

August 6, 2024

Dear Shareholders,

PharmChem filed its results for the second quarter of 2024 today. Net income for the second quarter of 2024 increased from approximately \$178,000, or \$0.036 per share to \$572,400, or \$0.123 per share. Revenue decreased slightly from \$1,542,000 to \$1,541,500. Second quarter results benefited from a reversal of stock compensation expense of \$207,000 related to the non-exercise of stock options granted to the former CEO. Absent the reversal, net income would have been \$365,400 or \$0.079 per share, a more than 100% increase from the prior year quarter.

Net income for the first six months of 2024 increased from approximately \$313,500, or \$0.063 per share to \$730,800, or \$0.157 per share. Revenue decreased from \$3,045,600 to \$2,987,700. Included in the net income for the first six months of 2024 were a few one-time items that hurt earnings. In the first quarter, results were negatively impacted from a non-cash inventory write down of \$66,900; a severance charge totaling \$25,000; and a \$10,000 expense for a study that we canceled. In the second quarter, results benefited from a reversal of stock compensation expense of \$207,000.

While revenue in the second quarter was down slightly versus the prior year, we were pleased with the result. As we noted in the past, our largest customer had significantly reduced orders in recent quarters. Excluding our former largest customer, patch sales in the first six months of 2024 increased 7.1% versus the first six months of 2023. Screens increased by 2.2%. We have redirected efforts in hopes of increasing our screen utilization.

Our annual shareholder meeting is scheduled for August 21, 2024, at the Hilton Dallas Southlake at 10:00 local time. The meeting will be held both in person and virtually.

If shareholders have further, specific questions, please email our CFO Shana Veale at [sveale@pharmchem.com](mailto:sveale@pharmchem.com) and we will set up a call.

Tim Eriksen  
Chairman of the Board

#### DISCLAIMER

This letter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933 (“Forward-looking Statements”), which are subject to the “safe harbor” created by these Sections. Forward-looking statements are statements about future financial results, future products or services and [www.pharmchem.com](http://www.pharmchem.com) other events that have not yet occurred. These forward-looking statements contain words such as, but not limited to, “expect”, “anticipate”, “estimate”, “believe”, “will”, “may” or “might”. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. We will not necessarily update the information in this letter if any forward-looking statement later turns out to be inaccurate.

**PHARMCHEM, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**June 30, 2024 and December 31, 2023**

	<b>June 30, 2024 (unaudited)</b>	<b>December 31, 2023 (audited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,304,369	\$ 1,571,766
Accounts receivable, net of allowance for doubtful accounts of \$15,000 in 2024 and 2023	691,058	636,336
Inventories	175,922	391,937
Prepaid expenses and other current assets	148,046	39,846
Deferred tax asset, net	-	48,534
Total current assets	<u>3,319,395</u>	<u>2,688,419</u>
Office equipment and leasehold improvements, net	203	287
Right-of-use asset – operating lease, net	63,142	76,853
Other intangible assets – R&D	1,525	-
Total assets	<u>\$ 3,384,265</u>	<u>\$ 2,765,559</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 179,293	\$ 160,135
Accrued expenses and other liabilities	218,046	157,319
Current portion of operating lease liabilities	28,102	26,725
Deferred revenue	178,792	163,840
Total current liabilities	<u>604,233</u>	<u>508,019</u>
Operating lease liabilities, net of current portion	<u>36,291</u>	<u>50,628</u>
Total liabilities	640,524	558,647
Stockholders' equity:		
Common stock, \$0.001 par value, 25,000,000 shares authorized and issued 4,647,731 shares	4,648	4,648
Additional paid-in capital	12,280,833	12,784,328
Treasury Stock	-	(309,551)
Accumulated deficit	(9,541,740)	(10,272,513)
Total stockholders' equity	<u>2,743,741</u>	<u>2,206,912</u>
Total liabilities and stockholders' equity	<u>\$ 3,384,265</u>	<u>\$ 2,765,559</u>

**PHARMCHEM, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

	<b>Three Months Ended June 30,</b>		<b>%Inc(Dec)</b>
	<b>2024</b>	<b>2023</b>	
Sales, net	\$ 1,541,543	\$ 1,542,023	< (1.0%)
Cost of sales	536,934	552,649	(2.8%)
Gross profit	1,004,609	989,374	1.5%
Operating expenses:			
Sales and marketing	248,418	295,760	(16.0%)
General and administrative	91,265	389,054	(76.5%)
Direct to Consumer	7,625	91,204	(91.6%)
Total operating expenses	347,308	776,018	(55.2%)
Income from operations	657,301	213,356	208.1%
Other income (expense):			
Dividend and interest income	21,477	12,347	
Other income (expense)	(874)	4,393	
Total other income	20,603	16,740	23.08%
Income before provision for income taxes	677,904	230,096	194.6%
Provision for income taxes			
Current	101,326	52,069	
Deferred	4,171	-	
Total provision for income taxes	105,497	52,069	102.6%
Net income	\$ 572,407	\$ 178,027	221.5%
Earnings per Share	\$0.123	\$0.0356	
Diluted Earnings per Share	\$0.123	\$0.0356	
Common shares outstanding, weighted avg	4,647,731	4,995,085	
Diluted common shares outstanding, weighted avg	4,647,731	4,995,085	

**PHARMCHEM, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

	<b>Six Months Ended June 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>%Inc(Dec)</b>
Sales, net	\$ 2,987,732	\$ 3,045,593	(1.9%)
Cost of sales	<u>1,100,057</u>	<u>1,083,091</u>	<u>1.6%</u>
Gross profit	1,887,675	1,962,502	(3.8%)
Operating expenses:			
Sales and marketing	505,579	606,526	(16.6%)
General and administrative	480,215	845,843	(43.2%)
Direct to Consumer	41,262	137,638	(70.0%)
Research & Development	10,215	676	N/A
Total operating expenses	<u>1,037,271</u>	<u>1,590,683</u>	<u>(34.8%)</u>
Income from operations	850,404	371,819	128.7%
Other income (expense):			
Dividend and interest income	31,883	30,666	
Other income (expense)	<u>5,957</u>	<u>8,349</u>	
Total other income	<u>37,840</u>	<u>39,015</u>	<u>(3.0%)</u>
Income before provision for income taxes	888,244	410,834	116.2%
Provision for income taxes			
Current	108,937	67,270	
Deferred	<u>48,534</u>	<u>30,016</u>	
Total provision for income taxes	<u>157,471</u>	<u>97,286</u>	<u>61.9%</u>
Net income	<u>\$ 730,773</u>	<u>\$ 313,548</u>	<u>133.1%</u>
Earnings per Share	<u>\$0.157</u>	<u>\$0.063</u>	
Diluted Earnings per Share	<u>\$0.157</u>	<u>\$0.063</u>	
Common shares outstanding, weighted avg	<u>4,647,731</u>	<u>4,995,085</u>	
Diluted common shares outstanding, weighted avg	<u>4,647,731</u>	<u>4,995,085</u>	

**PHARMCHEM, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**Six Months Ended June 30, 2024**

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance on December 31, 2022 (audited)	\$ 5,059	\$ 13,735,663	\$ (10,105,816)	\$ -	\$ 3,634,906
Net Income	-	-	845,102	-	845,102
Repurchase and Cancellation of Stock Options	(291)	(717,638)	-	-	(717,929)
Dividends Paid	-	-	(1,011,799)	-	(1,011,799)
Repurchase of Treasury	(120)	-	-	(309,551)	(309,671)
Repurchase of Stock Options	-	(311,192)	-	-	(311,192)
Black Scholes Valuation of Issued Stock Options	-	77,495	-	-	77,495
Balance on December 31, 2023 (audited)	4,648	12,784,328	(10,272,513)	(309,551)	2,206,912
Net Income	-	-	730,773	-	730,773
Treasury Stock Retired	-	(309,760)	-	309,551	(209)
Black Scholes Valuation of Issued Stock Options	-	(193,735)	-	-	(193,735)
Balance on June 30, 2024 (unaudited)	<u>\$ 4,648</u>	<u>\$ 12,280,833</u>	<u>\$ (9,541,740)</u>	<u>\$ -</u>	<u>\$ 2,743,741</u>

**PHARMCHEM, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>		
Net income	\$ 730,773	\$ 313,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	84	84
Stock-based compensation	(193,735)	38,747
Provision for doubtful accounts	(32)	(894)
Net realized (gain) on investments in marketable securities	-	-
Deferred tax assets	48,534	30,016
Net changes in operating assets and liabilities:		
Accounts receivable	(54,690)	(114,368)
Other receivables	-	1,689
Inventories	216,015	(122,537)
Prepaid expenses and other current assets	(108,200)	(71,257)
Accounts payable	19,158	88,454
Operating lease liability	751	-
Accrued expenses and other liabilities	75,679	85,930
Total Adjustments	3,564	(64,136)
Net cash provided by operating activities	734,337	249,412
<b>Investing Activities</b>		
Capitalized research and development	(1,525)	-
Net cash used in investing activities	(1,525)	-
<b>Financing Activities</b>		
Dividends paid	-	(1,011,799)
Treasury Stock Retired	(209)	(130,620)
Repurchase of Stock Options	-	(311,192)
Net cash used in financing activities	(209)	(1,453,611)
Net (decrease)/increase in cash and equivalents	732,603	(1,204,199)
Cash and equivalents at beginning of year	1,571,766	3,283,463
Cash and equivalents at end of quarter	\$ 2,304,369	\$ 2,079,264
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for federal and state income taxes	\$ 127,568	\$ 53,600

# PHARMCHEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Nature of Business

PharmChem, Inc. (the “Company” or “PharmChem”) sells and distributes the PharmChek<sup>®</sup> Sweat Patch Device (the “Sweat Patch” or “PharmChek<sup>®</sup>”). PharmChek<sup>®</sup> is a system that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek<sup>®</sup> test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis.

The Food and Drug Administration (“FDA”) has cleared PharmChek<sup>®</sup> for detecting the use of cocaine, opiates (including heroin), amphetamines (including methamphetamine), phencyclidine, and marijuana. Once the Sweat Patch is removed from the donor, it is sent to a third-party, certified laboratory for screening and, if necessary, confirmation. The Company’s customers include federal, state, and local governments, state, and local drug courts, as well as independent companies which provide drug rehabilitation and other related services.

PharmChek<sup>®</sup> is a registered trademark owned by the Company. PharmChem was incorporated in California in 1987 and reincorporated in Delaware in 2000. The Company’s corporate offices are located in Fort Worth, Texas.

During December 2022, PharmChem formed Chemiclear Testing LLC (“Chemiclear” and when combined with PharmChem, the “Company”), a wholly owned subsidiary. Chemiclear is a Delaware LLC formed for the purpose of marketing and distributing the TruPatch<sup>™</sup> sweat patch kit, for over-the-counter use.

### 2. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

#### **Basis of Accounting**

The accounts are maintained, and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company, PharmChem Inc. and the direct and wholly owned subsidiaries of this entity.

The Company operates one subsidiary, Chemiclear Testing LLC. All inter-company accounts and transactions have been eliminated in consolidation.

## PHARMCHEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **2. Summary of Significant Accounting Policies – continued**

##### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

##### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in various financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The money market account is insured by the Securities Investor Protection Corporation (“SIPC”). The Company has not experienced any losses related to amounts in excess of FDIC and SIPC limits.

##### **Accounts Receivable**

Accounts receivables are stated at amounts management expects to collect for providing services to consumers. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

##### **Inventories**

Inventories consist of the Sweat Patch as well as packaging and other related materials. Inventories are valued at the lower of cost or net realizable value using average cost.

##### **Property and Equipment**

Property and equipment are stated at cost. Office equipment is depreciated using the straight-line method over a four to ten-year useful life for financial reporting purposes. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lives of the respective leases or the service lives of the improvements. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Depreciation expense is included in general and administrative expenses in the accompanying statements of income. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned, and the related accumulated depreciation are eliminated from the accounts, and any resulting gains or losses are reflected in the operating results of the respective period.



## PHARMCHEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **2. Summary of Significant Accounting Policies – continued**

##### **Leases**

The Company has a lease for its office space. A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets (“ROU assets”) represent the Company’s right to use an underlying asset for the lease term. Operating lease liabilities (“lease liabilities”) represent the Company’s obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

Operating leases are included in right-of-use asset – operating lease and operating lease liabilities on the accompanying consolidated balance sheets.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes the applicable risk-free rate in effect at the time of the lease inception. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company’s lease agreement does not contain lease incentives, significant residual value guarantees, restrictions, or covenants.

The Company has a lease agreement with lease and non-lease components, which are generally accounted for separately. For these leases, there may be variability in future lease payments as the amount of non-lease component is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, taxes, and other related fees that are passed on from the lessor in proportion to the leased space, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

## PHARMCHEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 2. Summary of Significant Accounting Policies – continued

##### **Revenue Recognition**

Revenue is recognized when performance obligations under the terms of a contract with customers are satisfied. For Sweat Patch and TruPatch™ product sales, this typically occurs at the time the product is shipped to the customer, and for Sweat Patch and TruPatch™ screening, this occurs upon completion of the lab screening. Revenue is measured at the amount of consideration expected to be received in exchange for transferring the products to the customer or at the amount of consideration expected to be received upon completion of the lab screening of the TruPatch™ and the Sweat Patch. The lab screening for Sweat Patch is due within 30 days of performance obligation completion. The pricing for the Sweat Patch is separate from the pricing for the screening and, as such, revenue is not allocated between the two. Rebates are offered to certain customers and are earned only after achieving specified purchase targets. The amounts of rebates which will be taken by customers are calculated and recorded as a reduction from revenue and are included in net revenue in the accompanying consolidated statements of income. The TruPatch™ product and screen are sold together as a kit. The TruPatch™ product revenue is recognized immediately with rebates and discounts offered to customers, during certain online promotions, recorded as a reduction from revenue and included in net revenue in the accompanying consolidated statements of income.

Cash receipts for future Sweat Patch screenings are recognized as a contract liability. The contract liability is classified as deferred revenue in the accompanying consolidated balance sheets when sold and as revenue when the related screening has occurred. As of June 30, 2024 and 2023 and January 1, 2023, deferred revenues for future Sweat Patch screenings were approximately \$178,000, \$209,000, and \$156,000, respectively.

TruPatch™ screen revenue is recognized as a contract liability, classified as deferred revenue in the accompanying consolidated balance sheets, when sold and as a revenue when the screening has occurred. As of June 30, 2024 and 2023 and January 1, 2023, future TruPatch™ screenings were approximately \$700, \$0, and \$0, respectively. There are no related accounts receivable for TruPatch™ since the kits are sold directly to the end user and are paid in full, before they are shipped.

The Company invoices its customers for shipping and handling, which it records as revenues once the goods are shipped to the customer. Expenses for shipping costs are expensed as incurred and are included in the cost of revenues in the accompanying consolidated statements of income. Such shipping costs approximated \$22,000 and \$20,000, respectively, for the six months ended June 30, 2024 and 2023.

## PHARMCHEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 2. Summary of Significant Accounting Policies – continued

##### Income Taxes

The Company accounts for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the future tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the operating results of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the consolidated financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions within the United States.

##### Stock-Based Compensation

The Company accounts for stock-based compensation, which consists primarily of share-based payments for employee services using a fair value-based method. The Company uses the BlackScholes option pricing model to determine the fair value of stock options.

##### Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

#### 3. Inventories

Inventories consisted of the following:

	<b>June 30, 2024 (unaudited)</b>	<b>December 31, 2023 (audited)</b>
Sweat Patch / TruPatch™	\$ 128,048	\$ 306,233
Other Sweat Patch kit components	47,874	85,704
Total inventories	<u>\$ 175,922</u>	<u>\$ 391,937</u>

**PHARMCHEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**4. Income Taxes**

Net income tax expense reflects the net tax effects of temporary differences in the recognition of revenue and expenses for tax and consolidated financial statement purposes. Components of the Company's net income tax expense consisted of the following:

	<b>June 30, 2024 (unaudited)</b>	<b>June 30, 2023 (unaudited)</b>
Current	\$ 108,937	\$ 67,270
Deferred	48,534	30,016
Income tax expense (benefit), net	\$ 157,471	\$ 97,286

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used from income tax purposes.

The primary components of the deferred tax assets were as follows:

	<b>June 30, 2024 (unaudited)</b>	<b>December 31, 2023 (audited)</b>
Deferred tax assets:		
Allowance for doubtful accounts	\$ -	\$ 3,150
Operating leases	-	105
Property and equipment	-	2,392
Research & Development	-	3,273
Stock based compensation	-	40,684
Unrealized gain on cash equivalents	-	(1,070)
Total deferred tax assets	-	48,534
Less valuation allowance	-	-
Deferred tax assets	\$ -	\$ 48,534

Deferred income taxes may only be recorded if they are more likely than not to be realized. The Company has established a valuation allowance to reserve the deferred tax asset for the investments in marketable securities, due to the uncertainty of realization.

**PHARMCHEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**5. Leases**

The Company has an operating lease for its office space. Previously, the impacts of the lease being included in the balance sheet were considered immaterial. On September 1, 2023, the Company's office lease space lease agreement was renewed for three years. Our lease has a remaining lease term of 3 years.

The components of lease expense were as follows:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b> <b>(audited)</b>
Operating lease cost	\$ 15,300	\$ 10,200
Variable lease cost	-	2,736
Short-term lease cost	-	14,900

Weighted average lease term and discount rate as of June 30, 2024, are as follows:

Weighted average remaining lease term (years)	2.17
Weighted average discount rate	4.57%

Cash paid for the six months ended June 30, 2024, for operating leases was \$14,550.

ROU asset obtained in exchange for lease liability during December 31, 2023, is \$85,831.

Maturities of the lease liability as of June 30, 2024, are as follows:

2024 (remaining)	\$ 15,050
2025	31,100
2026	21,400
Total lease payments	67,550
Less present value discount	(3,157)
Lease liabilities	\$ 64,393

## PHARMCHEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Stock Option Plan

In January 2015, the Board of Directors (the “Board”) approved the 2015 Employee Stock Option Plan (the “Plan”) whereby non-qualified options were authorized and granted to employees to purchase 1,140,000 shares of common stock with varying vesting dates up to sixty months. The Plan is administered by the Board, which determines the term of each stock option. The exercise price cannot be less than 100% of the fair value of the common stock on the date the option is granted. As of December 31, 2023, all options from this Plan have been repurchased by the Company and the Plan has been terminated.

In June 2022, 265,000 stock options were granted under a stock option plan and agreement (the “Stock Option Plan”) to an employee with various vesting dates through 2026. Effective January 26, 2023, due to the payment of a dividend of \$0.20 per share, the exercise price was adjusted from \$4.60 to \$4.40. As a result of the modification, the Company determined the change in compensation expense immaterial and no additional expense was recognized. No options were granted during 2023.

In February 2023, 240,000 stock options were repurchased for \$1.25 per share for a total transaction of \$300,000 plus expenses.

In June 2024, the company experienced the forfeiture of all remaining stock options previously granted to a former employee. According to the terms of the stock option agreement unexercised options are subject to forfeiture ninety days after the termination date. As a result of the forfeiture, all previously recognized stock-based compensation expense associated with the forfeited options has been reversed. The total reversal amount is \$206,979 and has been reflected in the financial statements as of June 30, 2024.

As of June 30, 2024 and December 31, 2023, there were 0 and 265,000 stock options outstanding, respectively.

#### 6. Stockholders’ Equity

In September 2021 and October 2022 the Company announced authorization for a \$1,000,000 and \$500,000, respectively, stock repurchase program. During 2022, 44,278 shares were repurchased and retired for a cost of \$200,284. These shares were held at a \$.001 par value and were repurchased for prices ranging from \$4.11 to \$4.51. During 2023, 291,664 shares were repurchased and retired for a cost of \$717,929. These shares were held at a \$.001 par value and were repurchased for prices ranging from \$2.25 to \$2.61. In addition, during 2023 119,600 shares were repurchased, for a cost of \$309,671, and they were retired in the first quarter of 2024. The stock repurchase program will expire on August 31, 2026.

#### 7. Dividend

On January 31, 2023, the Board declared a \$0.20 per share special dividend on its common stock with dividends payable on February 15, 2023, to stockholders of record on February 8, 2023.

No dividend has been declared in 2024.

**PHARMCHEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)***

**8. Related-Party Transactions**

In June 2023, the Company opened cash accounts with a related-party financial institution for the sole purpose of facilitating the stock repurchase program.

**9. Subsequent Events**

In preparing the accompanying consolidated financial statements, management of the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through August 6, 2024, the date the accompanying consolidated financial statements was available for issuance.

The Board of Directors unanimously approved an additional \$1,000,000 for the stock repurchase program after the close of the June 2024 financial statements.

## Alternative Reporting Standard: Disclosure Guidelines for the Pink<sup>®</sup> Market

Federal and state securities laws require issuers to provide *current information* to the public markets. With a view to facilitating compliance with these laws, OTC Markets Group has created these Disclosure Guidelines (“Guidelines”)<sup>1</sup> that set forth the disclosure obligations that make up the “Alternative Reporting Standard” for Pink companies. Companies on the Pink Market that do not make disclosure directly to the SEC (via EDGAR), a banking regulator, or a non-U.S. regulatory authority may provide disclosure under our “Alternative Reporting Standard.” We use information provided by companies under these Guidelines to designate the appropriate tier in the Pink Market: Current Information or Limited Information.<sup>2</sup>

### Pink Current Information Tier

To qualify for the Current Information Tier:

1. **Subscribe to the OTC Disclosure & News Service:** To submit an application, visit [Gateway](#) to sign in or create a new account. Allow OTC Markets Group 2-4 weeks to process your application and provide authorized user credentials to OTCIQ.
2. **Publish Initial Disclosure:** Upload the following documents through OTCIQ:
  - Annual Report for the most recently completed fiscal year.
  - All Quarterly Reports for the Current Fiscal Year.

*Annual or Quarterly Reports are composed of:*

- **Disclosure Statements:** Disclosure information pursuant to these Guidelines for the applicable period. Available as a fillable form beginning on page 4 of these Guidelines.
- **Financial Statements:** Qualifying Financial Statements in accordance with the Financial Statement Requirements specified in Item 9 of these Guidelines.

*Qualifying Financial Statements include:*

- Audit Letter, if audited
- Balance Sheet
- Statement of Income
- Statement of Cash Flows
- Statement of Retained Earnings (Statement of Changes in Stockholders’ Equity)
- Notes to Financial Statements

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<sup>1</sup> These Guidelines have been designed to encompass the “current information” requirements under state and federal securities laws, such as Rules 10b-5 and 15c2-11 of the Securities Exchange Act of 1934 (“Exchange Act”) as well as Rule 144 of the Securities Act of 1933 (“Securities Act”), and state Blue Sky laws. However, these Guidelines have not been reviewed by the U.S. Securities and Exchange Commission or any state securities regulator. These Guidelines do not constitute legal advice, and OTC Markets Group makes no assurance that compliance with our disclosure requirements will satisfy any legal requirements. These Guidelines may be amended from time to time, in the sole and absolute discretion of OTC Markets Group, with or without notice.

<sup>2</sup> OTC Markets Group may require companies with securities designated as “Caveat Emptor” or other compliance flags to make additional disclosures to qualify for the Pink Current Information tier.



3. **Publish Attorney Letter:** If financial statements are not audited by a PCAOB registered firm, companies must retain U.S. counsel to review their disclosure and provide a letter to OTC Markets Group with respect to adequate current information by providing the following:
  - ***Attorney Letter Agreement:*** The attorney for the company must submit a signed Attorney Letter Agreement according to the [Attorney Letter Agreement Instructions](#).
  - ***Attorney Letter:*** After the attorney reviews the company’s disclosure, publish the “Attorney Letter With Respect to Current Information” through OTCIQ. Attorney Letters must be in accordance with the [Attorney Letter Guidelines](#).
4. **Verify Profile:** Verify the Company Profile through OTCIQ. This includes the complete list of current officers, directors, and service providers; outstanding shares; a business description; contact information; and the names of all company insiders and beneficial owners of 10% or more of the outstanding units or shares of any class of any equity security of the issuer.
5. **OTC Markets Group Processing of Reports:** Allow OTC Markets Group to process the posted documents (typically three to five business days) and provide any comments. Companies will only be evaluated for Current Information once all required documentation has been submitted. A new Attorney Letter is required upon amendment of any referenced report.
6. **Ongoing Requirements:** To qualify for Current Information on an ongoing basis, companies must:
  - Publish reports through OTCIQ on the following schedule:
    - Quarterly Report within **45 days** of the quarter end
    - Annual Report within **90 days** of the fiscal year end
    - Attorney Letter within **120 days** of the fiscal year end if financial statements are unaudited.
  - Maintain a Verified Profile. At least once every six months, review and verify the Company Profile through OTCIQ.
  - Maintain Transfer Agent Verified share data. If your transfer agent participates in the [Transfer Agent Verified Shares Program](#), then your securities must have current share data verified by the transfer agent.
  - Maintain an Active standing in the Company’s State of Incorporation.

### **Pink Limited Information Tier**

Companies that do not meet the requirements of the Pink Current Information tier set forth above may still qualify for the Pink Limited Information Tier by meeting the following minimum disclosure requirements.

1. **Annual Financial Statements:** Publish one set of Qualifying Annual Financial Statements which cover the past 2 completed fiscal years, provided the most recently completed fiscal year is within the past 16 months.
2. **Verified Profile:** The Company must verify the Company Profile through OTCIQ, including, but not limited to, a complete list of officers, directors, and service providers; outstanding shares; a business description; contact information; and the name of all company insiders. “Company Insiders” shall include the beneficial owner of 10% or more of the outstanding units or shares of any class of any equity security of the issuer.
3. **Ongoing Requirements:** To qualify for Limited Information on an ongoing basis, companies must:
  - Publish reports on the following schedule:
    - Annual Financial Statements as outlined in Item 9 within 120 days of the fiscal year end. Should a change in FYE occur, no more than 16 months may elapse from the fiscal year end of the prior Annual Financial Statement.

- Review and Verify the Company's profile information through OTCIQ at least once every 12 months.
- Maintain Transfer Agent Verified share data. If your transfer agent participates in the [Transfer Agent Verified Shares Program](#), then your securities must have current share data verified by the transfer agent.

### **Current Reporting of Material Corporate Events**

In addition to the disclosure requirements above, all companies on the Pink market are expected to promptly release to the public any news or information regarding corporate events that may be material to the issuer and its securities (including adverse information). Persons with knowledge of such events are considered to be in possession of material nonpublic information and may not buy or sell the issuer's securities until or unless such information is made public. If not included in the issuer's previous public disclosure documents, or if the material events occurs after the publication of such disclosure documents, the issuer shall publicly disclose such events by disseminating a news release **within four (4) business days** following their occurrence and posting such news release through an Integrated Newswire or the OTC Disclosure & News Service.<sup>3</sup>

Material corporate events may include:

- Changes to the company's shell status. Please refer to our [FAQ on Shell Companies](#)
- Changes in control of issuer
- Departure of directors or principal officers; election of directors; appointment of principal officers
- Entry into or termination of a material definitive agreement or material agreement not made in the ordinary course of business
- Completion of an acquisition or disposition of assets, including but not limited to merger transactions
- Creation of a direct financial obligation or an obligation under an off-balance sheet arrangement of an issuer
- Triggering events that accelerate or increase a direct or contingent financial obligation including any default or acceleration of an obligation or an obligation under an off-balance sheet arrangement
- Costs associated with exit or disposal activities including material write-offs and restructuring; Material impairments
- Unregistered sales of equity securities
- Material modification to rights of security holders
- Changes in issuer's certifying accountant
- Non-reliance on previously issued financial statements or a related audit report or completed interim review
- Change in a company's fiscal year; Amendments to articles of incorporation or bylaws that were not previously disclosed in a proxy statement or other such disclosure statement.
- Amendments to the issuer's code of ethics, or waiver of a provision of the code of ethics
- Any changes to litigation the issuer may be involved in, or any new litigation surrounding the issuer
- Officer, director, or insider transactions in the issuer's securities
- Disclosure of investor relations, marketing, brand awareness, and stock promotion activities which might reasonably be expected to materially affect the market for its securities or otherwise deemed material by the issuer
- A company's bankruptcy or receivership
- Termination or reduction of a business relationship with a customer that constitutes a specified amount of the company's revenues
- Any material limitation, restriction, or prohibition, including the beginning and end of lock-out periods, regarding the company's employee benefits, retirement and stock ownership plan
- Earnings releases
- Other materially different information regarding key financial or operation trends from that set forth in periodic reports
- Other events the issuer determines to be material

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<sup>3</sup> "Integrated Newswire" shall mean a newswire service that is integrated with the OTC Disclosure & News Service and is included on OTC Markets Group's list of Integrated Newswires, as published on <https://www.otcmarkets.com/corporate-services/ir-tools-services>

## **PHARMCHEM, INC.**

2411 E Loop 820 N, Fort Worth, TX 76118

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817-591-4100

[www.pharmchek.com](http://www.pharmchek.com)

[info@pharmchem.com](mailto:info@pharmchem.com)

# Quarterly Report

For the quarter ending June 30, 2024 (the "Reporting Period")

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

4,647,731 as of 6/30/2024 (Current Reporting Period Date or More Recent Date)

4,647,731 as of 12/31/2023 (Most Recent Completed Fiscal Year End)

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>4</sup> of the company has occurred during this reporting period:

Yes:  No:

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<sup>4</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

PharmChem, Inc. – current  
PharmChem Laboratories, Inc – May 16, 2000

Current State and Date of Incorporation or Registration: DE - 2000  
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

N/A

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

Beginning July 2023, the company has actively begun repurchasing common shares through the Stock Repurchase Program. The program was authorized by the Board in September 2021. As of December 31, 2023, the Company had repurchased 347,354 shares at an average price of \$2.58 including commissions and fees.

Address of the issuer's principal executive office:

2411 E. Loop 820 N., Fort Worth, TX 76118

Address of the issuer's principal place of business:

*X Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

## 2) Security Information

### Transfer Agent

Name: Transfer Online  
Phone: 502-227-2950  
Email: info@transferonline.com  
Address: 512 SE Salmon St. Portland, OR 97214

### Publicly Quoted or Traded Securities:

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>PCHM</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>717133102</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>25,000,000</u>	<u>as of date: 6/30/2024</u>
Total shares outstanding:	<u>4,647,731</u>	<u>as of date: 6/30/2024</u>
Total number of shareholders of record:	<u>107</u>	<u>as of date: 6/30/2024</u>

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.*

N/A

### Other classes of authorized or outstanding equity securities that do not have a trading symbol: N/A

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

Exact title and class of the security:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding:	_____	<u>as of date: _____</u>
Total number of shareholders of record:	_____	<u>as of date: _____</u>

*Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.*

N/A

### **Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

1. **For common equity, describe any dividend, voting and preemption rights.**

Common Stockholders have a right to common and special dividends when declared and paid by the company.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

The Company has no preferred stock.

3. **Describe any other material rights of common or preferred stockholders.**

N/A

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

N/A

### **3) Issuance History**

*The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.***

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

#### **A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding Opening Balance:			*Right-click the rows below and select "Insert" to add rows as needed.						
Date	Common:	Preferred:							
Date <u>12/31/2021</u>	Common: <u>5,103,273</u>	Preferred: <u>0</u>							
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>1<sup>st</sup> Qtr 2022</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>4/28/2022</u>	<u>Cancellation</u>	<u>44,278</u>	<u>Common</u>	<u>\$0.001</u>	<u>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>3<sup>rd</sup> Qtr 2022</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>4<sup>th</sup> Qtr 2022</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1<sup>st</sup> Qtr 2023</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>6/13/2023</u>	<u>Cancellation</u>	<u>63,910</u>	<u>Common</u>	<u>\$0.001</u>	<u>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>9/6/2023</u>	<u>Cancellation</u>	<u>71,455</u>	<u>Common</u>	<u>\$0.001</u>	<u>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>12/13/2023</u>	<u>Cancellation</u>	<u>156,299</u>	<u>Common</u>	<u>\$0.001</u>	<u>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>12/31/2023</u>	<u>Cancellation</u>	<u>119,600</u>	<u>Common</u>	<u>\$0.001</u>	<u>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>1<sup>st</sup> Qtr 2024</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>2<sup>nd</sup> Qtr 2024</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Shares Outstanding on Date of This Report:									
Date	Common:	Preferred:							
Date <u>6/30/2024</u>	Common: <u>4,647,731</u>	Preferred: <u>0</u>							

**Example:** A company with a fiscal year end of December 31<sup>st</sup> 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

**\*\*\*Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

**None**

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities :

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*\*\*Control persons for any entities in the table above must be disclosed in the table or in a footnote here.

Use the space below to provide any additional details, including footnotes to the table above:

None

## 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on [www.OTCMarkets.com](http://www.OTCMarkets.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

PharmChem, Inc. (the "Company" or "PharmChem") sells and distributes the PharmChek® Sweat Patch Device (the "Sweat Patch" or "PharmChek®"), which tests for drugs of abuse. Once the Sweat Patch is removed from the donor, it is sent to a third-party, certified laboratory for screening and, if necessary, confirmation. The Company's customers include federal, state, and local governments, state and local drug courts, as well as independent companies which provide drug rehabilitation and other related services.

B. List any subsidiaries, parent company, or affiliated companies.

PharmChem's wholly owned subsidiary, Chemiclear Testing LLC sells and distributes the TruPatch™ sweat patch kit, for over-the-counter use.

C. Describe the issuers' principal products or services.

PharmChek®, is a Food and Drug Administration ("FDA") cleared medical device, that uses sweat to detect the presence of illegal drugs. It consists of a transparent polyurethane outer covering, a small absorbent pad, and a release liner. A unique number is printed on the Sweat Patch for identification and anti-counterfeiting purposes. Unlike urinalysis, flushing or employing a diuretic to rid the body of drugs of abuse does not affect PharmChek® test results, since the drugs in the sweat simply collect on the absorption pad until the pad is removed for analysis. The Sweat Patch is used for detecting the use of marijuana, cocaine, opiates, amphetamine, methamphetamine, PCP, fentanyl, oxycodone, oxymorphone, hydrocodone, hydromorphone, benzodiazepines, methadone, and buprenorphine.

Chemiclear Testing LLC sells and distributes the TruPatch™ sweat patch kit, for over-the-counter use.



## 5) Issuer's Facilities

*The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.*

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Company's only property is a leased office in Fort Worth, TX – the lease term ends in 2026.

## 6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

*The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.*

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Tim Eriksen</u>	<u>Director, Owner more than 5%</u>	<u>Custer, WA</u>	<u>1,545,524</u>	<u>Common</u>	<u>33.3%</u>	<u>N/A</u>
<u>Thompson Clark</u>	<u>Director, Interim CEO</u>	<u>Raleigh, NC</u>	<u>17,000</u>	<u>Common</u>	<u>&lt;1%</u>	<u>N/A</u>
<u>James Ford</u>	<u>Director</u>	<u>Fort Mills, SC</u>	<u>120,954</u>	<u>Common</u>	<u>2.6%</u>	<u>N/A</u>
<u>Tristram Jordan</u>	<u>Owner more than 5%</u>	<u>Ft. Lauderdale, FL</u>	<u>721,576</u>	<u>Common</u>	<u>15.5%</u>	<u>N/A</u>
<u>Richard Jordan</u>	<u>Owner more than 5%</u>	<u>Ft. Lauderdale, FL</u>	<u>454,442</u>	<u>Common</u>	<u>9.8%</u>	<u>N/A</u>
<u>Kerri Wagner</u>	<u>CRO</u>	<u>Vulga, SD</u>	<u>100</u>	<u>Common</u>	<u>&lt;1%</u>	<u>N/A</u>
<u>Shana Veale</u>	<u>VP/CFO</u>	<u>Fort Worth, TX</u>	<u>20</u>	<u>Common</u>	<u>&lt;1%</u>	<u>N/A</u>

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, log in to [www.OTCIQ.com](http://www.OTCIQ.com) to update your company profile.

## 7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

As to the Officers, Directors, and Control Persons above, the issuer is not aware of any such proceedings.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

### 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: William R. Rohrlich II, (Shareholder)  
Firm: Winstead PC  
Address 1: 600 Travis St., #5200  
Address 2: Houston, TX 77002  
Phone: 713-250-2634  
Email: wrohrlich@winstead.com

Accountant or Auditor

Name: Jenni Barnett  
Firm: Whitley Penn, LLP  
Address 1: 640 Taylor St., #2200  
Address 2: Fort Worth, TX 76102  
Phone: 817-559-9712  
Email: jenni.barnett@whitleypenn.com

Investor Relations

Name: None  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

*All other means of Investor Communication:*

X (Twitter): N/A  
Discord: N/A  
LinkedIn: [www.linkedin.com/company/pharmchem](http://www.linkedin.com/company/pharmchem)  
Facebook: N/A  
Company Website: [www.pharmchek.com/investor-relations](http://www.pharmchek.com/investor-relations)

### Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: None  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

## 9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Shana Veale  
Title: VP/CFO  
Relationship to Issuer: Executive

B. The following financial statements were prepared in accordance with:

- IFRS  
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Shana Veale  
Title: VP/CFO  
Relationship to Issuer: Executive

Describe the qualifications of the person or persons who prepared the financial statements:<sup>5</sup>

**Ms. Veale is a CPA with over 20 years of experience including public accounting and prior controller roles.**

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

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<sup>5</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

**Financial Statement Requirements:**

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

**10) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Thompson Clark certify that:

1. I have reviewed this Disclosure Statement for PharmChem, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 6, 2024 [Date]

/s/ Thompson Clark [CEO's Signature] - (Digital Signatures should appear as “/s/ [OFFICER NAME]”)

*Principal Financial Officer:*

I, Shana Veale certify that:

1. I have reviewed this Disclosure Statement for PharmChem, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 6, 2024 [Date]

/s/ Shana Veale [CFO's Signature] - (Digital Signatures should appear as “/s/ [OFFICER NAME]”)