

March 28, 2022

Smartkem

SmartKem, Inc. to Provide Investor Update on Monday, April 4th at 4:30 P.M. EDT

MANCHESTER, England, March 28, 2022 /PRNewswire/ -- SmartKem, Inc., (OTCQB: SMTK), a company seeking to reshape the world of electronics with a revolutionary semiconductor platform that enables a new generation of displays, sensors and logic, today reported its consolidated financial results for the year ended December 31, 2021. Amounts, unless specified otherwise, are expressed in U.S. dollars and presented under accounting principles generally accepted in the United States of America.

2021 Financial Take Outs and Recent Highlights include:

- Becoming publicly listed on the OTCQB market in Q1.
- \$24.6 million fund raising and acquisition.
- Joint development agreement with RiTDisplay to collaborate on the production of full color demonstration AMOLED display.
- Becoming a member of the University of California, Santa Barbara (UCSB) Solid State Lighting & Energy Electronics Center (SSLEEC) for research into the development of microLED displays.
- Receipt of DTC eligibility and subsequent trading on the OTCQB market in Q1 2022.
- Continued building of a pipeline of prototypes.
- Research and Development expenditure, excluding stock-based compensation expense, increased by 21%.
- Cash and cash equivalents as of December 31, 2021 was \$12.2 million.

SmartKem CEO Ian Jenks commented, "After what has been a challenging year for international travel, and many global industries, we have taken great leaps forward with our business and our TRUFLEX® technology. Already in 2022, we have raised a further \$2 million from Octopus Ventures, a longstanding stakeholder in the business, and have commenced trading on the OTCQB market. We have also secured our second joint development agreement with Nanosys to collaborate on the production of microLED displays. We will continue to work at pace with our exceptional team and industry leading partners to deliver the next generation of displays, sensors and logic."

Business Update Webcast:

SmartKem CEO Ian Jenks will provide a business update on Monday, April 4th at 4:30 P.M. EDT.

The presentation will be available via a live video on the Sequire platform via the following link:

https://audience.mysequire.com/webinar-view?webinar_id=0915daa8-cd5d-45dc-87d6-17b3a8d7a830

The presentation will also be available via the Investor Relations portal of the SmartKem

website:

ir.smartkem.com

Year End Financial Results:

R&D expenses: Research and development expenses for the fiscal year 2021 were \$8.2 million, compared with \$4.3 million for the same period in 2020. Excluding non-cash stock-based compensation expense of \$3.0 million, R&D expense increased by \$0.9 million, or 21%, compared to 2020 as we further developed core materials and fabricated demonstrator devices to promote our technology to prospective customers and partners.

SG&A expenses: Selling, general and administrative expenses for the fiscal year 2021 were \$8.1 million, compared with \$1.7 million for 2020. The increase is primarily due to a \$3.2 million non-cash stock-based compensation expense in 2021, as we added to our sales team, as well as the additional legal, finance, accounting and insurance expenses of operating as a public company.

Net Loss: For the fiscal year 2021 our net loss was \$17.1 million, or \$0.68 per share, compared with a net loss of \$23.1 million, or \$1.80 per share, for 2020.

Cash Position: As of December 31, 2021, cash and cash equivalents were \$12.2 million, compared to \$0.8 million as of December 31, 2020.

About SmartKem

SmartKem is seeking to reshape the world of electronics with a revolutionary semiconductor platform that enables a new generation of displays, sensors, and logic. SmartKem's patented TRUFLEX® inks are solution deposited at a low temperature, on low-cost substrates to make organic thin-film transistor (OTFT) circuits. The company's semiconductor platform can be used in a number of applications including mini-LED displays, AMOLED displays, fingerprint sensors and integrated logic circuits. SmartKem develops its materials at its research and development facility in Manchester, UK, and its semiconductor manufacturing process at the Centre of Process Innovation (CPI) in Sedgefield, UK. The company has an extensive IP portfolio including approximately 120 issued patents.

For more information, visit <https://www.smartkem.com/>

Forward-Looking Statements

All statements in this press release that are not historical are forward-looking statements, including, among other things, statements relating to the SmartKem's expectations regarding its market position and market opportunity, expectations and plans as to its product development, manufacturing and sales, and relations with its partners and investors. These statements are not historical facts but rather are based on SmartKem Inc.'s current expectations, estimates, and projections regarding its business, operations and other similar or related factors. Words such as "may," "will," "could," "would," "should," "anticipate," "predict," "potential," "continue," "expect," "intend," "plan," "project," "believe," "estimate," and other similar or related expressions are used to identify these forward-looking statements, although not all forward-looking statements contain these words. You should

not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and assumptions that are difficult or impossible to predict and, in some cases, beyond the Company's control. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to revise or update information in this release to reflect events or circumstances in the future, even if new information becomes available.

Financial Information

The tables below present financial results for the year ended December 31, 2021 and 2020.

SMARTKEM, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except number of shares and per share data)

	December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,226	\$ 764
Accounts receivable	—	18
Research and development tax credit receivable	1,070	982
Prepaid expenses and other current assets	802	259
Total current assets	14,098	2,023
Property, plant equipment	802	682
Right-of-use assets, net	154	236
Other assets	6	8
Total assets	\$ 15,060	\$ 2,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 1,423	\$ 861
Current lease liabilities	87	217
Total current liabilities	1,510	1,078
Non-current lease liabilities	28	20
Total liabilities	1,538	1,098
Commitments and contingencies		
Stockholders' Equity:		
Common stock	3	1
Additional paid-in capital	89,954	61,276
Accumulated other comprehensive loss	(1,363)	(1,480)
Accumulated deficit	(75,072)	(57,946)
Total Stockholders' equity	13,522	1,851
Total Liabilities and Stockholders' Equity	\$ 15,060	\$ 2,949

SMARTKEM, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except number of shares and per share data)

	Year Ended December 31,	
	2021	2020
Revenue	\$ 18	\$ 94
Cost of revenue	8	55
Gross margin	10	39
Other operating income	1,285	1,437
Operating Expenses:		
Research and development	8,199	4,319
Selling, general and administrative	8,069	1,707
Transaction expenses	1,329	—
Total operating expenses	17,597	6,026
Loss from operations	(16,302)	(4,550)
Non-operating (Expense)/Income		
(Loss) on foreign currency transactions	(808)	—
Other income	—	1
Interest expense	(19)	(6,835)
Interest income	3	3
Change in fair value of derivative asset	—	(6,282)
Loss on conversion of convertible notes payable	—	(5,470)
Total non-operating (expense)	(824)	(18,583)
Loss before income taxes	(17,126)	(23,133)
Income tax expense	—	—
Net loss	\$ (17,126)	\$ (23,133)
Net loss	\$ (17,126)	\$ (23,133)
Other comprehensive loss:		
Foreign currency translation	117	(284)
Total comprehensive loss	\$ (17,009)	\$ (23,417)
Basic & diluted net loss per common share	\$ (0.68)	\$ (1.80)
Basic & diluted weighted average shares outstanding	25,233,384	12,821,748

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

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (17,126)	\$ (23,133)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	209	197
Common shares issued to vendor for services	263	—
Amortization of right of use asset	234	176
Stock-based compensation	6,196	—
Non-cash interest expense	—	6,835
Change in fair value of embedded conversion feature	—	6,282
Loss on conversion of convertible notes payable	—	5,470
Change in operating assets and liabilities:		

Accounts receivable, net	19	(17)
Research & development tax credit receivable	(104)	551
Prepaid expenses and other current assets	(532)	(70)
Accounts payable and accrued expenses	579	(214)
Lease liabilities	(276)	(157)
Other assets	2	(2)
Net cash used in operating activities	(10,536)	(4,082)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(341)	(118)
Net cash used by investing activities	(341)	(118)
Cash flows from financing activities:		
Proceeds from term loan payable	738	—
Repayment of term loan payable	(738)	—
Proceeds from the issuance of common stock	—	4,592
Proceeds from the issuance of common stock and warrants in private placement	24,638	—
Payment of issuance costs	(2,454)	—
Proceeds from the exercise of stock options	20	—
Net cash provided by financing activities	22,204	4,592
Effect of exchange rate changes on cash	135	(40)
Net change in cash	11,327	392
Cash, beginning of year	764	412
Cash, end of year	<u>\$ 12,226</u>	<u>\$ 764</u>

View original content: <https://www.prnewswire.com/news-releases/smartkem-inc-to-provide-investor-update-on-monday-april-4th-at-430-pm-edt-301511848.html>

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