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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2026

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: 001-42115

SmartKem, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

3 Germay Drive, Unit 4 #1029
Wilmington, DE

(Address of Principal Executive Offices)

85-1083654

(I.R.S. Employer Identification Number)

19804

(Zip 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

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of August 12, 2026, there were 28,263,733 shares of the registrant’s common stock outstanding.

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Item 1. Financial Statements

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

	June 30, 2026	December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 3,689	\$ 374
Accounts receivable	—	3
Research and development tax credit receivable	—	549
Note receivables	6,213	—
Prepaid expenses and other current assets	454	575
Total current assets	10,356	1,501
Property, plant and equipment, net	—	180
Right-of-use assets, net	—	607
Total assets	\$ 10,356	\$ 2,288
Liabilities and stockholders' (deficit) / equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 675	\$ 4,603
Lease liabilities, current	—	271
Notes payable, net	—	928
Deferred revenue	—	108
Total current liabilities	675	5,910
Lease liabilities, non-current	—	312
Total liabilities	675	6,222
Contingencies (Note 9)	—	—
Stockholders' equity / (deficit):		
Preferred stock, par value \$0.0001 per share, 10,000,000 shares authorized, 26,411.5 and 0 shares issued and outstanding, at June 30, 2026 and December 31, 2025, respectively	—	—
Common stock, par value \$0.0001 per share, 5,000,000,000 shares authorized, 25,682,643 and 6,839,689 shares issued and outstanding, at June 30, 2026 and December 31, 2025, respectively	3	1
Additional paid-in capital	157,433	124,772
Accumulated other comprehensive loss	—	(3,578)
Accumulated deficit	(147,755)	(125,129)
Total stockholders' equity / (deficit)	9,681	(3,934)
Total liabilities and stockholders' equity / (deficit)	\$ 10,356	\$ 2,288

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue	\$ —	\$ 32	\$ 20	\$ 55
Cost of revenue	—	28	4	29
Gross profit	—	4	16	26
Other operating income	—	279	34	530
Operating expenses				
Research and development	703	2,426	1,616	3,923
General and administrative	778	2,360	2,442	4,369
Gain on foreign currency transactions	(82)	(131)	(36)	(226)
Total operating expenses	1,399	4,655	4,022	8,066
Loss from operations	(1,399)	(4,372)	(3,972)	(7,510)
Non-operating (expense) / income				
Gain / (loss) on foreign currency transactions	437	1,970	(373)	2,939
Loss on the write-off of bad debts	(45,648)	—	(45,648)	—
Gain on deconsolidation of investment of subsidiary	43,308	—	43,308	—
Change in fair value of derivative liabilities	—	—	(3,391)	—
Change in fair value of convertible notes receivable	(287)	—	(287)	—
Expense for commitment shares issued upon signing the equity line of credit (ELOC)	—	—	(11,874)	—
Origination fees	400	—	400	—
Loss on settlement of debt	—	—	(371)	—
Transaction costs related to debt financing	(64)	—	(131)	—
Interest, net	(3)	3	(286)	13
Total non-operating (expense) / income	(1,857)	1,973	(18,653)	2,952
Loss before income taxes	(3,256)	(2,399)	(22,625)	(4,558)
Income tax (expense) / refund	(1)	(1)	(1)	24
Net loss	\$ (3,257)	\$ (2,400)	\$ (22,626)	\$ (4,534)
Common share data:				
Basic and diluted net loss per common share	\$ (0.14)	\$ (0.30)	\$ (1.19)	\$ (0.62)
Weighted average shares outstanding - basic and diluted	23,510,439	8,070,836	18,998,427	7,364,145
Net loss	\$ (3,257)	\$ (2,400)	\$ (22,626)	\$ (4,534)
Other comprehensive loss:				
Foreign currency translation	2,668	(2,064)	3,578	(3,069)
Total comprehensive loss	\$ (589)	\$ (4,464)	\$ (19,048)	\$ (7,603)

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

SMARTKEM, INC.
Condensed Consolidated Statements of Stockholders' Equity / (Deficit)
(Unaudited)
(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 / (deficit)
	Shares	Amount	Shares	Amount				
Balance at January 1, 2026	—	\$ —	6,839,689	\$ 1	\$ 124,772	\$ (3,578)	\$ (125,129)	\$ (3,934)
Stock-based compensation expense	—	—	—	—	255	—	—	255
Exercise of stock options into common stock	—	—	5,089	—	—	—	—	—
Cashless exercise of warrants into common stock	—	—	1,930,524	—	—	—	—	—
Common stock issued for settlement of debt	—	—	385,130	—	342	—	—	342
Issuance of common stock and warrants, net of issuance costs	—	—	677,129	—	555	—	—	555
Issuance of common stock, net of issuance costs	—	—	11,365,350	1	2,464	—	—	2,465
Issuance of Series A-1 Preferred Stock and warrants, net of issuance costs	5,786.5	—	—	—	4,446	—	—	4,446
Exchange of notes payable for Series A-1 Preferred Stock	5,625.0	—	—	—	7,862	—	—	7,862
Issuance of Series A-1 Preferred Stock for equity line of credit (ELOC)	10,000.0	—	—	—	11,874	—	—	11,874
Foreign currency translation adjustment	—	—	—	—	—	910	—	910
Net loss	—	—	—	—	—	—	(19,369)	(19,369)
Balance at March 31, 2026	<u>21,411.5</u>	<u>\$ —</u>	<u>21,202,911</u>	<u>\$ 2</u>	<u>\$ 152,570</u>	<u>\$ (2,668)</u>	<u>\$ (144,498)</u>	<u>\$ 5,406</u>
Stock-based compensation expense	—	—	—	—	212	—	—	212
Fair value of warrants issued related to broker fees	—	—	—	—	3	—	—	3
Issuance of Series A-1 Preferred Stock and warrants, net of issuance costs	5,000.0	—	—	—	3,041	—	—	3,041
Exercise of warrants into common stock	—	—	349,732	—	37	—	—	37
Issuance of common stock pursuant to equity line of credit (ELOC)	—	—	4,130,000	1	1,570	—	—	1,571
Foreign currency translation adjustment	—	—	—	—	—	2,668	—	2,668
Net loss	—	—	—	—	—	—	(3,257)	(3,257)
Balance at June 30, 2026	<u>26,411.5</u>	<u>\$ —</u>	<u>25,682,643</u>	<u>\$ 3</u>	<u>\$ 157,433</u>	<u>\$ —</u>	<u>\$ (147,755)</u>	<u>\$ 9,681</u>

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

SMARTKEM, INC.
Condensed Consolidated Statements of Stockholders' Equity / (Deficit)
(Unaudited)
(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	—	—	—	—	250	—	—	250
Issuance of common stock to vendor	—	—	30,000	—	85	—	—	85
Foreign currency translation adjustment	—	—	—	—	—	(1,005)	—	(1,005)
Net loss	—	—	—	—	—	—	(2,134)	(2,134)
Balance at March 31, 2025	856	\$ —	3,620,217	\$ —	\$ 122,651	\$ (2,110)	\$ (116,754)	\$ 3,787
Stock-based compensation expense	—	—	—	—	260	—	—	260
Issuance of common stock to vendor	—	—	130,000	—	290	—	—	290
Conversion of Preferred stock into common stock	(856)	—	690,788	—	—	—	—	—
Exercise of warrants into common stock	—	—	160	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	(2,064)	—	(2,064)
Net loss	—	—	—	—	—	—	(2,400)	(2,400)
Balance at June 30, 2025	—	\$ —	4,441,165	\$ —	\$ 123,201	\$ (4,174)	\$ (119,154)	\$ (127)

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

SMARTKEM, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2026	2025
Cash flow from operating activities:		
Net loss	\$ (22,626)	\$ (4,534)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	65	113
Stock-based compensation expense	467	510
Issuance of common stock to vendor	—	375
Right-of-use asset amortization	123	124
Loss / (gain) on foreign currency transactions	336	(3,165)
Loss on investment of subsidiary	(43,308)	—
Loss on write-off of bad debts	45,648	—
Expense for commitment shares issued upon signing the equity line of credit (ELOC)	11,874	—
Change in fair value of derivative liabilities	3,391	—
Change in fair value of convertible notes receivable	287	—
Debt discount amortization	283	—
Loss on the extinguishment of debt	371	—
Transactions costs allocable to notes payable and equity line of credit (ELOC)	131	—
Change in operating assets and liabilities:		
Research and development tax credit receivable	—	(259)
Prepaid expenses and other assets	(120)	(523)
Accounts payable and accrued expenses	(258)	1,154
Lease liabilities	(57)	(88)
Other current liabilities	—	172
Net cash used in operating activities	(3,393)	(6,121)
Cash flows from investing activities:		
Payment for convertible notes receivable	(6,500)	—
Deconsolidation of subsidiary	(852)	—
Net cash used by investing activities	(7,352)	—
Cash flow from financing activities:		
Gross proceeds received related to Common Stock and Warrants Purchase Agreement	681	—
Payments for financing expense related to Common Stock and Warrants Purchase Agreement	(127)	—
Payment for legal expenses related to extinguishment of debt	(10)	—
Gross proceeds received related to note payable	2,625	—
Payment for legal expense related to notes payable	(50)	—
Principal payment for the settlement of note payable	(1,100)	—
Payment for a release of claims related to notes payable	(300)	—
Gross proceeds received related to Common Stock Purchase Agreement	2,617	—
Payment for financing expense related to Common Stock Purchase Agreement	(189)	—
Gross proceeds received related to Preferred Stock and Warrants Purchase Agreement	8,630	—
Payment for financing expense related to Preferred Stock and Warrants Purchase Agreement	(1,104)	—
Payment for financing expense related to equity line of credit (ELOC)	(17)	—
Principal payment on the financing of the director and officer insurance policy	(112)	—
Proceeds received for exercise of common stock warrants	37	—
Proceeds received related to equity line of credit (ELOC)	1,571	—
Net cash provided by financing activities	13,152	—
Effect of exchange rate changes on cash	908	132
Net change in cash	3,315	(5,989)
Cash, beginning of period	374	7,141
Cash, end of period	<u>\$ 3,689</u>	<u>\$ 1,152</u>
Supplemental disclosure of cash and non-cash investing and financing activities		
Right-of-use asset and lease liability additions	—	653
Initial classification of fair value of derivative liability	1,460	—
Debt discount related to notes payable	1,125	—
Conversion of debt to preferred stock and warrants	7,862	—
Financing of directors' and officers' liability insurance with debt	112	—

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

1. GENERAL

Organization

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, 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

On June 12, 2026, SmartKem Limited (subsidiary of SmartKem, Inc) entered Creditors' Voluntary Liquidation and was deconsolidated following the appointment of an administrator. As a result, SmartKem Limited's assets, liabilities, operations, and results are no longer included in the Company's consolidated financial statements beginning June 12, 2026.

Upon liquidation and deconsolidation, the development and manufacturing of our custom electronic materials was taken over by SmartKem, Inc. The design and develop our materials continue to take place at our research and development facility in Manchester, UK by a team of people hired from the subsidiary. We operate with an international footprint, providing materials development, prototyping and technical support to customers and collaborators globally. 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.

During the first six months of 2026, SmartKem was involved in a number of financing transactions. 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.

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

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.
Notes to the Unaudited Condensed Consolidated Financial Statements

Going Concern

The Company has incurred continuing losses including net losses of \$22.6 million for the six months ended June 30, 2026. The Company's cash as of June 30, 2026 was \$3.7 million with net cash used in operating activities of \$3.4 million for the six months ended June 30, 2026. The Company anticipates operating losses to continue for the foreseeable future due to, among other things, costs related to research funding and further development of our technology and products.

The Company expects that its cash and cash equivalents of \$3.7 million as of June 30, 2026 will not be sufficient to fund its operating expenses for the 12 months from the issuance of these financial statements. In the event that the Company is unable to raise additional capital in the near term, it may have to curtail its operations or seek protection under applicable bankruptcy or insolvency laws.

The Company's future viability will continue to be dependent on its ability to raise additional capital to fund its operations. The Company will need to obtain additional funds to satisfy its operational needs. Until such time, if ever, as the Company can generate sufficient cash through revenue, management's plans are to finance the Company's working capital requirements through a combination of equity offerings, including the issuance of Common Stock pursuant to the ELOC Purchase Agreement (as defined in Note 8), debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. If the Company raises additional funds by issuing equity securities, the Company's existing security holders will likely experience dilution. If the Company borrows money, the incurrence of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that could restrict its operations. If the Company enters 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 the Company will be able to pay its obligations as they fall due, and this substantial doubt is not alleviated by management plans. The condensed consolidated financial statements as of June 30, 2026 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 Presentation

The unaudited interim condensed consolidated financial statements of the Company as of June 30, 2026 and December 31, 2025 and for the three and six months ended June 30, 2026 and 2025 should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "Annual Report"), which was filed with the SEC on April 8, 2026 and may also be found on the Company's website (www.smartkem.com). In these notes to the interim condensed consolidated financial statements the terms "us," "we" or "our" refer to the Company and its consolidated subsidiaries.

These interim condensed consolidated financial statements are unaudited and were prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim reporting and with the SEC's instructions to Form 10-Q and Article 10 of Regulation S-X. They include the accounts of all wholly owned subsidiaries and all significant inter-company accounts and transactions have been eliminated in consolidation. Amounts are presented in thousands, except number of shares and per share data.

The preparation of interim condensed consolidated financial statements requires management to make assumptions and estimates that impact the amounts reported. These interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's results of operations, financial position and cash flows for the interim periods ended

SMARTKEM, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements

June 30, 2026 and 2025; however, certain information and footnote disclosures normally included in our audited consolidated financial statements included in our Annual Report have been condensed or omitted as permitted by GAAP. It is important to note that the Company's results of operations and cash flows for interim periods are not necessarily indicative of the results of operations and cash flows to be expected for a full fiscal year or any interim period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than the policies listed below, there have been no material changes to the Company's significant accounting policies as set forth in Note 3 Summary of Significant Accounting Policies to the consolidated financial statements included in the Company's Annual Report.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with 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 relate to the valuation of common stock, fair value of stock options and fair value of derivative liabilities. 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.

Deconsolidation of Subsidiary

The Company consolidates entities in which it has a controlling financial interest in accordance with ASC 810, Consolidation. When the Company ceases to have a controlling financial interest in a subsidiary, including as a result of the voluntary liquidation or dissolution of a subsidiary, the Company deconsolidates the subsidiary as of the date control is lost. The Company recognizes a gain or loss on deconsolidation based on the difference between the carrying amount of the subsidiary's net assets, including amounts attributable to noncontrolling interests, and the fair value of any consideration received and any retained interest in the former subsidiary. Any retained interest is initially measured at fair value on the date control is lost and subsequently accounted for in accordance with applicable U.S. GAAP. The results of operations and cash flows of the subsidiary are included in the Company's consolidated financial statements through the date of deconsolidation.

Notes Receivable

The Company accounts for its notes receivable in accordance with ASC 825, *Financial Instruments*, and ASC 820, *Fair Value Measurement*. Upon initial recognition of certain notes receivable, the Company may elect the fair value option, which permits eligible financial assets to be measured at fair value with changes in fair value recognized in earnings each reporting period. The fair value option election is irrevocable and is made on an instrument-by-instrument basis upon the initial recognition of the financial asset.

The Company elected the fair value option for its convertible promissory notes receivable issued by Ferrox Critical Minerals Ltd. ("Ferrox"). Management believes that accounting for the notes receivable at fair value provides more relevant information regarding the economic characteristics of the instruments, including the impact of the embedded conversion features and changes in the underlying value of the investee.

The notes receivable are initially recorded at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair value are recognized within other income (expense), net, in the condensed consolidated statements of operations. The Company does not separately recognize interest income, amortization of discounts or premiums, or an allowance for expected credit losses related to financial instruments for which the fair value option has been elected, as such considerations are incorporated into the fair value measurement.

SMARTKEM, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, provides guidance on the development and disclosure of fair value measurements. Under this accounting guidance, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

The accounting guidance classifies fair value measurements in one of the following three categories for disclosure purposes:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 prices for similar assets or liabilities that are directly or indirectly observable in the marketplace.
- Level 3: Unobservable inputs which are supported by little, or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management as of and during the period ended June 30, 2026. The carrying value of the Company's cash, accounts receivable, other receivables, and accounts payable approximate fair value because of the short-term maturity of these financial instruments.

The fair value of the notes receivable is determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Because the notes are not traded in active markets and contain significant unobservable assumptions, including estimates of enterprise value, expected transaction outcomes, timing assumptions, probabilities of conversion or repayment, and appropriate discount rates, the notes receivable are classified as Level 3 assets within the fair value hierarchy established by ASC 820.

Management evaluates the valuation methodologies and significant assumptions used in measuring fair value at each reporting date and updates those assumptions as necessary to reflect current facts and circumstances.

Issuance Costs

The Company assessed the issuance cost in connection with the issuance of an equity offering. ASC 340-10-S99-1 and SEC Staff Accounting Bulletin ("SAB") Topic 5A, *Expenses of Offering*, states that specific incremental costs directly attributable to a proposed or actual offering of equity securities may properly be deferred and charged against the gross proceeds of the offering. Analogizing to that guidance, specific incremental costs directly attributable to the issuance of an equity contract to be classified in equity should generally be recorded as a reduction in equity. However, issuance costs for equity contracts that are classified as a liability should be expensed immediately. The issuance costs are allocated to the equity and liability components of the underlying transaction on a basis of the allocated fair value of the gross proceeds in the overall transactions.

Direct and incremental legal and accounting costs associated with the Company's issuance of common stock, preferred stock and warrants are deferred and classified as a component of other assets on the consolidated balance sheet until completion of the issuance. Upon completion of the issuance, deferred offering costs are reclassified from other assets to equity in additional paid-in capital and recorded against the net proceeds received in the issuance. For the period ended June 30, 2026, we recorded \$539 thousand of offering costs of which \$489 thousand were recorded in additional paid-in capital and \$50 thousand were recorded as non-operating expenses.

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

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allocate resources and in assessing performance. The Company views its operations and manages its business as one operating segment: Semiconductor materials.

Recent Accounting Pronouncements

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 adoption of this guidance did not have a material impact in the interim condensed consolidated financial statements of the Company.

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

3. DECONSOLIDATION OF SUBSIDIARY

On June 12, 2026, SmartKem Limited, a corporation organized under English law and the Company’s wholly owned subsidiary, was placed into creditors Voluntary Liquidation. SmartKem Limited is under the control of an administrator which oversees the liquidation process. The Company assessed the inherent uncertainties associated with the outcome of the voluntary creditors liquidation process and the anticipated duration thereof, and concluded that it was appropriate to deconsolidate SmartKem, Limited effective on the date the administrator was appointed.

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SmartKem, Ltd. developed and manufactured custom electronic materials designed to enable the next generation of electronics. The advanced TRUFLEX® materials integrated into existing manufacturing processes, supporting efficient, scalable production and high-performance outcomes across a broad range of electronic applications. It combined materials science expertise with practical engineering to deliver tailored solutions for partners seeking to innovate in electronics.

All development and manufacturing activities have been transferred to SmartKem, Inc and continue to be done in the Manchester, UK facility by a team of employees hired from SmartKem, Ltd.

The Company did not receive any consideration in the deconsolidation of SmartKem Limited.

The following table presents the assets and liabilities of SmartKem Limited:

	June 12 2026
Assets	
Current assets	
Cash and cash equivalents	\$ 33
Accounts receivable	3
Research and development tax credit receivable	543
Prepaid expenses and other current assets	239
Total current assets	818
Property, plant and equipment, net	113
Right-of-use assets, net	479
Other assets, non-current	592
Total deconsolidated assets	\$ 1,410
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,635
Lease liabilities, current	353
Deferred revenue	107
Total current liabilities	2,095
Lease liabilities, non-current	167
Total deconsolidated liabilities	2,262
Deconsolidated net liabilities	\$ (852)

Net liabilities of SmartKem Limited excludes \$45.6 million of net intercompany trade and notes payables to SmartKem, Inc. as of June 12, 2026. Upon deconsolidation, these intercompany balances were reestablished as third-party balances by SmartKem, Inc. and management assessed their collectability. Based on the facts and circumstances existing at June 12, 2026, management determined the receivables due from SmartKem Limited were not collectible and recorded a bad debt expense of approximately \$45.6 million, which is included in non-operating expense for the three and six months ended June 30, 2026.

The Company recognized a gain on deconsolidation of investment of SmartKem Limited of approximately \$43.3 million, which is included in non-operating expense for the three and six months ended June 30, 2026. The gain included approximately \$0.1 million of cumulative foreign currency translation losses reclassified from accumulated other comprehensive income. The Company did not receive any consideration in the deconsolidation and retained no ownership interest in SmartKem Limited following the deconsolidation.

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4. NOTES RECEIVABLE

During the six months ended June 30, 2026, the Company entered into a series of convertible promissory note agreements with Ferrox Critical Minerals Ltd. ("Ferrox"). As of June 30, 2026, the aggregate principal balance of the notes was approximately \$6.5 million. The notes bear interest at the contractual rates specified in the respective agreements and can be converted, all or in part into ordinary shares of Ferrox at any time. The Company elected the fair value option under ASC 825, Financial Instruments, for the Ferrox notes receivable upon initial recognition.

The Company believes the fair value option election provides financial statement users with more relevant information regarding the economic characteristics of the notes, including the impact of the embedded conversion features and the relationship between the debt instruments and the underlying equity value of Ferrox.

As a result of this election, the notes receivable are reported at fair value at each reporting date, with changes in fair value recognized in earnings within other income (expense), net.

As of June 30, 2026, the fair value of the Ferrox notes receivable was \$6.2 million.

Because the notes receivable are carried at fair value pursuant to ASC 825, the Company does not recognize an allowance for expected credit losses under ASC 326 for these instruments.

On April 23, 2026, the Company funded a bridge loan to Ferrox Critical Minerals ("Ferrox"), in the original principal amount of \$2.3 million, which loan was evidenced by a Convertible Promissory Note issued by Ferrox to the Company. The Convertible Promissory Note shall accrue interest at a rate of 5.0% per annum and will mature on October 30, 2026. The Convertible Promissory Note is convertible at the option of the company into ordinary shares of Ferrox at a valuation equal to the lower of the then- fair market value of Ferrox or \$80 million. Pursuant to the terms of the Convertible Promissory Note, the Company was paid an originate fee of \$0.2 million.

On June 9, 2026, the Company entered into a Note Purchase and Assignment Agreement with SRX Global, Inc., a Delaware corporation, pursuant to which the company purchased a Convertible Promissory Note issued by Ferrox, dated March 12, 2026, in the original principal amount of \$1.5 million. The Convertible Promissory Note shall accrue interest at a rate of 10% per annum and will mature on October 30, 2026. The Convertible Promissory Note is convertible at the option of the company into ordinary shares of Ferrox at a valuation equal to the lower of the then- fair market value of Ferrox or \$80 million.

On June 22, 2026, the Company funded an additional bridge loan to Ferrox in the original principal amount of \$2.5 million, which loan was evidenced by an additional Convertible Promissory Note issued by Ferrox to the Company. The Convertible Promissory Note shall accrue interest at a rate of 5.0% per annum and will mature on December 31, 2026. The Convertible Promissory Note is convertible at the option of the company into ordinary shares of Ferrox at a valuation equal to the lower of the then- fair market value of Ferrox or \$80 million. Pursuant to the terms of the Note, the Company was paid an originate fee of \$0.2 million.

Each of these Convertible Promissory Notes contained a restrictive covenant prohibiting Ferrox from taking material corporate actions including, without limitation, redeeming any of its outstanding equity securities, repaying indebtedness, paying cash dividends and disposing of all or substantially all of its assets. Additionally, the Convertible Promissory Notes grant the company the right of first refusal during the term of each of the notes and for a period of 24 months thereafter, with respect to any Fundamental Transaction (as defined therein) by Ferrox.

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5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
Advances and retainers	\$ 180	\$ 54
Prepaid insurance	127	152
Research grant receivable	—	88
Prepaid facility costs	—	68
Prepaid software licenses	23	52
Tax receivable	96	117
Other receivable and other prepaid expenses	28	44
Total prepaid expenses and other current assets	<u>\$ 454</u>	<u>\$ 575</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
Plant and equipment	\$ —	\$ 1,786
Furniture and fixtures	—	114
Computer hardware and software	—	106
	—	2,006
Less: Accumulated depreciation	—	(1,826)
Property, plant and equipment, net	<u>\$ —</u>	<u>\$ 180</u>

Depreciation expense was \$65.3 thousand and \$113.0 thousand for the six months ended June 30, 2026 and 2025, respectively and is classified as research and development expense.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
Accounts payable - trade	\$ 380	\$ 4,435
Payroll liabilities	257	39
Accrued expenses	38	129
Total accounts payable and accrued expenses	<u>\$ 675</u>	<u>\$ 4,603</u>

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 the Company’s common stock, par value \$0.0001 per share (“Common Stock”), at an ascribed price of \$2.75 per share and (ii) pre-funded warrants (the “Pre-Funded Warrant”) to purchase 348,260 shares of Common Stock in satisfaction of approximately \$2 million owed to the Creditor by SmartKem Limited.

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8. LEASES

The Company's former subsidiary, SmartKem Limited had operating leases consisting of office space, lab space and equipment with remaining lease terms of 1 to 3 years. As of June 12, 2026, all lease agreements are under the management and control of the administrator.

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>	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating lease cost	\$ 76	\$ 68	\$ 148	\$ 141
Short-term lease cost	140	9	141	12
Total lease cost	<u>\$ 216</u>	<u>\$ 77</u>	<u>\$ 289</u>	<u>\$ 153</u>

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

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Research and development	\$ 215	\$ 75	\$ 287	\$ 148
General and administrative	1	2	2	5
Total lease cost	<u>\$ 216</u>	<u>\$ 77</u>	<u>\$ 289</u>	<u>\$ 153</u>

As a result of the deconsolidation of SmartKem Limited, the Company does not have any Right of use lease assets or lease liabilities as of June 30, 2026. Right of use lease assets and lease liabilities for the Company's operating leases were recorded in the unaudited condensed consolidated balance sheet as follows:

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
Assets		
Right of use assets - Operating Leases	\$ —	\$ 607
Total lease assets	<u>\$ —</u>	<u>\$ 607</u>
Liabilities		
Current liabilities:		
Lease liability, current - Operating Leases	\$ —	\$ 271
Noncurrent liabilities:		
Lease liability, non-current - Operating Leases	—	312
Total lease liabilities	<u>\$ —</u>	<u>\$ 583</u>

9. NOTES PAYABLE

Notes payable consist of the following:

<i>(in thousands)</i>	June 30, 2026			December 31, 2025		
	Gross	Discount	Net	Gross	Discount	Net
Notes Payable, Current	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,100</u>	<u>\$ (172)</u>	<u>\$ 928</u>

Senior Secured Notes Financing

On March 18, 2026, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Buyers"), pursuant to which the Company agreed to issue and sell to the Buyers senior secured promissory notes (the "Notes") in the aggregate original principal amount of \$3.75 million for an aggregate purchase price of \$2.6 million, reflecting an original issue discount of approximately

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30%. The Notes contained an exchange feature that was determined to be a derivative liability. Please see Note 10 for additional information.

As of March 31, 2026, the Notes had been exchanged into the March 30, 2026 Preferred Stock and Warrant offering and are no longer outstanding. Please see Note 12 for additional information.

Settlement and Release Agreements

On March 18, 2026, the Company entered into Settlement Agreements and Releases (collectively, the "Settlement Agreements") with certain holders (collectively, the "Holders") of those certain Senior Secured Notes (the "Prior 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 Holders against the Company in connection with the Prior Notes, which claims the Company denied. Pursuant to the Settlement Agreements, the Company agreed to (i) repay each Holder the outstanding principal amount of its respective Prior 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. 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.

The Settlement Agreements contain mutual releases pursuant to which the Holders released the Company and its affiliates, and the Company released the Holders and their affiliates, from any and all claims arising under the Prior Notes and the Prior Purchase Agreement, other than with respect to the obligations set forth in the Settlement Agreements.

10. FAIR VALUE MEASUREMENTS:

The table below presents activity within Level 3 of the fair value hierarchy, our liabilities carried at fair value for the period ended June 30, 2026:

<i>(in thousands)</i>	Derivative Liability
Balance at January 1, 2026	\$ —
Fair value of the derivative liabilities	(1,460)
Total change in the liability included in earnings	(3,391)
Reclass from liability to equity	4,851
Balance at June 30, 2026	\$ —

The \$4.9 million related to the fair value of the derivative is included in the exchange of the notes payable for Series A-1 Preferred Stock.

The valuation of the derivative liability, preferred stock warrants and the preferred stock was determined using option pricing models. These models use inputs such as the underlying price of the shares issued at the measurement date, expected volatility, risk free interest rate and expected life of the instrument. Since our common stock was not publicly traded until February 2022 there has been insufficient volatility data available. Accordingly, we have used an expected volatility based on historical common stock volatility of our peers.

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The fair value of the derivative liability and preferred stock warrants was determined by using an option pricing model assuming the following:

	June 22 2026	May 13 2026	March 30 2026	March 18 2026
Expected term (years)	2.99	2.50	3.00	0.50
Risk-free interest rate	4.16%	3.99%	3.78%	3.67%
Expected volatility	50.0%	50.0%	50.0%	50.0%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

The fair value of the preferred stock was determined by using an option pricing model assuming the following:

	June 22 2026	March 30 2026
Expected term (years)	10.00	10.00
Risk-free interest rate	4.41%	4.26%
Expected volatility	50.0%	50.0%
Expected dividend yield	0.0%	0.0%

Additionally, the Company had determined that the derivative liability was most appropriately classified within Level 3 of the fair-value hierarchy by evaluating each input for the option pricing models against the fair-value hierarchy criteria and using the lowest level of input as the basis for the fair-value classification as called for in ASC 820. There are six inputs: closing price of the Company's common stock on the day of evaluation; the exercise price of the warrants; the remaining term of the warrants; the volatility of the Company's stock over that term; annual rate of dividends; and the risk-free rate of return. Of those inputs, the exercise price of the warrants and the remaining term are readily observable in the warrant agreements. The annual rate of dividends is based on the Company's historical practice of not granting dividends. The closing price of SmartKem stock would fall under Level 1 of the fair-value hierarchy as it is a quoted price in an active market (ASC 820-10). The risk-free rate of return is a Level 2 input as defined in ASC 820-10, while the historical volatility is a Level 3 input as defined in ASC 820. Since the lowest level input is a Level 3, the Company determined the warrant liability was most appropriately classified within Level 3 of the fair value hierarchy.

The table below presents activity within Level 3 of the fair value hierarchy, our notes receivable carried at fair value for the period ended June 30, 2026:

<i>(in thousands)</i>	Convertible Note Receivable
Balance at January 1, 2026	\$ —
Initial recognition of notes receivable	6,500
Change in fair value recognized in earnings	(287)
Balance at June 30, 2026	<u>\$ 6,213</u>

The fair value of the notes receivable is determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Because the notes are not traded in active markets and contain significant unobservable assumptions, including estimates of enterprise value, expected transaction outcomes, timing assumptions, probabilities of conversion or repayment, and appropriate discount rates, the notes receivable are classified as Level 3 assets within the fair value hierarchy established by ASC 820.

<u>Description</u>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2026
Notes Receivable:				
Ferrox notes receivable	\$ —	\$ —	\$ 6,213	\$ 6,213
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,213</u>	<u>\$ 6,213</u>

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The fair value of the Ferrox notes receivable was estimated using a probability-weighted expected return methodology that considered multiple potential outcome scenarios, including repayment at maturity, conversion into equity securities, and the anticipated business combination transaction between the Company and Ferrox.

Significant unobservable inputs included estimates of Ferrox enterprise value, expected transaction outcomes, discount rates, timing assumptions, and probabilities assigned to each scenario. Changes in any of these significant unobservable inputs could result in a materially different fair value measurement in future periods.

11. 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 interim condensed consolidated financial statements.

12. 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.

Series A Preferred Stock

On March 30, 2026, the Company filed a Certificate of Designation of Preferences, Rights and Limitations with the Secretary of State of the State of Delaware designating 31,412 shares out of the authorized but unissued shares of its preferred stock as Series A Preferred Stock with a stated value of \$1,000 per share (the "Series A Certificate of Designation"). The following is a summary of the principal terms of the Series A Preferred Stock as set forth in the Series A Certificate of Designation:

Voting Rights

Holders of Series A Preferred Stock have no voting power except as required by the Delaware General Corporation Law or as set forth in the Certificate of Designations with respect to certain protective matters requiring the consent of the Required Holders.

Conversion

Each share of Series A Preferred Stock is convertible at any time at the option of the holder into shares of Common Stock at a conversion rate determined by dividing the conversion amount by the conversion price of \$0.5812 per share or with alternate conversion options at 90% of the lowest VWAP during the five preceding trading days or upon a triggering event at 80% of such VWAP, with the conversion amount subject to a required premium of 125%, in each case subject to a 4.99% beneficial ownership limitation (adjustable to 9.99% upon 61 days' prior written notice) and a \$0.045 conversion floor price after shareholder approval.

Dividends

Dividends are payable when and as declared by the Board of Directors in its sole discretion, in cash, securities or other assets, on the stated value of each share, provided that upon the occurrence and continuance of a triggering event, default dividends accrue at a rate of 15.0% per annum.

Ranking

The Series A Preferred Stock ranks senior to the Common Stock and all other junior capital stock with respect to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company.

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Liquidation

Upon a liquidation event, holders of Series A Preferred Stock are entitled to receive, before any payment to holders of junior stock, an amount per share equal to the sum of (i) the Black-Scholes value of the outstanding portion of all Warrants held by such holder and (ii) the greater of (A) 125% of the applicable conversion amount and (B) the amount per share such holder would receive upon conversion immediately prior to such event.

Series A Preferred Stock and Warrants

On March 30, 2026, the Company entered into a securities purchase agreement (the "Preferred Stock Purchase Agreement") with certain institutional investors, including certain holders of convertible notes (the "March 2026 Notes") of the Company (collectively, the "Buyers") pursuant to which the Company issued and sold 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 (the "Series A Preferred Stock") and (ii) warrants to purchase up to 24,542,982 shares of Common Stock at an initial exercise price of \$0.5812 per share, subject to adjustment (the "2026 Warrants").

The purchase price under the Preferred Stock Purchase Agreement was satisfied in cash and by exchange of \$2.6 million March 2026 Notes. The gross proceeds from the Private Placement were \$4.6 million prior to deducting offering expenses payable by the Company.

On June 22, 2026, at an Additional Closing pursuant to the Preferred Stock Purchase Agreement, the Company issued and sold, and certain Buyers purchased, in a private placement: 5,000 shares of the Series A Preferred Stock and warrants to purchase up to 10,753,615 shares of Common Stock at an initial exercise price of \$0.5812 per share, subject to adjustment (the "2026 Warrants") for aggregate proceeds of approximately \$4.0 million.

As of June 30, 2026, there were 26,411.5 shares of Series A-1 Preferred Stock outstanding, including the Commitment Shares (discussion further below).

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, constitutes a quorum for the transaction of business at all meetings of the stockholders.

Dividends

The Company has never paid any cash dividends to stockholders and do not anticipate paying any cash dividends to stockholders 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 trades on the Nasdaq Stock Market LLC under the symbol "SMTK".

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 issued and sold 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").

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The Company received gross proceeds of \$2.6 million, before deducting offering expenses payable by the Company.

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 "Investor"), pursuant to which the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, up to 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 April 8, 2026 (the effective date of the Company's registration statement on Form S-1 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.

In connection with signing the ELOC Purchase Agreement, the Company issued 10,000 shares of Series A Preferred Stock to the Investor as Commitment Shares. An expense of \$11.9 million was recorded for the commitment shares issued upon signing the ELOC.

During the six months ended June 30, 2026, the Company sold 4,130,000 shares of Common Stock for gross proceeds of approximately \$1.6 million under the ELOC Purchase Agreement.

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, 2026	3,021,274	\$0.35 - \$70.00	\$ 6.28	2.81
Issued	35,418,381		0.58	
Exercised	(106,430)		—	
Expired	(28,161)		70.00	
Warrants outstanding at June 30, 2026	<u>38,305,064</u>	<u>\$0.35 - \$8.75</u>	<u>\$ 0.98</u>	<u>2.79</u>

During the quarter ended June 30, 2026, 13,610 common stock warrants were issued at an exercise price of \$0.625, 108,174 common stock warrants were issued at an exercise price of \$0.7265 and 10,753,615 common stock warrants were issued at an exercise price of \$0.5812. During the quarter ended June 30, 2026, 106,430 common stock warrants were exercised at a price of \$0.35.

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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, 2026	1,532,251	\$ 0.0097
Issued	1,032,131	0.0001
Exercised	(2,174,179)	0.0001
Expired	—	—
Pre-funded warrants outstanding at June 30, 2026	390,203	\$ 0.0376

During the quarter ended June 30, 2026, 243,302 prefunded warrants were exercised at a price of \$0.0001.

13. SHARE-BASED COMPENSATION

On February 23, 2021, the Company approved the 2021 Equity Incentive Plan (the "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 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.

At the 2026 Annual Meeting, the Company's stockholders approved an amendment (the "2026 Plan Amendment") to the Company's 2021 Plan, increasing the number of the shares of common stock reserved for issuance under the 2021 Plan to 2,144,622 shares. The Company's Board of Directors had previously approved the 2026 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.

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The following table reflects share activity under the share option plans for the six months ended June 30, 2026:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Weighted- Average Fair Value at Grant Date	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2026	1,643,122	\$ 5.90	8.95	\$ 3.12	
Granted	—	—			
Exercised	(5,089)	0.04			
Forfeited	(447,923)	6.59			
Expired	—	—			
Options outstanding at June 30, 2026	1,190,110	\$ 5.67	8.50	\$ 2.74	
Options exercisable at June 30, 2026	718,786	\$ 7.52	8.33		\$ 0.40

Stock-based compensation is included in the unaudited interim condensed consolidated statements of operations as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Research and development	\$ 17	\$ 75	\$ 74	\$ 147
General and administration	195	184	393	362
Total	\$ 212	\$ 259	\$ 467	\$ 509

Total compensation cost related to non-vested stock option awards not yet recognized as of June 30, 2026 was \$1.0 million and 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.

14. 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.

The following potentially dilutive securities were excluded from the computation of earnings per share as of June 30, 2026 and 2025 because their effects would be anti-dilutive:

	June 30,	
	2026	2025
Common stock warrants	37,690,548	4,450,324
Assumed conversion of preferred stock	45,443,059	—
Stock options	1,190,110	1,322,176
Total	84,323,717	5,772,500

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15. DEFINED CONTRIBUTION PENSION

Until the deconsolidation of SmartKem Limited, the Company operated a defined contribution pension scheme for its UK employees. The assets of the scheme were 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 unaudited interim condensed consolidated statements of operations as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Research and development	\$ 14	\$ 37	\$ 34	\$ 58
General and administration	20	18	42	38
Total	<u>\$ 34</u>	<u>\$ 55</u>	<u>\$ 76</u>	<u>\$ 96</u>

16. SEGMENT REPORTING

We manage our business activities on a consolidated basis and operate as a single operating segment: Semiconductor materials. Until the deconsolidation of SmartKem Limited, our revenue was 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 loss, as reported on our Consolidated Statements of Comprehensive Income, in evaluating performance of the Semiconductor materials 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 Semiconductor materials segment, and therefore, such information is not presented.

The following table provides the net losses of the Semiconductor materials segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue	\$ -	\$ 32	\$ 20	\$ 55
Cost of revenue	-	28	4	29
Gross profit	-	4	16	26
Other operating income	-	279	34	530
Operating expenses				
Research and development	703	2,426	1,616	3,923
General and administrative	778	2,360	2,442	4,369
Loss / (gain) on foreign currency transactions	(82)	(131)	(36)	(226)
Total operating expenses	1,399	4,655	4,022	8,066
Loss from operations	(1,399)	(4,372)	(3,972)	(7,510)
Total non-operating (expense) / income	(1,857)	1,973	(18,653)	2,952
Loss before income taxes	(3,256)	(2,399)	(22,625)	(4,558)
Income tax refund	(1)	(1)	(1)	24
Net loss	<u>\$ (3,257)</u>	<u>\$ (2,400)</u>	<u>\$ (22,626)</u>	<u>\$ (4,534)</u>

17. SUBSEQUENT EVENTS

Series A Convertible Preferred Stock

On July 16, 2026, at an Additional Closing pursuant to the Preferred Stock Purchase Agreement, the Company issued and sold, and certain Buyers purchased, in a private placement: 1,250 shares of the Series A Preferred Stock and 2,688,404 2026 Warrants to purchase shares of Common Stock for aggregate gross proceeds of approximately \$1.0 million.

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On July 24, 2026, at an Additional Closing pursuant to the Preferred Stock Purchase Agreement, the Company issued and sold, and certain Buyers purchased, in a private placement: 2,500 shares of the Series A Preferred Stock and 5,377,025 2026 Warrants to purchase shares of Common Stock for aggregate gross proceeds of approximately \$2.0 million.

Ferrox Critical Minerals Bridge Loan

On July 27, 2026, the Company funded an additional bridge loan to Ferrox in the original principal amount of \$4.5 million, which loan was evidenced by a Convertible Promissory Note issued by Ferrox to the Company. The Convertible Promissory Note shall accrue interest at a rate of 5.0% per annum and will mature on January 31, 2027. Pursuant to the terms of the Note, the Company was paid an originate fee of \$0.4 million.

Business Combination with Ferrox Critical Minerals

On August 3, 2026, the Company entered into a Business Combination Agreement (the “Business Combination Agreement”), as unanimously approved by the Board, by and among the Company, SMTK Merger Sub Inc., a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company (“Merger Sub”), and Ferrox.

Upon the terms and subject to the conditions set forth in the Business Combination Agreement, the Company shall acquire Ferrox in an all-stock transaction, for an aggregate purchase price of approximately \$125 million (the “Business Combination”).

The completion of the Business Combination is subject to customary closing conditions, including (i) approval of the Business Combination by the Company’s stockholders and Ferrox’s shareholders, (ii) filing and mailing of a definitive proxy statement with the Securities and Exchange Commission (the “SEC”), (iii) the shares of the Company’s common stock to be issued pursuant to the Business Combination Agreement having been approved for listing on The Nasdaq Stock Market LLC (“Nasdaq”), (iv) the filing with the SEC of a registration statement on Form S-4 (the “Registration Statement”), in connection with the registration under the Securities Act of 1933, as amended (“Securities Act”) of the Company’s common shares to be issued in the Business Combination, (v) subject to specified materiality standards, the accuracy of the representations and warranties of the parties thereto (the “Transaction Parties”); and (vi) the performance by the Transaction Parties in all material respects with all obligations required to be performed under the Business Combination Agreement at or prior to the date (the “Closing Date”) of the closing of the transactions contemplated by the Business Combination Agreement (the “Closing”).

In connection with the Business Combination, on or before the Closing, the Company is expected to enter into Lock-Up Agreements, in form and substance reasonably satisfactory to the Company and Ferrox, with each of the executive officers, directors and five percent (5%) stockholders of the post-Closing combined company, each to be effective as of the Closing for 120 days following the Closing. The execution of the Lock-Up Agreements is also a condition to the Transaction Parties’ obligations to consummate the Business Combination. The Business Combination Agreement contains customary representations and warranties of the Transaction Parties. The Business Combination Agreement also contains customary covenants and agreements, including covenants and agreements relating to (i) the conduct of the Company’s business and Ferrox’s business between the date of the signing of the Business Combination Agreement and the Closing, (ii) the efforts of the Transaction Parties to cause the Business Combination to be completed, including obtaining all approvals, consents, registrations, authorizations and other confirmations from any third party necessary, proper or advisable to consummate the transactions contemplated by the Business Combination Agreement, and (iii) covenants by each of the Company and Ferrox not to solicit any Acquisition Proposal (as such term is defined in the Business Combination Agreement) from third parties.

The Business Combination Agreement may be terminated prior to the Closing by: (a) by mutual written consent of each of the Transaction Parties; (b) by either the Company or Ferrox, after the March 31, 2027 (the “End Date”), if the Business Combination has not been consummated (subject to certain conditions); (c) by either the Company or Ferrox if a governmental body has issued a non-appealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Business Combination; (d) by Ferrox upon the Company’s breach of the Business Combination Agreement which is not timely cured; (e) by the Company upon Ferrox’s breach of the Business Combination Agreement

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which is not timely cured; (f) by the Company, if there will have occurred any Ferrox Material Adverse Effect (as such term is defined in the Business Combination Agreement) (subject to certain conditions); (g) by Ferrox, if there will have occurred any SMTK Material Adverse Effect (as such term is defined in the Business Combination Agreement) (subject to certain conditions); or (h) subject to certain conditions, by either the Company or Ferrox, if one of them should receive an unsolicited Superior Proposal (as such term is defined in the Business Combination Agreement). If the Business Combination Agreement is terminated by a Transaction Party in connection with such Transaction Party's receipt of an unsolicited Superior Proposal, the terminating Transaction Party shall, subject to certain conditions, be required to make a Termination Payment to the other Transaction Party in the amount of \$3 million.

Equity Line of Credit

Since June 30, 2026, the Company has issued 2,581,090 shares of its Common Stock pursuant to the ELOC Purchase Agreement for gross proceeds of approximately \$0.4 million.

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

The following discussion and analysis of the financial condition and results of operations of SmartKem, Inc. ("SmartKem" or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto contained in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 to provide an understanding of its results of operations, financial condition and cash flows.

All references in this Quarterly Report to "we," "our," "us" and the "Company" refer to SmartKem, Inc., and its subsidiaries unless the context indicates otherwise.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 with respect to our business, financial condition, liquidity, and results of operations. Words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "could," "would," "will," "may," "can," "continue," "potential," "should," and the negative of these terms or other comparable terminology often identify forward-looking statements. Statements in this Quarterly Report on Form 10-Q (this "Report") that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"). These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including the risks discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "10-K") in Item 1A under "Risk Factors" and the risks detailed from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC"). 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 ability to maintain compliance with the continued listing requirements of The Nasdaq Stock Market LLC ("Nasdaq");
- 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 remain eligible on an over-the-counter quotation system if our common stock is delisted from 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 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” in our 10-K.

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” in our 10-K and in this Report 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 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.

Company Overview

On June 12, 2026, SmartKem Limited (subsidiary of SmartKem, Inc) entered Creditors' Voluntary Liquidation and was deconsolidated following the appointment of an administrator. As a result, SmartKem Limited's assets, liabilities, operations, and results are no longer included in the Company's consolidated financial statements beginning June 12, 2026.

Upon liquidation and deconsolidation, the development and manufacturing of our custom electronic materials was taken over by SmartKem, Inc. The design and develop our materials continue to take place at our research and development facility in Manchester, UK by a team of people hired from the subsidiary. We operate with an international footprint, providing materials development, prototyping and technical support to customers and collaborators globally. 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.

During the first six months of 2026, SmartKem was involved in a number of financing transactions. 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.

Results of Operations for the three and six months ended June 30, 2026

Three months ended June 30, 2026 compared with three months ended June 30, 2025

Revenue and Cost of revenue

We had no revenue or cost of revenue in the three months ended June 30, 2026, compared to \$32 thousand of revenue and \$28 thousand of cost of revenue for the same period of 2025. Both revenue and related cost of revenue are a result of sales of OTFT backplanes and TRUFLEX® materials for customer assessment and development purposes.

Other operating income

We had no other operating income for the three months ended June 30, 2026, compared to \$279 thousand in the same period of 2025. The primary source of other operating income was related to multiple research grants from Innovate UK and research and development tax credits, both of which were held by SmartKem Limited and are no longer available to the Company.

Operating expenses

Operating expenses were \$1.4 million for the three months ended June 30, 2026, compared to \$4.7 million for the three months ended June 30, 2025, a decrease of \$3.3 million, or 69.9%.

Research and development expenses are incurred for the development and process validation for TRUFLEX® inks to make OTFT circuits and OTFT based display concepts integrating novel display technology, and to provide dielectric solutions for packaging applications. The expenses consist primarily of payroll, technical facilities overheads, and development consumables costs. Research and development expenses were \$0.7 million for the three months ended June 30, 2026, compared to \$2.4 million for the same period of 2025, a decrease of \$1.7 million, or 71.0%. This decrease primarily resulted from the termination of the CPI agreement as of December 2025 and less legal costs due to the transfer of the intellectual property and patents and the deconsolidation of SmartKem Limited in June 2026. The research and development expenses represent 50.3% and 52.1% of the total operating expenses for the three months ended June 30, 2026 and 2025, respectively.

General and administrative expenses consist primarily of payroll and professional services such as investor relations, accounting and legal services. General and administrative expenses were \$0.8 million for the three months ended June 30, 2026, compared to \$2.4 million for the same period of 2025, a decrease of \$1.6 million, or 67.0%. These expenses represent 55.6% and 50.7% of our total operating expenses for the three months ended June 30, 2026 and 2025, respectively. This decrease primarily resulted from a decrease in professional service fees principally related to corporate consulting agreements, the Delaware franchise taxes and travel related expenses.

Non-Operating income/(expense)

Non-operating expense was \$1.9 million for the three months ended June 30, 2026, compared to non-operating income of \$2.0 million for the same period in 2025, for an increase in non-operating expense of \$3.8 million. We recorded a loss of \$45.6 million for the write-off of bad debts and a gain of \$43.3 million for the investment of SmartKem Limited due to the deconsolidation of the subsidiary. A decrease of \$1.5 million is primarily due to a loss on foreign currency related to the revaluation of the intercompany loans and related interest. The change in the foreign exchange spot rate of 1.3204 as of June 30, 2026 compared to 1.3724 as of June 30, 2025 resulted in a foreign exchange gain. The offset of this loss is recorded in other comprehensive income.

Six months ended June 30, 2026 compared with six months ended June 30, 2025

Revenue and Cost of revenue

We had \$20 thousand of revenue and \$4 thousand of cost of revenue in the six months ended June 30, 2026, compared to \$55 thousand of revenue and \$29 thousand of cost of revenue for the same period of 2025. Both revenue and related cost of revenue are a result of sales of OTFT backplanes and TRUFLEX® materials for customer assessment and development purposes.

Other operating income

We had \$34 thousand of other operating income for the six months ended June 30, 2026, compared to \$530 thousand in the same period of 2025. The primary source of other operating income is related to multiple research grants from Innovate UK and research and development tax credits, both of which were held by SmartKem Limited and are no longer available to the Company.

Operating expenses

Operating expenses were \$4.0 million for the six months ended June 30, 2026, compared to \$8.1 million for the six months ended June 30, 2025, a decrease of \$4.1 million, or 50.1%.

Research and development expenses are incurred for the development and process validation for TRUFLEX® inks to make OTFT circuits and OTFT based display concepts integrating novel display technology, and to provide dielectric solutions for packaging applications. The expenses consist primarily of payroll, technical facilities overheads, and development consumables costs. Research and development expenses were \$1.6 million for the six months ended June 30, 2026, compared to \$3.9 million for the same period of 2025, a decrease of \$2.3 million, or 58.8%. This decrease primarily resulted from the termination of the CPI agreement as of December 2025 and less legal costs due to the transfer of the intellectual property and patents and the deconsolidation of SmartKem Limited in June 2026. The research and development expenses represent 40.2% and 48.6% of the total operating expenses for the six months ended June 30, 2026 and 2025, respectively.

General and administrative expenses consist primarily of payroll and professional services such as investor relations, accounting and legal services. General and administrative expenses were \$2.4 million for the six months ended June 30, 2026, compared to \$4.4 million for the same period of 2025, a decrease of \$2.0 million, or 44.1%. These expenses represent 60.7% and 54.2% of our total operating expenses for the six months ended June 30, 2026 and 2025, respectively. This decrease primarily resulted from a decrease in professional service fees principally related to corporate consulting agreements, the Delaware franchise taxes and travel related expenses.

Non-Operating income/(expense)

Non-operating expense was \$18.7 million for the six months ended June 30, 2026, compared to non-operating income of \$3.0 million for the same period in 2025, for an increase in non-operating expense of \$21.6 million. The company recorded a loss of \$45.6 million for the write-off of bad debts and a gain of \$43.3 million for the investment of SmartKem Limited due to the deconsolidation of the subsidiary. A decrease of \$3.3 million is primarily due to a loss on foreign currency related to the revaluation of the intercompany loans and related interest. The change in the foreign exchange spot rate of 1.3204 as of June 30, 2026 compared to 1.3724 as of June 30, 2025 resulted in a foreign exchange loss. The offset of this loss is recorded in other comprehensive income. We recorded costs of \$11.9 million related to the execution of an equity line of credit (ELOC). In addition, we recorded a loss of \$3.8 million related to the extinguishment of debt.

Liquidity and Capital Resources

As of June 30, 2026, our cash and cash equivalents were \$3.7 million compared with \$0.4 million as of December 31, 2025. We believe our cash balance at June 30, 2026 will not be sufficient to fund our operating expenses for the 12 months from the issuance of these financial statements and that we will require additional capital funding to continue our operations and research development activity. In the event that we are unable to raise additional capital in the near term, we may have to curtail our operations or seek protection under applicable bankruptcy or insolvency laws.

Our expected cash payments over the next twelve months include \$0.7 million to satisfy accounts payable and accrued expenses.

Beyond our near term need for capital, 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, including the issuance of Common Stock pursuant to the ELOC Purchase Agreement (as discussed in Note 8), 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 our 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.

Cash Flow

Net cash used in operating activities was \$3.4 million for the six months ended June 30, 2026, compared to \$6.1 million for the six months ended June 30, 2025, a decrease of \$2.7 million. The change resulted primarily from a decrease in accounts payable.

Net cash used in investing activities were \$7.4 million for the six months ended June 30, 2026, compared to no cash flow investing activities during the same period in 2025. The increase of \$6.5 million is related to payment for a bridge loan to Ferrox Critical Minerals. The remaining \$0.9 million was related to the deconsolidation of a subsidiary.

Net cash received from financing activities was \$13.2 million the six months ended June 30, 2026, compared to no cash flow financing activities during the same period in 2025. We received net proceeds of \$14.7 million from various financing activities related to the sale of the Company's common stock, preferred stock and warrants. We used \$1.1 million to pay-off notes payable and \$0.3 million for the settlement to release claims related to the notes.

Contractual Payment Obligations

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

Critical Accounting Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), which require our management to make estimates, judgements and assumptions 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. Critical accounting estimates include the determination of the fair value of derivative liabilities and intellectual property.

The fair value of derivative liabilities, including embedded conversion features, warrant liabilities, contingent settlement provisions, and other complex financial instruments, may require the use of valuation models such as Monte Carlo simulations, lattice models, or modified Black-Scholes methodologies. These valuation models incorporate significant unobservable inputs, including expected volatility, risk-free interest rates, expected term, probability-weighted financing or liquidity events, market yield assumptions, and the likelihood and timing of contractual settlement or conversion events. Changes in these assumptions could result in material adjustments to the recorded fair value of derivative liabilities and related gains or losses recognized in the condensed consolidated statements of operations.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors. Changes in estimates used in these and other items could have a material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal 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 required disclosures.

Our management, with the participation of its Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2026 because of the material weaknesses in internal control over financial reporting described below.

Material Weakness in Internal Control Over Financial Reporting

In connection with the preparation of the financial statements for the first and second quarters of 2026 a material weakness in the Company's internal control over financial reporting was identified relating to the complex financial reporting and accounting associated with the Company's Equity Line of Credit and the deconsolidation of our subsidiary, both non-cash items. None of the Company's filed financial statements are impacted. The June 30, 2026 financial statements contained in this Form 10-Q reflect the appropriate accounting for this transaction and no prior financial statements were impacted.

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. None of the Company's filed financial statements are impacted. The March 31, 2026 financial statements contained in this Form 10-Q reflect the appropriate accounting for this transaction and no prior financial statements were impacted.

Remediation

Due to fiscal constraints during the year ended December 31, 2025 the Company was not able to fund an independent assessment of our internal control environment. With the recent financing activities discussed in Note 10, we have been able to reinstitute the independent evaluation of our internal control environment. The evaluation will be ongoing throughout 2026.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act) that occurred during the period covered by this Report that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in the 10-K, which could materially affect our business, financial condition or future results. The risks described in the 10-K may not be the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in the 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None 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 June 30, 2026 (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

Item 6. Exhibits

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)
2.2	Business Combination Agreement, dated August 3, 2026 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 3, 2026)
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on May 13, 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)
3.3	Certificate of Designations of Rights and Preferences of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 31, 2026)
4.1	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)
4.2	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)
4.3	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)
4.4	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 to Current Report on Form 8-K filed on April 22, 2026)
4.5	Convertible Promissory Note, dated April 23, 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 29, 2026)
4.6	Convertible Promissory Note, dated June 22, 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 26, 2026)
4.7	Convertible Promissory Note, dated July 27, 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 27, 2026)
10.1#	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)
10.2	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)
10.3	Securities Purchase Agreement, dated January 30, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 30, 2026)
10.4	Debt Conversion Agreement, dated February 5, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 6, 2026)
10.5	Securities Purchase Agreement, dated March 20, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 26, 2026)
10.6	Securities Purchase Agreement, dated March 30, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 31, 2026)
10.7	Registration Rights Agreement, dated March 30, 2026 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 31, 2026)
10.8	Common Stock Purchase Agreement, dated March 27, 2026 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 31, 2026)
10.9	Registration Rights Agreement, dated March 27, 2026 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 31, 2026)

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31.1†	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1††	Certification of Principal 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 Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	Inline XBRL Taxonomy Extension Schema Document
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

Indicates management contract or compensatory plan.

† 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.

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: August 14, 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)

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

I, Ian Jenks, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 14, 2026

By: /s/ Ian Jenks
Name: Ian Jenks
Title: Chief Executive Officer

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

I, Barbra C. Keck, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 14, 2026

By: /s/ Barbra C. Keck
Name: Barbra C. Keck
Title: 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 Quarterly Report of SmartKem, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2026 (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: August 14, 2026

By: /s/ Ian Jenks
Name: Ian Jenks
Title: 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 Quarterly Report of SmartKem, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2026 (the “Report”) as filed with the Securities and Exchange Commission on the date hereof, the undersigned, Barbra C. 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: August 14, 2026

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