9.99%, provided, however, that any increase in the beneficial ownership limitation shall not be effective until 61 days following notice of such change to us. In the event of certain fundamental transactions, the holder of the Note Warrants will have the right to receive the Black Scholes Value of its Notes Warrants calculated pursuant to a formula set forth in the Note Warrants.

The securities described above were sold to the Purchasers without registration under the Securities Act or state securities laws in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder and in reliance on similar exemptions under applicable state laws.

As of March 18, 2026 the Notes are no longer outstanding. Please see Note 15 for additional information.

8. COMMITMENTS AND CONTINGENCIES:

Legal proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated financial statements.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

9. STOCKHOLDERS' EQUITY:

Preferred Stock

The board of directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, redemption rights, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock.

Pursuant to the terms of the Series A-1 Certificate of Designation, on May 7, 2025, the remaining 856 outstanding shares of Series A-1 Preferred Stock automatically converted into an aggregate of 690,788 shares of common stock and pre-funded Class C Warrants to purchase 1,282,412 shares of common stock. The Company filed a Certificate of Elimination with respect to the Series A-1 Certificate of Designation, pursuant to which, effective May 7, 2025, all matters set forth in the Series A-1 Certificate of Designation were eliminated from the Company's Amended and Restated Certificate of Incorporation.

As of December 31, 2025, there were no shares of Series A-1 Preferred Stock outstanding.

Common Stock

Voting Rights

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. The Company's amended and restated certificate of incorporation and the Company's amended and restated bylaws do not provide for cumulative voting rights. The holders of one-third of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders.

Dividends

The Company has never paid any cash dividends to shareholders and does not anticipate paying any cash dividends to shareholders in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon financial condition, results of operations, capital requirements and such other factors as the board of directors deems relevant.

Market Information

The Company's common stock has been trading on the Nasdaq Stock Market LLC under the symbol "SMTK" since May 31, 2024.

Common Stock Issued to Vendors for Services

During the twelve months ended December 31, 2025, 490,000 shares of our common stock were issued to a vendor in consideration for services provided.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Common Stock Warrants

A summary of the Company's warrants to purchase common stock activity is as follows:

	Number of Shares	Exercise Price per Share	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)
Warrants outstanding at January 1, 2025	5,171,430	\$0.35 - \$70.00	\$ 4.94	2.26
Issued	400,000		2.75	
Exercised	(160)		0.35	
Expired	(2,549,996)		3.00	
Warrants outstanding at December 31, 2025	<u>3,021,274</u>	\$0.35 - \$70.00	\$ 6.28	2.81

During the year ended December 31, 2025, 160 Class B Warrants were exercised at an exercise price of \$0.35.

During the year ended December 31, 2025, 400,000 Note Warrants were issued at an exercise price of \$2.75.

On December 31, 2025, 2,549,996 Class D Warrants expired.

The company accounted for Note Warrants issued by first considering the criteria under ASC 480 for liability classification, then evaluating the indexation requirements and the scope exception in ASC 815-10 and finally assessing additional equity considerations under ASC 815-40-25 to determine if the warrants should be classified as equity. The Company determined that the Note Warrants associated the Notes qualified for equity classification.

Since the Note Warrants are deemed to be classified as equity, the proceeds received are allocated between the Notes and the Note Warrants using the relative fair value method. The fair value of the Note Warrants is calculated using a Black-Scholes calculation using the following inputs:

	October 31, 2025
Expected term (years)	2.5
Risk-free interest rate	3.60%
Expected volatility	50%
Expected dividend yield	0%

A summary of the Company's pre-funded warrants to purchase common stock activity is as follows:

	Number of Shares	Weighted- Average Exercise Price
Pre-funded warrants outstanding at January 1, 2025	2,318,502	\$ 0.0064
Issued	1,282,412	0.0001
Exercised	(2,068,663)	0.0001
Expired	—	—
Pre-funded warrants outstanding at December 31, 2025	<u>1,532,251</u>	\$ 0.0097

The Company's pre-funded warrants have no expiration date and may be exercised at any time until all of the pre-funded warrants are exercised in full.

SMARTKEM, INC. AND SUBSIDIARIES
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During the year ended December 31, 2025, 1,282,412 Class C Warrants were issued at an exercise price of \$0.0001.

During the year ended December 31, 2025, 2,068,663 prefunded warrants were exercised at an exercise price of \$0.0001.

10. SHARE-BASED COMPENSATION:

On February 23, 2021, the Company approved the 2021 Equity Incentive Plan (“2021 Plan”), in which a maximum aggregate number of shares of common stock that may be issued under the 2021 Plan is 65,000 shares. Subject to the adjustment provisions of the 2021 Plan, the number of shares of the Company’s common stock available for issuance under the 2021 Plan will also include an annual increase on the first day of each fiscal year beginning with 2022 fiscal year and ending on the Company’s 2031 fiscal year in an amount equal to the least of: 1) 65,000 shares of the Company’s common stock; 2) four percent (4%) of the outstanding shares of the Company’s common stock on the last day of the immediately preceding fiscal year; or 3) such number of shares of the Company’s common stock as the administrator may determine.

At the 2023 Annual Meeting, the Company’s stockholders approved an amendment (the “2023 Plan Amendment”) to the Company’s 2021 Plan, increasing the number of the shares of common stock reserved for issuance under the 2021 Plan from 125,045 shares to 743,106 shares. The Company’s Board of Directors (the “Board”) had previously approved the 2023 Plan Amendment, subject to stockholder approval.

At the 2025 Annual Meeting, the Company’s stockholders approved an amendment (the “2025 Plan Amendment”) to the Company’s 2021 Plan, (i) increasing the number of the shares of common stock, reserved for issuance thereunder from 843,692 shares to 1,643,692 shares, and (ii) setting the “evergreen” share amount to 4% of the outstanding shares of common stock. The Company’s Board of Directors had previously approved the 2025 Plan Amendment, subject to stockholder approval.

Determining the appropriate fair value of share-based awards requires the input of subjective assumptions, including the fair value of the Company’s common stock, and for share options, the expected life of the option, and expected share price volatility. The Company uses the Black-Scholes option pricing model to value its share option awards. The assumptions used in calculating the fair value of share-based awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment. As a result, if factors change and management uses different assumptions, the share-based compensation expense could be materially different for future awards.

	September 3, 2025	April 15, 2025	June 14, 2024
Expected term (years)	5.75	5.75	5.73
Risk-free interest rate	3.78%	4.04%	4.21%
Expected volatility	50%	50%	50%
Expected dividend yield	0%	0%	0%

The Company estimates its expected volatility by using a combination of historical share price volatilities of similar companies within our industry. The risk-free interest rate assumption is based on observed interest rates for the appropriate term of the Company’s options on a grant date. The contractual term is 10 years, and the expected option term is lower.

SMARTKEM, INC. AND SUBSIDIARIES
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The following table reflects share activity under the share option plans for the year ended December 31, 2025:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Weighted- Average Fair Value at Grant Date	Aggregate Intrinsic Value <i>(in thousands)</i>
Options outstanding at January 1, 2025	619,910	\$ 12.31	9.06	\$ 3.54	
Granted	1,031,214	2.09			
Exercised	—	—			
Forfeited	(8,002)	10.48			
Expired	—	—			
Options outstanding at December 31, 2025	<u>1,643,122</u>	\$ 5.90	8.95	\$ 3.12	
Options exercisable at December 31, 2025	<u>803,977</u>	\$ 8.44	8.72		\$ 7.19

The weighted average grant-date fair value of the stock options granted during the years ended December 31, 2025 and 2024 was approximately \$1.07 and \$3.35 per share, respectively.

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the options and the fair value of our common stock at the end of the year for those options that had exercise prices lower than the fair value of our common stock.

Stock-based compensation, including stock options is included in the consolidated statements of operations as follows:

<i>(in thousands)</i>	Year Ended December 31,	
	2025	2024
Research and development	\$ 291	\$ 268
General and administration	749	582
Total	<u>\$ 1,040</u>	<u>\$ 850</u>

As of December 31, 2025, there was \$1.8 million of compensation cost related to non-vested stock option awards not yet recognized that will be recognized on a straight-line basis through the end of the vesting periods in September 2028. The amount of future stock option compensation expense could be affected by any future option grants or by any forfeitures.

11. INCOME TAXES:

United States and foreign profit/(loss) from operations before income taxes was as follows:

	December 31,	
	2025	2024
United States	(2,291)	(1,294)
Foreign	(8,242)	(9,035)
Loss before income taxes	<u>\$ (10,533)</u>	<u>\$ (10,329)</u>

SMARTKEM, INC. AND SUBSIDIARIES
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The Company adopted ASU 2023-09 "Income Taxes (Topic 740): Improvements To Income Tax Disclosures" on a prospective basis beginning with the year ended December 31, 2025. The following table presents required disclosure pursuant to ASU 2023-09 and reconciles the U.S. federal statutory tax amount and rate to our actual global effective amount and rate for the year ended December 31, 2025:

<i>(in thousands)</i>	For the year ended December 31, 2025	
	Amount	Percentage
U.S. federal statutory tax rate	\$ (2,212)	21.0%
State and local income taxes, net of federal income tax effect ⁽¹⁾	1	0.0%
Foreign tax effects		
United Kingdom		
Statutory tax rate difference between United Kingdom and the United States	(326)	3.1%
Changes in valuation allowances	1,362	(12.9)%
Nondeductible research expense	723	(6.9)%
Other	(54)	0.5%
Effect of changes in tax laws or rates enacted in the current period	—	0.0%
Effect of cross-border tax laws	—	0.0%
Tax credits	—	0.0%
Changes in valuation allowances	364	(3.5)%
Nontaxable or nondeductible items		
Stock compensation	109	(1.0)%
Other	1	0.0%
Changes in unrecognized tax benefits	—	0.0%
Other adjustments	7	(0.1)%
Provision for income taxes and effective tax rate	<u>\$ (24)</u>	<u>0.2%</u>

(1) During the year ended December 31, 2025, state taxes in California made up the majority of tax effects in this category.

The following table presents the required disclosures prior to the adoption of ASU 2023-09 and reconciles the U.S. federal statutory income tax rate to the actual global effective income tax rate for the year ended December 31, 2024:

<i>(in thousands)</i>	For the year ended
	December 31,
	2024
Taxes at domestic rate	21.0%
State and local income taxes	0.0%
Non-US statutory rates	3.5%
Permanent items	-2.4%
Nondeductible Research Expense	-6.1%
Change in valuation allowance	-17.2%
Warrant revaluation	1.4%
Prior year true-up	0.2%
Effective tax rate	<u>0.4%</u>

SMARTKEM, INC. AND SUBSIDIARIES
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The components of income tax provision/(benefit) are as follows:

	December 31,	
	2025	2024
Current		
Federal	\$ —	\$ —
State	1	1
Foreign	(25)	—
Total Current	\$ (24)	\$ 1
Deferred		
Federal	—	—
State	—	—
Foreign	—	—
Total Deferred	—	—
Total	\$ (24)	\$ 1

Deferred income taxes reflect the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The temporary differences that give rise to deferred tax assets and liabilities are as follows:

	December 31,	
	2025	2024
Deferred tax assets/(liabilities):		
Net operating loss carryforwards	\$ 14,817	\$ 12,356
Stock Compensation	378	263
Property plant and equipment	(45)	(67)
Other	49	79
	15,199	12,631
Valuation allowance	(15,199)	(12,631)
Deferred tax assets, net of allowance	\$ —	\$ —

The Company recorded a full valuation allowance against its net deferred tax assets as of December 31, 2025, and 2024. The Company considered the positive and negative evidence bearing upon its ability to realize the deferred tax assets. In addition to the Company's history of cumulative losses, the Company cannot be certain that future taxable income will be sufficient to realize its deferred tax assets. Accordingly, a full valuation allowance has been provided against its net deferred tax assets. When the Company changes its determination as to the amount of its deferred tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to the provision for income taxes in the period in which such determination is made.

As of December 31, 2025, and 2024, the Company had United Kingdom net operating loss carry-forwards of approximately \$51.8 million and \$43.3 million, respectively. The United Kingdom net operating loss carry-forwards were generated in the tax years from 2009 to 2025 with an unlimited carry-forward period.

As of December 31, 2025, and 2024, the Company had United States federal net operating loss carry-forwards of approximately \$8.3 million and \$6.4 million, respectively. The United States federal net operating loss carry-forwards were generated in the tax years from 2020 to 2025 with an unlimited carry-forward period. As of December 31, 2025, and 2024, the Company had U.S. state net operating loss carry-forwards of approximately \$1.8 million and \$1.8 million, respectively. The U.S. state net operating loss carry-forwards were generated in the tax years from 2021 to 2025 expiring at various dates through 2045.

The Company has no uncertain tax positions, or penalties and interest accrued, that if recognized would reduce net operating loss carry-forwards or affect tax expense.

SMARTKEM, INC. AND SUBSIDIARIES
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The Company files tax returns as prescribed by the tax laws in the United States and United Kingdom in which they operate. In the normal course of business, the Company is subject to examination by the federal jurisdiction based on the statute of limitations. As of December 31, 2025, open years related to the United States and United Kingdom are 2021 to 2024.

The Company has no open tax audits with any taxing authority as of December 31, 2025. As of December 31, 2025 and December 31, 2024, the Company had no accrued interest and penalties related to uncertain tax positions and no amounts have been recognized in the Company's statements of operations.

The Company adopted ASU 2023-09 on a prospective basis for the year ended December 31, 2025 and has included the following table as a result of adoption, which presents income taxes paid (net of refunds received) for the year ended December 31, 2025:

<i>(in thousands)</i>	For the year ended December 31, 2025
U.S. Federal	\$ —
State:	
California	1
Other states	(0)
State subtotal	1
Foreign:	
United Kingdom	(25)
Foreign subtotal	(25)
Total cash paid for income taxes (net of refunds)	\$ (24)

The Company had \$1 thousand of income taxes paid for the year ended December 31, 2024, prior to the adoption of ASU 2023-09.

On July 4, 2025, the One Big Beautiful Bill Act was enacted, introducing significant changes to U.S. federal tax law, including modifications to corporate tax rates, deductions, and tax credit provisions. As of December 31, 2025, the Company completed its analysis and determined that no material adjustments resulted from the new legislation.

12. DEFINED CONTRIBUTION PENSION:

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund. Pension cost is included in the consolidated statements of operations as follows:

<i>(in thousands)</i>	Year Ended December 31,	
	2025	2024
Research and development	\$ 156	\$ 64
General and administration	65	55
Total	\$ 221	\$ 119

As of December 31, 2025, there was \$6 thousand owed to the pension scheme that is recorded under accounts payable and accrued expenses on the consolidated balances sheets. As of December 31, 2024, there was \$16 thousand owed to the pension scheme.

SMARTKEM, INC. AND SUBSIDIARIES
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13. RELATED PARTY TRANSACTIONS:

The were no related party transaction during the year ended December 31, 2025.

14. SEGMENT REPORTING:

We manage our business activities on a consolidated basis and operate as a single operating segment. Our income is mostly generated from R&D grants and R&D tax credits. The accounting policies of the semiconductor materials are the same as those described in Note 2 – Summary of Significant Accounting Policies.

Our CODM is our Chief Executive Officer and President, Ian Jenks. The CODM uses net income, as reported on our Consolidated Statements of Comprehensive Income, in evaluating performance of the segment and determining how to allocate resources of the Company as a whole and making decisions on perspective joint development and collaboration agreements. The CODM does not review assets in evaluating the results of the segment, and therefore, such information is not presented.

The following table provides the net losses of the segment:

	Year Ended December 31,	
	2025	2024
Revenue	\$ 697	\$ 82
Cost of revenue	272	32
Gross profit	425	50
Other operating income	951	1,017
Operating expenses		
Research and development	7,017	5,111
General and administrative	7,371	6,342
(Gain)/loss on foreign currency transactions	(177)	78
Total operating expenses	14,211	11,531
Loss from operations	(12,835)	(10,464)
Total non-operating income/(expense)	2,302	135
Loss before income taxes	(10,533)	(10,329)
Income tax refund	24	(1)
Net loss	\$ (10,509)	\$ (10,330)

15. SUBSEQUENT EVENTS:***2021 Plan***

Under the evergreen adjustment provisions of the 2021 Plan, on January 1, 2026, the number of shares of the Company's common stock available for issuance under the 2021 Plan was increased by 273,588. After giving effect to the increase, the total number of shares of common stock that may be issued under the 2021 Plan is 1,916,714.

Warrant Exercises

Since December 31, 2025 1,930,524 shares of the Company's common stock were issued upon the exercise of 1,930,977 Pre-Funded Warrants and Class C Warrants.

January 2026 Registered Direct Offering

On January 30, 2026, the Company entered into a securities purchase agreement (the "January 2026 RDO Purchase Agreement") with an institutional investor, pursuant to which the Company agreed to sell to such investor 677,129 shares (the "Shares") of the Company's common stock, par value \$0.0001 per share (the "Common Stock") at a

SMARTKEM, INC. AND SUBSIDIARIES
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purchase price of \$0.50 per share and 683,871 pre-funded warrants (the “January 2026 Pre-Funded Warrant”) to purchase 683,871 shares of Common Stock at a purchase price of \$0.4999 per January 2026 Pre-Funded Warrant and an exercise price of \$0.0001 per share (the “January 2026 Offering”). The Shares were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-281608), which was declared effective by the Securities and Exchange Commission on August 22, 2024 and a related base prospectus and prospectus supplement thereunder. The gross proceeds from the January 2026 Offering were \$680,500, prior to deducting offering expenses payable by the Company. The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

Debt Conversion Agreement

On February 5, 2026, the Company entered into a debt conversion agreement (the “Debt Conversion Agreement”) with SmartKem Limited, a wholly owned subsidiary of the Company, and a creditor (the “Creditor”), pursuant to which the Company agreed to issue to the Creditor (i) 385,130 shares of Common Stock, at an ascribed price of \$2.75 per share and (ii) pre-funded warrants (the “February 2026 Pre-Funded Warrant”) to purchase 348,260 shares of Common Stock in satisfaction of approximately \$2,016,821 owed to the Creditor by SmartKem Limited. The February 2026 Pre-Funded Warrants are immediately exercisable at an exercise price of \$0.0001 per share and may be exercised at any time until the February 2026 Pre-Funded Warrants are exercised in full.

Nasdaq Listing Deficiencies

On February 12, 2026, the Listing Qualifications Department of Nasdaq notified the Company that, based upon the Company’s continued non-compliance with the Equity Rule, the Staff had determined to delist the Company’s securities from Nasdaq unless the Company timely requests a hearing before the Nasdaq Hearings Panel (the “Panel”). The Company timely requested a hearing, which stayed the delisting and suspension of the Company’s securities pending the decision of the Hearings Panel. There can be no assurance that the Company will be able to evidence compliance with the Equity Rule or other applicable requirements for continued listing on The Nasdaq Capital Market prior to the hearing or that the Panel will grant the Company a further extension period in accordance with the Nasdaq Listing Rules.

On March 5, 2026, the Company received an additional letter (the “Bid Price Deficiency Letter”) from the Listing Qualifications Department of Nasdaq indicating that the Company is not in compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Rule”) for continued listing on the Nasdaq Capital Market. Based on the closing bid price of the Company’s common stock between January 21, 2026, and March 4, 2026, the Company no longer meets the minimum bid price requirement. The Bid Price Deficiency Letter has no immediate effect on the listing or trading of the Company’s common stock on the Nasdaq Capital Market.

Senior Secured Note Financing

On March 18, 2026, the Company entered into a Securities Purchase Agreement (the “March 2026 Purchase Agreement”) with certain accredited investors (each the “Note Buyer”, collectively the “Note Buyers”), pursuant to which the Company agreed to issue and sell to the Note Buyers senior secured promissory notes (the “March 2026 Notes”) in the aggregate original principal amount of \$3,750,000 for an aggregate purchase price of \$2,625,000, reflecting an original issue discount of approximately 30%.

The March 2026 Notes do not bear interest unless an Event of Default has occurred, in which case interest accrues at a rate of 14% per annum. The March 2026 Notes mature on the six-month anniversary of the original issuance date, subject to extension at the option of each Note Buyer in the event that an Event of Default has occurred. In addition, if the Company or any of its subsidiaries consummates a subsequent placement of securities, each Note Buyer may elect to exchange all or any portion of the then outstanding principal amount of its March 2026 Note into the securities being issued in such subsequent placement, with the aggregate amount of such securities valued at 120% of the exchanged principal amount.

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In connection with the March 2026 Purchase Agreement, the Company and its subsidiaries entered into a Security and Pledge Agreement (the "March 2026 Security Agreement," and together with the March 2026 Purchase Agreement, the March 2026 Notes, and the March 2026 Guaranties (as defined below), the "March 2026 Transaction Documents") in favor of the collateral agent (the "Collateral Agent") for the benefit of the Note Buyers. Pursuant to the March 2026 Security Agreement, the Grantors granted to the Collateral Agent a first priority perfected security interest in all existing and future assets of the Company and its direct and indirect subsidiaries, including a pledge of all of the capital stock of each subsidiary, as security for the Company's obligations under the March 2026 Transaction Documents.

In connection with the March 2026 Security Agreement, the Company and its subsidiaries also entered into an Intellectual Property Security Agreement (the "IP Security Agreement"), pursuant to which the Grantors granted to the Collateral Agent a continuing security interest in certain of their intellectual property, as additional collateral security for the obligations under the March 2026 Transaction Documents. In addition, each subsidiary of the Company executed and delivered Guaranties (the "Guaranties") in favor of the Collateral Agent, for the benefit of the Buyers, pursuant to which each such subsidiary unconditionally and irrevocably guaranteed the payment and performance of all of the Company's obligations under the March 2026 Purchase Agreement, the March 2026 Notes, and the other March 2026 Transaction Documents.

As discussed below, on March 30, 2026 all Note Buyers elected to exchange all of the then outstanding principal into securities issued in a private placement of preferred stock and warrants.

Notes Payable

On March 18, 2026, the Company entered into Settlement Agreements and Releases (collectively, the "Settlement Agreements") with the Purchasers of the Notes issued by the Company on October 31, 2025, pursuant to a Securities Purchase Agreement dated June 14, 2023 (as amended, the "Prior Purchase Agreement"). The Settlement Agreements were entered into to resolve certain claims alleged by the Purchasers against the Company in connection with the Notes, which claims the Company denied. Pursuant to the Settlement Agreements, the Company agreed to (i) repay each Purchaser the outstanding principal amount of its respective Note in full within two (2) business days following the effective date of the Settlement Agreements, and (ii) pay to the Holders an aggregate cash settlement payment of \$300,000 by wire transfer of immediately available funds.

In addition, pursuant to the Settlement Agreements, the Company agreed to assign, transfer, and convey to SmartKem IP LLC, a Delaware limited liability company, certain of the Company's right, title, and interest in and to certain patents and patent applications, together with all continuations, continuations-in-part, divisionals, reissues, reexaminations, extensions, foreign counterparts, and all rights to sue for past, present, and future infringement thereof. In furtherance thereof, the Company and its subsidiary, SmartKem Ltd, a corporation organized under English law (the "Assignor"), entered into an Intellectual Property Assignment Agreement (the "IP Assignment Agreement") with SmartKem IP LLC (the "Assignee"), pursuant to which the Assignor irrevocably conveyed, transferred, and assigned to the Assignee certain of the Assignor's right, title, and interest in and to certain patents, patent applications, and related intellectual property rights, together with all royalties, fees, income, and proceeds related thereto, and all claims and causes of action with respect thereto.

In connection with the Settlement Agreements, the Company and the Holders entered into Waiver and Termination Agreements (the "Waiver and Termination Agreements") with respect to the Prior Purchase Agreement. Pursuant to the Waiver and Termination Agreements, the Holders agreed to (i) waive compliance with the Lower Priced Issuance provision set forth in Section 4.12(c) of the Prior Purchase Agreement with respect to the sale of securities pursuant to the Prior Purchase Agreement, (ii) amend Section 4.12(c) of the Prior Purchase Agreement to reset the price threshold thereunder to the lowest price per share at which securities are sold in the contemplated registered direct and private placement offering by the Company, and (iii) subject to the Company's payment of the settlement payment and completion of the patent assignment contemplated by the Settlement Agreements, terminate the Variable Rate Transaction provision set forth in Section 4.12(b) of the Prior Purchase Agreement.

SMARTKEM, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

March 2026 Registered Direct Offering

On March 20, 2026, the Company entered into a securities purchase agreement (the "March 2026 RDO Purchase Agreement") with certain institutional investors, pursuant to which the Company agreed to sell to such investors 11,365,350 Shares of the Company's Common Stock at a purchase price of \$0.2303 per share (the "March 2026 Offering"). The Shares were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-281608), which was declared effective by the Securities and Exchange Commission on August 22, 2024 and a related base prospectus and prospectus supplement thereunder. The gross proceeds from the March 2026 Offering were \$2,617,440, prior to deducting offering expenses payable by the Company. The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

Preferred Stock Offering and Warrants

On March 30, 2026, the Company entered into a securities purchase agreement (the "Preferred Stock Purchase Agreement" with certain institutional investors (collectively, the "Buyers"), including certain Note Buyers pursuant to which the Company agreed to issue and sell to the Buyers in a private placement (the "Private Placement") (i) 11,411.5 shares of the Company's newly designated Series A Convertible Preferred Stock, par value \$0.0001 per share, with a stated value of \$1,000 per share, convertible into shares of Common Stock at an initial conversion price of \$0.5812 per share, subject to adjustment as set forth in the certificate of designations and (ii) warrants to purchase up to 23,251,960 shares of Common Stock at an initial exercise price of \$0.5812 per share, subject to adjustment. The purchase price under the Preferred Stock Purchase Agreement was satisfied in cash and by exchange of \$2,625,000 March 2026 Notes. The gross proceeds from the Private Placement were \$4,629,200, prior to deducting offering expenses payable by the Company. The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

Equity Line of Credit

On March 30, 2026, the Company entered into a common stock purchase agreement (the "ELOC Purchase Agreement") with an equity line investor (the "ELOC Investor"), pursuant to which the Company has the right, but not the obligation, to sell to the ELOC Investor, and the ELOC Investor is obligated to purchase, up to the lesser of (a) \$500,000,000 and (b) 19.99% of the Company's outstanding shares of Common Stock as of the date of the ELOC Purchase Agreement, which number of shares shall be reduced, on a share-for-share basis, by the number of shares of Common Stock issued or issuable pursuant to any transaction or series of transactions that may be aggregated with the transactions contemplated by the ELOC Purchase Agreement under applicable rules of the Trading Market (as defined under the ELOC Purchase Agreement), (unless stockholder approval is obtained or applicable sales qualify as "at market" under applicable rules of The Nasdaq Stock Market LLC), from time to time during the period commencing on the effective date of a registration statement registering the resale of shares issuable under the ELOC Purchase Agreement and ending upon termination of the ELOC Purchase Agreement. Sales of Common Stock to the Investor under the ELOC Purchase Agreement, if any, will be made by the Company at its sole discretion from time to time by delivering purchase notices to the Investor (each, a "VWAP Purchase"). The purchase price per share for each VWAP Purchase will be equal to 90% of the lesser of (i) the lowest sale price of the Common Stock on the applicable purchase date and (ii) the volume weighted average price of the Common Stock during the applicable purchase period. The ELOC Investor's aggregate committed obligation under any single VWAP Purchase shall not exceed \$5,000,000. The ELOC Purchase Agreement prohibits the Company from issuing shares to the ELOC Investor to the extent such shares, when aggregated with all other shares of Common Stock then beneficially owned by the Investor and its affiliates, would cause the ELOC Investor's beneficial ownership to exceed 4.99% of the outstanding shares of Common Stock.

ITEM 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls and Procedures.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding disclosures.

As of the end of the year covered by this Report, we were unable to carry out an independent evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) pursuant to Rule 13a-15 of the Exchange Act. As a result, and as of the date of this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2025.

Material Weakness in Internal Control Over Financial Reporting

In connection with the preparation of the financial statements for the year ended December 31, 2025 a material weakness in the Company's internal control over financial reporting was identified relating to the lack of an independent review and assessment of our internal control environment. The December 31, 2025 financial statements contained in this Form 10-K reflect the appropriate accounting for this period and no prior financial statements were impacted.

Changes in Internal Control over Financial Reporting

Due to fiscal constraints during the year ended December 31, 2025 we were not able to fund an independent assessment of our internal control environment. With the recent financing activities discussed in Note 15 Subsequent Events, we will immediately reinstitute the independent evaluation of our internal control environment.

Item 9B. Other Information.

None of the Company's directors and officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2025 (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The following table sets forth the names, positions and ages of our executive officers and directors as of April 7, 2026:

Name	Position	Age
Ian Jenks	Chairman of the Board, Chief Executive Officer and President	71
Jonathan Watkins	Chief Operating Officer	56
Barbra C. Keck	Chief Financial Officer	48
Simon Ogier, Ph.D.	Chief Technology Officer	51
Klaas de Boer ⁽¹⁾ ⁽²⁾ ⁽³⁾	Director	60
Steven DenBaars, Ph.D. ⁽¹⁾ ⁽²⁾ ⁽³⁾	Director	63
Melisa Denis ⁽¹⁾ ⁽²⁾ ⁽³⁾	Director	62
Sriram Peruvemba	Director	60

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee.

⁽³⁾ Member of the Corporate Governance and Nominating Committee.

Executive Officers

Ian Jenks has served as our Chief Executive Officer and President since December 2017 and as a member of our board of directors since February 2021. Mr. Jenks has more than 30 years of board-level experience in the industrial technology industry and has served as chief executive officer of companies operating in the United States and Europe. Mr. Jenks founded and since August 2010 has acted as the chief executive officer of Ian Jenks Limited, a consulting company providing consulting services to companies in the industrial technology industry. Mr. Jenks's past directorships include Techstep ASA, a provider of managed mobile services in the Nordics, Paysafe plc., an international provider of payment processing services, and Brady plc, a provider of commodity trading software. Mr. Jenks has also served and continues to serve as a director of a number of private companies. Mr. Jenks received a B.Sc. in Aeronautical Engineering from Bristol University.

Jonathan Watkins has served as our Chief Operating Officer since March 2025. From July 2024 until his appointment as the Company's Chief Operating Officer, Mr. Watkins served as a consultant to our company. Since September 2024, Mr. Watkins has served as the Executive Chairman of HFQ Technology Associates, a materials technology company. He also has served as the founder and chairman of DITEVEN Limited, a technology consulting services company ("DITEVEN") since November 2015. From August 2016 through June 2024, Mr. Watkins served as the chief executive officer of Impression Technologies Limited ("ITL"), where he led the development, licensing and scaling of a novel aluminum light-weighting technology for automotive, aerospace and consumer electronics markets, as well as securing manufacturing partners in Europe, China and North America. ITL entered voluntary liquidation in June 2024. Prior thereto, Mr. Watkins served as an advisor to government agencies on cleantech business models, including commercializing novel technologies. From 2008 to 2015, Mr. Watkins held roles as chief operating officer and commercial director of Ceres Power plc, a leading developer of fuel cell technology having responsibilities for manufacturing, supply chain management and business development. Mr. Watkins has a Postgraduate Certificate in Design Manufacture, and Management Masters in Manufacturing, Design & Management from University of Cambridge and a BEng degree in Materials Science & Technology from University of Birmingham. He is also a Chartered Engineer and holds a Certified Diploma in Accounting and Finance.

Barbra C. Keck has served as our Chief Financial Officer since December 2022 and has served as a member of our board of directors from February 2021 to November 2022. From February 2021 to December 2022, Ms. Keck served as the chief financial officer of Deverra Therapeutics, Inc., a developer of cell therapies. From January 2009 until May 2020, she held positions of increasing responsibility at Delcath Systems, Inc., an interventional oncology company, starting as controller and ultimately becoming a senior vice president in March 2015 and chief financial officer in February 2017. Ms. Keck received an M.B.A. in Accountancy from Baruch College and a Bachelor of Music in Music Education from the University of Dayton.

Simon Ogier, Ph.D. has served as our Chief Technology Officer since June 2019. From August 2015 to June 2019 Dr. Ogier was CTO at NeuDrive Limited, a developer of organic semiconductor materials for sensor and other electronic applications, where he was responsible for the development of processes to fabricate OTFTs and to integrate them into biosensor devices. From April 2007 to July 2015, Dr. Ogier was Head of Research and Development within the U.K.'s Printable Electronics Technology Centre ("PETEC") at CPI. He was responsible for the establishment of the PETEC facility and for developing the technical programs of work to build a capability within the U.K. for printed/plastic electronics processing. Dr. Ogier is a member of the IEC TC119 standards committee for Printed Electronics, leading the development of international standard IEC62899-203 (Semiconductor Ink) and is a Fellow of the Institute of Physics. Dr. Ogier has over 19 years of experience developing high performance organic semiconductors for transistor applications. Dr. Ogier has co-authored a number of journal articles and is a co-inventor on a number of patents families. He received a bachelor's degree and Ph.D. in Physics from the University of Leeds.

Non-Employee Directors

Klaas de Boer has served as a member of our board of directors since February 2021 and has served as a member of the board of directors of SmartKem Limited since 2017. From January 2008 until June 2021, Mr. de Boer served as the managing partner of Entrepreneurs Fund Management LLP, a venture capital firm. Mr. de Boer served as a director of Lifeline Scientific Inc., Heliocentris Energy Solutions AG and serves as chair of AIM listed Xeros Technology Group plc. Mr. de Boer has been a venture capitalist for more than 20 years. Mr. de Boer received his M.Sc. degree in Applied Physics from Delft University of Technology and his M.B.A. from INSEAD.

Steven DenBaars has served as a member of our board of directors since June 2022. Professor DenBaars is a Distinguished Professor of Materials and Co-Director of the Solid-State Lighting and Energy Electronics Center at University of California, Santa Barbara. Professor DenBaars joined UCSB in February 1991 and currently holds the Mitsubishi Chemical Chair in Solid State Lighting and Displays. He has been a member of the board of directors of Aeluma, Inc. (NASDAQ:ALMU), a company engaged in the manufacture high performance sensors for mobile devices and vehicles since June 2021. Professor DenBaars served on the board of directors of Akoustis Technologies, Inc. (NASDAQ:AKTS), a developer and manufacturer of radio frequency filters for mobile devices from May 2015 to November 2024. Professor DenBaars was formerly a co-founder and board member of privately held technology start-up companies, Sora Inc. and Sora Laser Diode Inc. Professor DenBaars has a Bachelor of Science in Metallurgical Engineering from the University of Arizona and a Master of Science and a Ph.D. in Material Science and Electrical Engineering from the University of Southern California. Professor DenBaars is a member of the National Academy of Engineering, and a Fellow of IEEE and National Academy of Inventors.

Melisa A. Denis has served as a member of our board of directors since November 2023. Since November 20, 2020, she has served as a member of the audit committee and mergers and acquisitions committee of the board of directors of Hydrofarm Holdings Group, Inc. (NASDAQ: HYFM). Ms. Denis previously served as a partner at KPMG from 1998 to October 2020, including as National Tax Leader for Consumer Goods and as the leader of the Consumer and Industrial Market for Dallas. Ms. Denis has served as a member of the Board of Regents and chair of the audit committee for the University of North Texas System since January 2020, an advisory board member of Women Corporate Directors since 2011, and a board member of Enactus, a global non-profit, since 2019. Ms. Denis is a Certified Public Accountant and received her degree in accounting and her Bachelor of Science and Master of Science from the University of North Texas.

Sriram Peruvemba has served as a member of our board of directors since July 2023. From September 2019 until his appointment to the Board, Mr. Peruvemba served as a consultant to the Company. Since July 2014, he has served as the chief executive officer of Marketer International Inc., a consulting services firm specializing in the global high-tech industry. Prior to that, from December 2009 to April 2013, Mr. Peruvemba was the chief marketing officer for E Ink Holdings, a company specializing in electronic paper displays. Since June 2020, Mr. Peruvemba has served on the board of directors of Datavault AI Inc. (previously WiSA Technologies, Inc.) (NASDAQ: DVLT), a data technology company. He has also served as a board member of Visionect d.o.o, an electronics company in Slovenia since September 2017. Mr. Peruvemba has also served as chairman of the board of Omniply, a Montreal-based electronics and display company since May 2020 and as board member of Edgohog Advanced Technologies an anti-reflective technology company in Canada since January 2023. Mr. Peruvemba has a B.S. from R. V. College of

Engineering, Bangalore, an M.B.A. from Barton School of Business, WSU and a post-graduate diploma in management from Indira Gandhi National University.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of our code is posted on our website, which is located www.smartkem.com. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and our directors, on our website identified above or in filings with the SEC.

Insider Trading Policy

The Company has an insider trading policy governing the purchase, sale and other dispositions of the Company's securities and certain other securities that applies to all Company personnel, including directors, officers, and employees. The Company believes that its insider trading policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to the Company.

Director Independence

Pursuant to the rules of Nasdaq, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under such rules, our board of directors has determined that all current members of the board of directors are independent, except Mr. Jenks and Mr. Peruvemba. Mr. Jenks is not an independent director under these rules because he is an executive officer of the Company. Mr. Peruvemba is not an independent director under these rules, because, prior to his appointment to the board of directors, he served as a consultant to the Company and had earned compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the last three years. In making such independence determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. In considering the independence of the directors listed above, our board of directors considered the association of our directors with the holders of more than 5% of our common stock. There are no family relationships among any of our directors and executive officers.

Classified Board of Directors

In accordance with the terms of our amended and restated certificate of incorporation, our board of directors is divided into three staggered classes of directors as follows:

- Class I director is Mr. DenBaars;
- Class II director is Mr. de Boer and Mr. Peruvemba; and
- Class III directors are Mr. Jenks and Ms. Denis.

At each annual meeting of the stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2025 for the Class I director, 2026 for the Class II directors and 2027 for Class III directors.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the number of directors will be fixed from time to time by a resolution of a majority vote of the directors then in office. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of our directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which operates pursuant to a charter adopted by the board of directors. Members serve on these committees until their resignation or until otherwise determined by the board of directors. The composition and functioning of all of our committees complies with all applicable requirements of the Sarbanes-Oxley Act and SEC and Nasdaq rules and regulations.

Audit Committee

Ms. Denis, Mr. de Boer and Mr. DenBaars serve on the audit committee, which is chaired by Ms. Denis. Our board of directors has determined that each has sufficient knowledge in financial and auditing matters to serve on the audit committee and that each are “independent” for audit committee purposes as that term is defined under SEC and Nasdaq Marketplace Rules. The board of directors has designated Ms. Denis as an “audit committee financial expert,” as defined under the applicable rules of the SEC.

The audit committee’s responsibilities include, but are not limited to:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- obtaining and reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- discussing with our independent registered public accounting firm our understanding of our relationships and transactions with related parties that are significant to us and the auditor’s evaluation of our identification of and disclosure of our relationships and transactions with related parties;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- discussing guidelines and policies with respect to risk assessment and risk management and the steps that our management takes to monitor and control financial risk exposure;
- recommending, based upon the audit committee’s review and discussions with management and our independent registered public accounting firm, whether our audited financial statements will be included in our Annual Report on Form 10-K;
- conducting activities relating to our code of business conduct and ethics;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing with legal counsel legal and regulatory matters;

- annually evaluating the performance of the audit committee and reviewing and reassessing the audit committee charter;
- reviewing all related person transactions for potential conflict of interest situations and making recommendations to our board of directors regarding all such transactions; and
- reviewing earnings releases.

Compensation Committee

Mr. DenBaars, Mr. de Boer and Ms. Denis serve on the compensation committee, which is chaired by Mr. DenBaars. Our board of directors has determined that each member of the compensation committee is “independent” as defined under the Nasdaq Marketplace Rules. The compensation committee’s responsibilities include, but are not limited to:

- annually reviewing and approving the corporate goals and objectives to be considered in determining the compensation of our Chief Executive Officer;
- evaluating the performance of our Chief Executive Officer in light of such corporate goals and objectives and based on such evaluation: (i) recommending to the board of directors the cash compensation of our Chief Executive Officer and (ii) reviewing and recommending to the independent directors on the board of directors regarding grants and awards to our Chief Executive Officer under equity-based plans;
- determining bases for and fix compensation levels for all executive officers;
- reviewing and approving the cash compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- supervising, administering, and evaluating our compensation and similar plans and making grants and awards thereunder;
- reviewing and approving, subject to stockholder approval, the creating or amendment of any incentive, equity-based and other compensatory plans in which executive officers and key employees participate;
- reviewing and approving any employment agreements, severance agreements, change-in-control arrangements or special employee benefits;
- reporting to the board of directors significant matters arising from the work of the compensation committee;
- to the extent applicable under federal securities law, reviewing and discussing the Compensation and Discussion and Analysis disclosure;
- evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the Nasdaq Marketplace Rules;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and recommending to the board of directors the compensation of our directors;
- annually evaluating the performance of the compensation committee;
- annually evaluating the adequacy of the director’s fees and the composition of the director’s fees;
- preparing the compensation committee report required by SEC rules, if and when required, to be included in our annual proxy statement; and
- reviewing and approving the retention, termination or compensation of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

Nominating and Corporate Governance Committee

Mr. de Boer, Mr. DenBaars, and Ms. Denis serve on the nominating and corporate governance committee, which is chaired by Mr. de Boer. Our board of directors has determined that each member of the nominating and corporate governance committee is “independent” under the Nasdaq Marketplace Rules.

The nominating and corporate governance committee’s responsibilities include, but are not limited to:

- recommending to the board of directors the size of the board, composition of the board, process for filling vacancies and tenure of the board members;
- developing and recommending to the board of directors criteria for board and committee membership;

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- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- Recommending that the board select director nominees for election at each annual meeting of stockholders;
- Reviewing stockholder proposals and proposed responses;
- Developing and recommending to the board a set of corporate governance guidelines applicable to the Company, reviewing the guidelines at least once a year and recommending changes, and overseeing corporate governance practices and procedures;
- reviewing the composition of the board of directors to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- reviewing and discussing with management the disclosure regarding the operations of the nominating and corporate governance committee and director independence;
- reviewing the adequacy of the committee charter and recommending changes;
- annually conducting and presenting to the board a performance evaluation of the nominating and corporate governance committee; and
- overseeing the evaluation of our board of directors and management.

Our board of directors may, from time to time, establish other committees.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of our outstanding common shares to file reports with the SEC regarding their share ownership and changes in their ownership of our common shares. Based on our records and representations from our directors and executive officers, we believe that all Section 16(a) filing requirements applicable to our directors and executive officers were complied with during the fiscal year ended December 31, 2025.

Item 11. Executive Compensation

Summary Compensation Table

The following table shows the compensation awarded to or earned by our principal executive officer during the fiscal year ended December 31, 2025 and December 31, 2024, our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2025 and December 31, 2024, and up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer as of December 31, 2025. The persons listed in the following table are referred to herein as the "named executive officers."

Officer Name and Principle Position	Year	Salary	Bonus	Stock Awards ⁽¹⁾	Option Awards ⁽²⁾	All Other Compensation ⁽³⁾	Total
		\$	\$	\$	\$	\$	\$
Ian Jenks	2025	414,000	150,000	—	314,116	28,713	906,829
Chief Executive Officer	2024	400,574	76,767	600	604,800	28,550	1,111,291
Barbra Keck	2025	360,150	99,041	—	139,536	21,001	619,728
Chief Financial Officer	2024	329,169	82,500	600	336,000	19,600	767,869
Simon Ogier, Ph.D.	2025	186,525	32,962	-	100,176	41,586	361,249
Chief Technology Officer	2024	202,203	32,110	600	164,640	12,979	412,532
Jonathan Watkins	2025	218,538	—	—	169,951	12,000	400,489
Chief Operating Officer	2024	—	—	—	—	—	—

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- (1) The amounts reported represent the aggregate grant-date fair value of the stock awards awarded to the named executive officer, calculated in accordance with ASC 718.
- (2) The amounts reported represent the aggregate grant-date fair value of the stock options awarded to the named executive officer, calculated in accordance with ASC 718. Such grant-date fair value does not take into account any estimated forfeitures related to service-based vesting conditions.
- (3) Represents our contributions to our workplace pension scheme, the 401(k) Plan (as defined below) and private healthcare insurance.

In accordance with the U.K. Pensions Act 2008 (the “Pensions Act”), we have established a workplace pensions scheme available for all our employees in the UK, which is equivalent to a defined contribution plan. In accordance with the Pensions Act, all eligible employees are automatically enrolled upon joining our company unless they advise they wish to opt out. As defined by the Pensions Act, the current required contributions are 5% employee and 3% employer. We match employee contributions to a maximum of 6% of base salary. Contributions made by us vest immediately.

We sponsor a 401(k) savings plan (the “401(k) Plan”) for all eligible employees. Under the 401(k) Plan, we do make matching contributions into the 401(k) Plan including the annual required safe harbor match.

Employment and Change in Control Agreements

Ian Jenks Employment Agreement

We have entered into an employment agreement with Mr. Jenks (the “Jenks Employment Agreement”) dated as of February 23, 2021 (the “Commencement Time”) setting forth the terms and conditions of his employment and his expectations as our Chief Executive Officer and President. The Jenks Employment Agreement provides, among other things, for: (i) a term of three years beginning from the Commencement Time, subject to automatic renewal for successive one year terms unless either party provides sixty (60) days prior written notice of its intent not to renew; (ii) an annual base salary of \$300,000; (iii) eligibility for an annual bonus having a target of 30% of his then base salary; and (iv) in the event that Mr. Jenks’ employment is terminated without “cause” or he resigns “for good reason” (each as defined in the Jenks Employment Agreement), or his employment is terminated at the end of the any term, as the result of our company providing notice of non-renewal, subject to execution and non-revocation of a release of claims in our favor, Mr. Jenks’ will be eligible for: (a) payments equal to six (6) months of Mr. Jenks’ base salary (at the rate in effect immediately prior to the date of termination), less applicable withholdings and authorized deductions, to be paid in equal installments in accordance with our customary payroll practices), (b) a pro-rata bonus for the year of termination and (c) in the event Mr. Jenks timely elects to continue his health insurance employee benefits pursuant to COBRA, monthly payments equal to the applicable COBRA costs for a period of six (6) months. Mr. Jenks is subject to non-compete and non-solicit provisions, which applies during the term of his employment and for a period of 12 months following termination of his employment for any reason. The Jenks Employment Agreement also contains customary confidentiality and assignment of inventions provisions. In September 2023, the compensation committee approved an increase to Mr. Jenks’ annual base salary to \$400,000 from \$300,000, effective September 1, 2023, and increased Mr. Jenks’ annual target bonus percentage to 50% of his base salary from 30% of his base salary.

On September 3, 2025, the Company and Mr. Jenks entered into an amendment (the “Amendment”) to the Employment Agreement, dated February 2, 2021, between the Company and Mr. Jenks (the “Employment Agreement”). The Amendment increases Mr. Jenks’s cash severance entitlement from six (6) months of base salary to twelve (12) months of base salary if his employment is terminated by the Company without “Cause” or if he resigns for “Good Reason,” as those terms are defined in the Employment Agreement. The Amendment was approved by the Compensation Committee on September 3, 2025.

Barbra Keck Employment Agreement

On March 29, 2023, we entered into an employment agreement with Ms. Keck (the “Keck Employment Agreement”) setting forth the terms and conditions of her employment and her expectations as Chief Financial Officer. The Keck Employment Agreement provides, among other things, for: (i) a term of three years beginning from December 14, 2022, the date of Ms. Keck’s appointment as Chief Financial Officer, subject to automatic renewal for successive one year terms unless either party provides sixty (60) days prior written notice of its intent not to renew; (ii) an annual base salary of \$300,000 (subject to adjustment upwards to \$350,000 in the board of director’s discretion, but at the latest immediately upon the listing of the Company’s common stock on either The Nasdaq Stock Market or the NYSE American Exchange); (iii) eligibility for an annual bonus having a maximum of 40% of her then base salary; and (iv) in the event that Ms. Keck’s employment is terminated without “cause” or she resigns “for good reason” (each as defined in the Keck Employment Agreement), or her employment is terminated at the end of the any term as the result of the Company providing notice of non-renewal, subject to execution and non-revocation of a release of claims in the Company’s favor, Ms. Keck will be eligible for: (a) payments equal to twelve (12) months of her base salary (at the rate in effect immediately prior to the date of termination), less applicable withholdings and authorized deductions, to be paid in equal installments in accordance with our customary payroll practices), (b) a pro-rata bonus for the year of termination and (c) in the event Ms. Keck timely elects to continue any health insurance employee benefits pursuant to COBRA, monthly payments equal to the applicable COBRA costs for a period of six (6) months. Ms. Keck is subject to non-compete and non-solicit provisions, which apply during the term of her employment and for a period of twelve (12) months following termination of her employment for any reason. The Keck Employment Agreement also contains customary confidentiality and assignment of inventions provisions. Effective on May 31, 2024, the date the Company’s common stock became listed on Nasdaq, Ms. Keck’s salary was increased to \$350,000.

Jonathan Watkins Employment Agreement

On March 10, 2025, the Company appointed Jonathan Watkins as its Chief Operating Officer. In connection with Mr. Watkins’ appointment, the Company’s wholly-owned subsidiary, SmartKem Limited (“SKL”), entered into an employment agreement with Mr. Watkins dated March 10, 2025 (the “Watkins Employment Agreement”). Under the Employment Agreement, Mr. Watkins will receive an annual base salary of \$257,000 and will be entitled to a discretionary bonus in an amount determined by the Board of Directors of SKL. The Employment Agreement provides for an unspecified term of employment, which may be terminated by either the Company or Mr. Watkins on no less than three months’ prior written notice (the “Notice Period”); provided, that SKL will have the right to terminate Mr. Watkins’ employment at any time in which event Mr. Watkins will be entitled to receive a payment of an amount equal to his base salary for the Notice Period, less required withholdings. Under certain circumstances, SKL may terminate Mr. Watkins’ employment immediately without liability. SKL will also have the option to place Mr. Watkins on Garden Leave (as defined in the Employment Agreement) at any time for a period not to exceed the Notice Period. Mr. Watkins is subject to customary non-compete and non-solicit provisions. The Employment Agreement also contains customary confidentiality and assignment of invention provisions.

Simon Ogier Employment Agreement

We entered into a service agreement with Dr. Ogier, dated as of February 23, 2021 (the “Ogier Employment Agreement”). The Ogier Employment Agreement will continue until terminated (a) by either party giving not less than six months’ prior notice in writing, (b) by SmartKem electing to make a “Payment in Lieu” whereby SmartKem pays to Dr. Ogier an amount equal to his salary which he would have been entitled to receive during the notice period referenced in clause (a), or (c) for “cause”; (iii) an annual base salary of \$163,788; and (iv) Dr. Ogier’s participation in SmartKem’s pension program and death in service (life insurance) scheme. The Ogier Employment Agreement also contains customary confidentiality and assignment of inventions provisions.

One-Time Bonuses

On February 28, 2025, the compensation committee approved one-time bonuses to Mr. Jenks, Ms. Keck, and Mr. Ogier, in amounts equal to \$150,000, \$99,041, and \$31,618, respectively.

Outstanding Equity Awards as of December 31, 2025

The following table presents information regarding the outstanding options held by each of our named executive officers as of December 31, 2025.

Name	Grant Date	Type	Option Awards		Option Exercise Price (\$)	Option Expiration Date ⁽¹⁾
			Number of Securities Underlying Unexercised Options (#)			
			Exercisable	Unexercisable		
Ian Jenks	03/31/2021	ISO	17,061	—	\$70.00	03/30/2031
	08/07/2022	ISO	3,661	625	\$70.00	08/06/2032
	06/14/2024	ISO	16,000	—	\$6.50	06/14/2034
	06/14/2024	ISO	103,125	61,875	\$6.50	06/14/2034
	04/15/2025	ISO	70,967	99,353	\$2.51	04/14/2035
Barbra Keck	09/03/2025	NQSO	50,001	110,004	\$1.16	09/02/2035
	03/31/2021	NQSO	515	—	\$70.00	03/30/2031
	08/07/2022	NQSO	147	25	\$70.00	08/06/2032
	12/14/2022	NQSO	9,644	3,214	\$70.00	12/13/2032
	06/14/2024	ISO	62,500	37,500	\$6.50	06/14/2034
Simon Ogier, Ph.D.	04/15/2025	ISO	31,525	44,135	\$2.51	04/14/2035
	09/03/2025	NQSO	22,211	48,866	\$1.16	09/02/2035
	03/31/2021	NQSO	5,332	—	\$70.00	03/31/2031
	07/08/2022	NQSO	1,098	188	\$70.00	07/08/2032
	06/14/2024	NQSO	30,625	18,375	\$6.50	06/14/2034
Jonathan Watkins	04/15/2025	NQSO	32,357	45,299	\$2.51	04/14/2035
	04/15/2025	NQSO	54,894	76851	\$2.51	04/14/2035

⁽¹⁾ The expiration date shown is the normal expiration date and the latest date that options may be exercised subject to certain extraordinary events.

Director Compensation

The following table sets forth information concerning the compensation paid to our directors during 2025.

Director Name	Year	Cash	Stock	Stock Option	Total
		Compensation ⁽⁵⁾	Awards	Awards	
		\$	\$	\$	\$
Klaas de Boer ⁽¹⁾	2025	55,000	—	44,105	99,105
Steven DenBaars ⁽²⁾	2025	55,000	—	44,105	99,105
Sri Peruvemba ⁽³⁾	2025	55,000	—	44,105	99,105
Melisa Denis ⁽⁴⁾	2025	60,000	—	44,105	104,105

⁽¹⁾ The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2025 held by Mr. de Boer was 67,068.

⁽²⁾ The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2025 held by Mr. DenBaars was 66,896.

⁽³⁾ The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2025 held by Mr. Peruvemba was 68,268.

⁽⁴⁾ The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2025 held by Ms. Denis was 66,381.

⁽⁵⁾ All board of directors were paid for the first quarter of 2025; the remaining three quarters have been accrued.

Non-Employee Director Compensation

On March 31, 2021, the board of directors, upon recommendation of the Compensation Committee, adopted a non-employee director compensation policy (the “Policy”), pursuant to which each non-employee employee director is entitled to receive an annual cash retainer of \$36,000. On July 31, 2024, the Board approved (i) an increase to the annual cash retainer to \$55,000 and (ii) an annual \$5,000 cash retainer to the Audit Committee chairperson. In addition, each non-employee director was initially granted options to purchase 18,000 shares of common stock, which will vest 25% on the one-year anniversary of the grant date and the remainder in equal monthly installments over three years and is entitled in each subsequent year to receive options to purchase 6,000 shares of common stock, which will vest on the one-year anniversary of the grant date. All equity awards granted pursuant to Policy are subject to the terms and conditions of the Company’s 2021 Equity Incentive Plan and/or the UK Tax-Advantaged Sub-Plan.

Policies and Practices Related to the Timing of Grants of Certain Equity Awards

Equity grants to new employees and directors may be made at the board of directors meeting following their hiring or appointment. To extent that we make equity grants to existing employees or directors, we typically have done so at board meetings at which officer bonuses are also determined. We do not have a practice of granting equity awards annually. We do not grant equity awards in anticipation of the release of material nonpublic information. Similarly, we do not time the release of material nonpublic information about the company based on equity award grant dates.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

General

The 2021 Equity Incentive Plan which includes a UK Tax-Advantaged Sub-Plan for employees of SmartKem based in the United Kingdom (the “2021 Plan”) was approved by our board of directors and stockholders on February 23, 2021. The general purpose of the 2021 Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to our employees, directors, and consultants, and to promote the success of our business.

The following table provides information with respect to our compensation plans under which equity compensation was authorized as of December 31, 2025.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders ⁽¹⁾ ⁽²⁾ ⁽³⁾	1,643,122	\$ 5.91	4
Equity compensation plans not approved by security holders	—	\$ —	—
Total	1,643,122	\$ 5.91	4

⁽¹⁾ The amounts shown in this row include securities under the 2021 Plan.

⁽²⁾ In accordance with the “evergreen” provision in our 2021 Plan, an additional 65,000 shares were automatically made available for issuance on the first day of 2025, which represents the maximum number of shares that can be added to the plan as a result of the evergreen provision.

⁽³⁾ Additional 800,000 shares were approved at the Annual Meeting of Shareholders on May 28, 2025.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of April 7, 2026, by:

- each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and current executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated in the footnotes below, and subject to applicable community property laws, we believe, based on the information furnished to us, the persons and entities named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them. The percentage of beneficial ownership is based on 21,202,911 shares of our common stock outstanding as of April 7, 2026. In computing the number of shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all shares of our common stock as to which such person or entity has the right to acquire within 60 days of April 7, 2026, through the exercise of any option or other right. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise noted below, the address of each beneficial owner named below is c/o SmartKem, Inc., Manchester Technology Center, Hexagon Tower, Delaunays Road, Blackley Manchester, M9 8GQ U.K.

Name of Beneficial Owner	Shares Beneficially Owned (#)	Percentage Beneficially Owned (%)
5% Stockholders:		
Orin Hirschman ⁽¹⁾	2,099,088	9.9%
Strategic Capital Advisors, Ltd. ⁽²⁾	4,211,898	19.9%
Executive Officers and Directors:		
Ian Jenks ⁽³⁾	323,369	4.3%
Jonathan Watkins ⁽⁴⁾	68,617	*
Barbra Keck ⁽⁵⁾	153,701	2.0%
Simon Ogjer ⁽⁶⁾	88,499	*
Klaas de Boer ⁽⁷⁾	54,323	*
Steven DenBaars ⁽⁸⁾	37,707	*
Sri Peruvemba ⁽⁹⁾	38,385	*
Melisa Denis ⁽¹⁰⁾	36,498	*
All directors and current executive officers as a group:	861,637	4.1%

* Less than 1%

(1) Based upon information contained in a Schedule 13G/A filed by AIGH Capital Management, LLC (“AIGH CM”) and Mr. Orin Hirschman on January 30, 2026 and other information known to the Company. Consists of shares of our common stock held by AIGH Investment Partners, L.P. (“AIGH LP”), WVP Emerging Manger Onshore Fund, LLC (“WVP”) and by AIGH Investment Partners, LLC (“AIGH LLC”). Excludes, after giving effect to the 9.99% beneficial ownership blockers, shares of common stock issuable upon the exercise of certain warrants. Mr. Hirschman is the managing member of AIGH CM, which is an advisor or sub-advisor with respect to the securities held by AIGH LP and WVP, and president of AIGH LLC. Mr. Hirschman has voting and investment control over the securities indirectly held by AIGH CM and directly by AIGH LP and AIGH LLC. The address of Mr. Hirschman, AIGH CM, AIGH LP, WVP and AIGH LLC is 6006 Berkeley Ave., Baltimore, MD 21209.

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- (2) Based upon the Company's records, shares of our common stock held by Strategic Capital Advisors. The address of Strategic Capital Advisors is Old Ford Bay Town Center, Unit 7, Building 2, Nassau NP.
- (3) Includes 10,511 shares of our common stock held and options to acquire 312,858 shares of our common stock exercisable within 60 days of March 31, 2025.
- (4) Includes options to acquire 68,617 shares of our common stock exercisable within 60 days of March 31, 2025.
- (5) Includes 100 shares of our common stock held and options to acquire 153,601 shares of our common stock exercisable within 60 days of March 31, 2025.
- (6) Includes 5,760 shares of our common stock held and options to acquire 26,469 shares of our common stock exercisable within 60 days of March 31, 2025.
- (7) Includes (i) 11,430 shares of our common stock held by Mr. de Boer's spouse in our private placement that closed in February 2021, (ii) options to acquire 37,078 shares of our common stock exercisable within 60 days of March 31, 2025, (iii) 5,715 shares of common stock issuable upon exercise of certain warrants held by Mr. de Boer's spouse and (iv) 100 shares of common stock held by Mr. de Boer.
- (8) Includes 815 shares of our common stock held and options to acquire 36,892 shares of our common stock exercisable within 60 days of March 31, 2025.
- (9) Includes 100 shares of our common stock held and options to acquire 38,285 shares of our common stock exercisable within 60 days of March 31, 2025.
- (10) Includes 100 shares of our common stock held and options to acquire 36,398 shares of our common stock exercisable within 60 days of March 31, 2025.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The following is a description of transactions since January 1, 2025, and each currently proposed transaction in which:

- The Company ("we") has been or is to be a participant;
- the amount involved exceeded or will exceed the lesser of \$120,000 or 1% of our total assets at year-end for our last two completed fiscal years; and
- any of our directors, executive officers or beneficial owners of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest, other than compensation and other arrangements that are described in the section titled "Executive Compensation."

Consulting Arrangement with Jonathan Watkins

Prior to his appointment as our Chief Operating Officer, Mr. Watkins served as a consultant to our company pursuant to an oral consulting arrangement. During the fiscal year ended December 31, 2024, we paid DITEVEN, a company controlled by Mr. Watkins, \$65,501 for his services. From January 1, 2025 through Mr. Watkins' appointment as our Chief Operating Officer on March 10, 2025, we paid DITEVEN \$67,364.

2026 Debt Conversion Agreement

On February 5, 2026, we entered into a debt conversion agreement with SmartKem Limited, a wholly owned subsidiary of the Company, and a creditor (the "Creditor"), pursuant to which we agreed to issue to the Creditor (i) 385,130 shares of the Company's common stock, par value \$0.0001 per share, at an ascribed price of \$2.75 per share and (ii) pre-funded warrants to purchase 348,260 shares of Common Stock in satisfaction of approximately \$2,016,821 owed to the Creditor by SmartKem Limited.

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, any members of the immediate family of any of the foregoing persons and any firms, corporations or other entities in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest (collectively “related parties”), are not permitted to enter into a transaction with us without the prior consent of our board of directors acting through the Audit Committee or, in certain circumstances, the chairman of the Audit Committee. Any request for us to enter into a transaction with a related party, in which the amount involved exceeds \$100,000 and such related party would have a direct or indirect interest must first be presented to our Audit Committee, or in certain circumstances the chairman of our Audit Committee, for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee, or the chairman of our Audit Committee, is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the benefits to us, the availability of other sources of comparable products or services and the extent of the related party’s interest in the transaction.

Director Independence

Pursuant to the rules of Nasdaq, a director will only qualify as an “independent director” if, in the opinion of that company’s board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under such rules, our board of directors has determined that all current members of the board of directors are independent, except Mr. Jenks and Mr. Peruvemba. Mr. Jenks is not an independent director under these rules because he is an executive officer of the Company. Mr. Peruvemba is not an independent director under these rules, because, prior to his appointment to the board of directors, he served as a consultant to the Company and had earned compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the last three years. In making such independence determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. In considering the independence of the directors listed above, our board of directors considered the association of our directors with the holders of more than 5% of our common stock. There are no family relationships among any of our directors and executive officers.

Item 14. Principal Accountant Fees and Services

Principal Accountant Fees and Services

The following table summarizes the fees paid for professional services rendered by CBIZ, CPAs P.C. for 2025 and Marcum, LLP for 2024, our independent registered public accounting firm, for each of the last fiscal years:

US\$(000)	For the Years End December 31,	
	2025	2024
Audit fees	\$ 343	\$ 505
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	\$ 343	\$ 505

Audit Fees

Represents fees, including out of pocket expenses, for professional services provided in connection with the audit of our annual financial statements, the review of our quarterly financial statements, accounting consultations or advice

on accounting matters necessary for the rendering of an opinion on our financial statements, services provided in connection with the offerings of our securities and audit services provided in connection with other statutory or regulatory filings.

Procedures for Approval of Fees

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent auditors. The Audit Committee has established a policy regarding pre-approval of all auditing services and the terms thereof and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to us by the independent auditor. However, the pre-approval requirement may be waived with respect to the provision of non-audit services for us if the “de minimums” provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied.

The Audit Committee is responsible for reviewing and discussing the audited financial statements with management, discussing with the independent registered public accountants the matters required in Auditing Standards No. 16, receiving written disclosures from the independent registered public accountants required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountants’ communications with the Audit Committee concerning independence and discussing with the independent registered public accountants their independence, and recommending to our board of directors that the audited financial statements be included in our annual report on Form 10-K.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

1. Financial Statements: See Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules: All schedules are omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes thereto.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

See Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description
2.1*	Share Exchange Agreement, dated as of February 23, 2021, among the Registrant, SmartKem Limited and the shareholders of SmartKem Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 24, 2021)
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed on March 31, 2025)
3.2	Amended and Restated Bylaws of the Registrant, as currently in effect (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed on February 24, 2021)
4.1	Form of Registration Rights Agreement (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 24, 2021)
4.2	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on February 24, 2021)
4.3	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on February 24, 2021)
4.4	Description of Securities (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed on March 31, 2025)
4.5	Form of Class A Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 15, 2023)
4.6	Form of Class B Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 15, 2023)
4.7	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on June 15, 2023)
4.8	Form of Class C Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 29, 2024)
4.9	Form of Pre-funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 20, 2024)
4.10	Form of Class D Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 20, 2024)
4.11	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 3, 2025)
4.12	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 30, 2026)
4.13	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 6, 2026)
10.1#	2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 24, 2021)
10.2#	U.K. Tax Advantaged Sub-Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 24, 2021)
10.3*	Form of Subscription Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 24, 2021)
10.4#	Employment Agreement, dated as of February 23, 2021, by and between the Registrant and Ian Jenks (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on February 24, 2021)

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10.5#	<u>Employment Agreement, dated as of February 23, 2021, by and between SmartKem Limited and Simon Ogier (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on February 24, 2021)</u>
10.6#	<u>Consultancy Agreement, dated as of February 23, 2021, by and between SmartKem Limited and B Brown Consultants Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed on February 24, 2021)</u>
10.7	<u>Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K filed on February 24, 2021)</u>
10.8	<u>Form of Pre-Exchange Indemnity Agreement (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K filed on February 24, 2021)</u>
10.9	<u>Letter Agreement, dated as of February 23, 2021, among the Registrant and Octopus Titan VCT plc and certain related parties (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K filed on February 24, 2021)</u>
10.10	<u>Subscription Agreement, dated January 27, 2022, by and between the Company and the Purchasers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 27, 2022)</u>
10.11	<u>Registration Rights Agreement, dated January 27, 2022, by and between the Company and the Purchasers (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 27, 2022)</u>
10.12* **	<u>Renewal Lease by Reference of Lease of The Whole of the 8th Floor, Hexagon Tower, Manchester, M9 8GP, dated April 12, 2022, between AG Hexagon BV and SmartKem Limited (incorporated by reference to Exhibit 10.3 on the Company's Quarterly Report on Form 10-Q filed on May 13, 2022)</u>
10.13#	<u>Employment Agreement, dated as of December 14, 2022, by and between the Registrant and Barbra Keck (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed on March 30, 2023)</u>
10.14	<u>Form of Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2023)</u>
10.15	<u>Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 15, 2023)</u>
10.16*	<u>Technical Service Agreement, dated July 1, 2023, by and between SmartKem Limited and Industrial Technology Research Institute (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 filed on July 24, 2023)</u>
10.17#	<u>Amendment to the 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 28, 2023)</u>
10.18	<u>Form of Consent Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 29, 2024)</u>
10.19	<u>Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 29, 2024)</u>
10.20	<u>Framework Supply Agreement, dated March 22, 2024, by and between SmartKem Limited and CPI Innovation Services Limited (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on March 27, 2024)</u>
10.21*	<u>Joint Development Agreement, dated July 26, 2024, by and between SmartKem Limited and Shanghai Chip Foundation Semiconductor Technology Co., Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2024)</u>
10.22**	<u>Collaboration Agreement, dated November 19, 2024, by and between SmartKem Limited and AUO (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 25, 2024)</u>

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10.23**	<u>Collaboration Agreement, dated December 2, 2024, by and between SmartKem Limited and Flexible Integrated Circuits, SL (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 5, 2024)</u>
10.24	<u>Consent and Amendment Agreement, dated December 17, 2024, by and among SmartKem, Inc. and the holders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 18, 2024)</u>
10.25	<u>General Release, dated December 17, 2024, by and between SmartKem, Inc. and Hewlett Fund LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 18, 2024)</u>
10.26	<u>Placement Agency Agreement, dated December 18, 2024, by and between SmartKem, Inc. and Craig-Hallum Capital Group LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on December 20, 2024)</u>
10.27	<u>Form of Securities Purchase Agreement, dated December 18, 2024, by and among SmartKem, Inc. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2024)</u>
10.28	<u>Form of Securities Purchase Agreement, dated December 18, 2024, by and among the Company and the purchasers party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2024)</u>
10.29	<u>Form of Registration Rights Agreement, dated December 18, 2024, by and among the Company and the parties thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2024)</u>
10.30#	<u>Employment Agreement, dated as of March 10, 2025, by and between SmartKem Limited and Jonathan Watkins (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 10, 2025)</u>
10.31**	<u>Letter of Variation, dated March 28, 2025, by and between SmartKem Limited and CPI Innovation Services Limited (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed on March 31, 2025)</u>
10.32*	<u>License of Office Space, dated March 28, 2025, by and between SmartKem Limited and CPI Innovation Services Limited (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K filed on March 31, 2025)</u>
10.33	<u>Amendment to the 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2025)</u>
10.34	<u>Letter of Variation, dated June 1, 2025, by and between SmartKem Limited and CPI Innovation Services Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 4, 2025)</u>
10.35	<u>Letter of Variation, dated June 19, 2025, by and between SmartKem Limited and CPI Innovation Services Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 24, 2025)</u>
10.36	<u>Lease of The Whole of the 8th Floor, Hexagon Tower, Manchester, M9 8GP, dated May 22, 2025, between AG Hexagon BV and SmartKem Limited (incorporated by reference to Exhibit 10.4 on the Company's Quarterly Report on Form 10-Q filed on August 12, 2025)</u>
10.37	<u>Amendment No. 1 to Employment Agreement, dated September 3, 2025, by and between SmartKem, Inc. and Ian Jenks (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 5, 2025)</u>
10.38	<u>Amendment Agreement, dated October 13, 2025 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 14, 2025)</u>
10.39	<u>Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 3, 2025)</u>

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10.40	Form of Senior Secured Note (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 3, 2025)
10.41	Security Agreement, dated October 31, 2025, by and between SmartKem, Inc. and The Hewlett Fund LP, as collateral agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 3, 2025)
10.42	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 30, 2026)
10.43	Form of Debt Conversion Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 6, 2026)
10.44	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.45	Form of Senior Secured Promissory Note (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.46	Form of Security and Pledge Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.47	Form of Guaranty (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.48	Form of Intellectual Property Security Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.49	Form of Settlement Agreement and Release (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.50	Form of Intellectual Property Assignment Agreement (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on March 19, 2026)
10.51	Form of Waiver and Termination Agreement (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on March 19, 2026)
16.1	Letter to Securities and Exchange Commission from Marcum LLP dated April 22, 2025 (incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K filed on April 22, 2025)
19.1	Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Company's Annual Report on Form 10-K filed on March 31, 2025)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K filed on March 30, 2023)
23.1†	Consent of Marcum LLP, independent registered public accounting firm (Marcum LLP, New York, USA, PCAOB ID # 688)
23.2 †	Consent of CBIZ CPAs L.P., independent registered public accounting firm (CBIZ CPAs L.P., New York, USA, PCAOB ID #199)
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1††	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2††	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	Incentive Compensation Repayment (Clawback) Policy (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K filed on March 31, 2025)
101.INS†	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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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 (formatted in Inline XBRL and contained in Exhibit 101)

* Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant hereby undertakes to furnish supplementally a copy of any of the omitted schedules and exhibits to the SEC on a confidential basis upon request.

† Filed herewith.

†† This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

Indicates management contract or compensatory plan.

** Portions of the exhibit, marked by brackets, have been omitted because the omitted information (i) is not material and (ii) is of the type the registrant customarily and actually treats as private or confidential. The Registrant hereby undertakes to furnish supplementally a copy of any of the omitted schedules and exhibits to the SEC on a confidential basis upon request.

Item 16. Form 10-K Summary

None.

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, duly authorized.

Date: April 7, 2026

SMARTKEM, INC.

By: /s/ Ian Jenks
Name: Ian Jenks
Title: Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

By: /s/ Barbra C. Keck
Name: Barbra C. Keck
Title: Chief Financial Officer
(Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ian Jenks and Barbra C. Keck, jointly and severally, his or her true and lawful attorneys-in-fact and agent, each with the power of substitution, for him in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ian Jenks</u> Ian Jenks	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	April 7, 2026
<u>/s/ Barbra C. Keck</u> Barbra C. Keck	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 7, 2026
<u>/s/ Klaas de Boer</u> Klaas de Boer	Director	April 7, 2026
<u>/s/ Steven DenBaars</u> Steven DenBaars	Director	April 7, 2026
<u>/s/ Sri Peruvemba</u> Sri Peruvemba	Director	April 7, 2026
<u>/s/ Melisa Denis</u> Melisa Denis	Director	April 7, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Forms S-8 (No. 333-254904, 333-264184, 333-269557, 333-278631), Form S-1 (No. 333-286437), and Forms S-3 (No. 333-264182, 333-273392, 333-278630, 333-281608) of our report dated March 31, 2025, with respect to the consolidated financial statements of SmartKem, Inc. and its subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ MARCUM LLP

New York, NY
April 7, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Forms S-8 (No. 333-254904, 333-264184, 333-269557, 333-278631), Form S-1 (No. 333-286437), and Forms S-3 (No. 333-264182, 333-273392, 333-278630, 333-281608) of our report dated April 7, 2026, with respect to the consolidated financial statements of SmartKem, Inc. and its subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ CBIZ CPAs P.C.

New York, NY
April 7, 2026

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

I, Ian Jenks, certify that:

1. I have reviewed this annual report on Form 10-K of SmartKem, 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: April 7, 2026

/s/ Ian Jenks

Ian Jenks

Chief Executive Officer

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

I, Barbra Keck, certify that:

1. I have reviewed this annual report on Form 10-K of SmartKem, 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: April 7, 2026

/s/ Barbra Keck

Barbra Keck

Chief Financial Officer

**Certification of Chief Executive 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 this Annual Report of SmartKem, Inc. (the "Company") on Form 10-K for the year ended December 31, 2025 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, the undersigned, Ian Jenks, Chief Executive Officer of the Company, hereby certifies, to the knowledge of the undersigned, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 7, 2026

/s/ Ian Jenks

Ian Jenks

Chief Executive Officer

**Certification of 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 this Annual Report of SmartKem, Inc. (the "Company") on Form 10-K for the year ended December 31, 2025 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, the undersigned, Barbra Keck, Chief Financial Officer of the Company, hereby certifies, to the knowledge of the undersigned, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 7, 2026

/s/ Barbra Keck

Barbra Keck

Chief Financial Officer
