

April 26, 2023

Dear Shareholders,

One of the more painful experiences I have had professionally is aggressively spending shareholder capital on growth initiatives, only to watch revenue fall. We can increase, or decrease, SG&A spend relatively simply. It is more difficult to gin up significant new users of our product. This quarter, sales were above H2 2022 levels, mostly from the return of our single largest customer. But there are some indications of success from our core sales efforts as well, while our new sales verticals continue to move slowly.

Ongoing Partial Customer Disruption

Our Chief Revenue Officer Kerri Wagner and our sales team, specifically our Senior Account Manager Matthew Hartley, have pulled off a phenomenal outcome saving our largest single customer relationship. As recently as Q3 2022, we feared this source of >10% of our revenue would no longer be a customer at all. This quarter, this customer is now at ~2/3rds of its Q1 2022 revenue. This missing 1/3 is approximately 5% of our Q1 2023 sales.

We tentatively expect this customer to stay in this range of dollar sales going forward.

Quarter over Quarter Sales

Our business is not a particularly seasonal one. We have caused sharp disruption to its management and sales practices over the last 6 or 7 quarters, and the most fundamental reorganization has been under CEO Matt Katz's leadership from Q3 2022 on. In cases like this, it can be more productive to look at shorter term snapshots of sales growth than y.o.y. Please see the table breaking out quarterly revenue below.

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenue	\$1,613,341	\$1,433,372	\$1,540,328	\$1,508,120	\$1,425,968	\$1,374,406	\$1,507,570
Q over Q	5%	-11%	7%	-2%	-5%	-4%	10%
Y over Y	-3%	-8%	-6%	-2%	-12%	-4%	-2%

Our revenue comes roughly 1/3 from product sales (when a customer buys a box of PharmChek patches), and 2/3 from the follow-up laboratory testing of the patch (when a customer actually uses the patch, FedExes it in, and gets a result). The latter is probably more indicative of healthy, ongoing, and growing customer uses than the former. While our q.o.q. revenue growth comes almost entirely from the return of our large customer, screening revenue from all other customers grew mid-single digits percentages over Q4.

While fewer purchases and screens from our largest single customer decreased quarterly sales ~5 percentage points y.o.y., our new sales initiatives made a ~\$50k contribution to the quarterly top line (~3 percentage points). This means truly new customers in our core criminal justice segment are now generating around \$125k of gross margin dollars a year, vs total sales SG&A of around \$480k for core sales team.

Our customers have the option to order "enhanced panels" which, include screening for synthetic opiates and fentanyl, for an additional cost. These tend to be higher margin screens. Expanded panel volume

has been an area of focus for the sales team, and it has been a fruitful one, as this segment of our sales were up 61% q.o.q. This is still a relatively small portion of revenue, but made up the majority of our q.o.q. growth in sales for Q1 2023.

Private Employer Vertical

The Private Employer sales vertical is meant to target businesses especially concerned about the safety risks of drug use of their employees, like trucking, heavy machinery, construction, and oil and gas production. We had our first order in screening medical professionals (doctors and nurses) this quarter.

Thus far we have spent around a hundred thousand dollars on this initiative and have had relatively little uptake. As we previously forecast, we achieved our first dollar of sales in this vertical in Q1. It is not a material portion of our sales in Q1. Our long-term prospects in workplace remain unclear. We continue to receive positive feedback, but if sales remain at this level, it is hard to justify ongoing investment. Q2 Private Employer sales will be pivotal to determine if we can gain meaningful traction or need to redeploy our resources to other use cases.

Direct to Consumer

The regulatory and administrative hurdles of getting the DTC “TruPatch” to market continue to drag. At this point, we hope to have our first dollar of revenue before the end of Q2 2023. It will be well into the end of 2023 or early 2024 before we are able to evaluate this project in a quantitative way. Thus far we have spent around \$100k on this initiative.

The Path Forward

We are relieved to see revenue stabilize and rebound. Cash flow from our legacy criminal justice business provides us with the runway to make measured decisions about growth spend to apply our product to new customers and new markets. We continue to evaluate these expenditures as uses of shareholder capital, and hope to have some conclusions on core sales, Private Employer, and DTC, possibly by year end 2023.

We invite all shareholders to our annual meeting, which we plan to hold on August 16th, 2023 in Fort Worth, Texas. We anticipate offering a virtual option to join as well. Further details will be provided in advance of the meeting.

Thanks for the trust you’ve put in us.

Tice Brown

A handwritten signature in dark ink, appearing to read 'Tice Brown', with a long horizontal flourish extending to the right.

Chairman of the Board

****Please read the Disclaimer On the Next Page.****

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 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.

To supplement our unaudited condensed consolidated financial statements presented on a GAAP basis, we disclose certain non-GAAP and Pro Forma financial measures, including Return on Invested Capital (ROIC), free cash flow (FCF), steady-state free cash flow, pro forma EBIT, and steady-state free cash flow per share that exclude certain amounts, one-time expenses from corporate actions and new sales force employee compensation costs. These non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States and should not be considered in isolation from or as a replacement for the most directly comparable GAAP financial measures. Further, other companies may calculate these non-GAAP financial measures differently than we do, which may limit the usefulness of those measures for comparative purposes.

We believe that presenting Return on Invested Capital, free cash flow, steady-state free cash flow, and steady-state free cash flow per share, in addition to the corresponding GAAP financial measures, provides investors greater transparency to the information used by management for its operational decision-making and allows investors to see our results “through the eyes” of management. We further believe that providing this information assists our investors in understanding our operating performance and the methodology used by management to evaluate and measure such performance.

PHARMCHEM, INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2023 and December 31, 2022

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,015,440	\$ 3,283,463
Accounts receivable, net of allowance for doubtful accounts of \$15,000 in 2023 and 2022	673,094	567,751
Income tax receivable	11,768	13,457
Inventories	125,864	160,844
Prepaid expenses and other current assets	83,075	26,145
Deferred tax asset, net	-	30,016
Total current assets	2,909,241	4,081,676
Office equipment and leasehold improvements, net	415	457
Total assets	<u>\$ 2,909,656</u>	<u>\$ 4,082,133</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 232,143	\$ 146,322
Accrued expenses and other liabilities	70,295	144,430
Deferred revenue	140,408	156,475
Total liabilities	442,846	447,227
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value, 25,000,000 shares authorized, 5,058,995 March 31, 2023 and 5,058,995 December 31, 2022 issued and outstanding	5,059	5,059
Additional paid-in capital	13,443,845	13,735,663
Accumulated deficit	(10,982,094)	(10,105,816)
Total stockholders' equity	2,466,810	3,634,906
Total liabilities and stockholders' equity	<u>\$ 2,909,656</u>	<u>\$ 4,082,133</u>

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended March 31, 2023 and 2022
(unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Sales, net	\$ 1,503,570	\$ 1,540,328
Cost of sales	530,047	562,142
Gross profit	973,523	978,186
Operating expenses:		
Sales and marketing	310,766	278,475
General and administrative	457,465	357,675
Direct to Consumer	46,829	-
Total operating expenses	815,060	636,150
Income from operations	158,463	342,036
Other income (expense):		
Dividend and interest income	18,319	178
Other income (expense)	3,956	-
Total other income	22,275	178
Income before provision for income taxes	180,738	342,214
Provision for income taxes		
Current	15,201	-
Deferred	30,016	71,865
Total provision for income taxes	45,217	71,865
Net income	\$ 135,521	\$ 270,349
Earnings per Share	\$0.0268	\$0.053
Diluted Earnings per Share	\$0.0265	\$0.051
Common shares outstanding	5,058,995	5,103,273
Diluted common shares outstanding	5,111,995	5,343,273

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended March 31, 2023
(unaudited)

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total
Balance at December 31, 2021	\$5,103	\$13,819,663	\$(10,976,250)	\$2,848,516
Net Income	-	-	870,434	870,434
Repurchase of Common Stock	(44)	(200,240)	-	(200,284)
Black Scholes Valuation of Issued Stock Options	-	116,240	-	116,240
Balance at December 31, 2022	\$5,059	\$13,735,663	\$(10,105,816)	\$3,634,906
Net Income	-	-	135,521	135,521
Dividends Paid	-	-	(1,011,799)	(1,011,799)
Repurchase of Options	-	(311,192)	-	(311,192)
Black Scholes Valuation of Issued Stock Options	-	19,374	-	19,374
Balance at March 31, 2023	<u>\$5,059</u>	<u>\$13,443,845</u>	<u>\$(10,982,094)</u>	<u>\$2,466,810</u>

PHARMCHEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2023 and 2022
(unaudited)

	March 31, 2023	March 31, 2022
Operating Activities		
Net income	\$ 135,521	\$ 270,349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	42	42
Stock-based compensation	19,374	-
Provision for doubtful accounts	-	-
Net realized (gain) on investments in marketable securities	-	-
Deferred tax assets	30,016	71,865
Net changes in operating assets and liabilities:		
Accounts receivable	(105,343)	(17,769)
Bad debt recoveries	-	(164)
Other receivables	1,689	-
Inventories	34,980	(171,113)
Prepaid expenses and other current assets	(56,930)	(34,311)
Accounts payable	85,822	36,808
Accrued expenses and other liabilities	(90,203)	(112,279)
Total Adjustments	<u>(80,553)</u>	<u>(226,921)</u>
Net cash provided by operating activities	54,968	43,428
Investing Activities		
Preferred Stock – Called	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
Financing Activities		
Dividends paid	(1,011,799)	-
Repurchase of Common Stock	-	-
PCHM Option Acquisition	(311,192)	-
Net cash used in financing activities	<u>(1,322,991)</u>	<u>-</u>
Net (decrease)/increase in cash and equivalents	(1,268,023)	43,428
Cash and equivalents at beginning of year	<u>3,283,463</u>	<u>2,217,270</u>
Cash and equivalents at end of quarter	<u><u>\$ 2,015,440</u></u>	<u><u>\$ 2,260,698</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for federal and state income taxes	<u><u>\$ 28,140</u></u>	<u><u>\$ -</u></u>

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

1. Nature of Business

PharmChem, Inc. (the “Company” or “PharmChem”) sells and distributes the PharmChek® Sweat Patch Device (the “Sweat Patch” or “PharmChek®”). PharmChek® 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® 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® 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® 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.

The Company created a direct wholly owned subsidiary, Chemiclear Testing LLC (“Chemiclear”), at the end of 2022. Chemiclear sells and distributes the TruPatch, trademark pending, sweat patch kit, for over-the-counter use. Chemiclear Testing LLC is incorporated in Delaware and shares the company’s corporate offices located in Fort Worth, Texas.

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.

Fair Value Measurement

GAAP defines fair value as the price 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 and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. Summary of Significant Accounting Policies – continued

Investments in Marketable Securities

The investments in marketable securities are considered trading securities and are carried at fair value. Changes in the fair value are considered in the statements of income. The values of these investments are derived from identical assets actively traded in public markets and are classified as Level 1 in the fair value hierarchy.

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

Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with customers are satisfied. For Sweat Patch sales, this typically occurs at the time the product is shipped to the customer, and for Sweat Patch 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 Sweat Patch to the customer or at the amount of consideration expected to be received upon completion of the lab screening of the Sweat Patch, 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. Cash receipts for future Sweat Patch screenings are recognized as a contract liability. The contract liability is classified as deferred revenue in the accompanying balance sheets when sold and as revenue when the related screening has occurred. As of March 31, 2023 and 2022 and December 31, 2022, deferred revenues for future Sweat Patch screening were approximately \$140,000, \$99,000, and \$156,000, respectively.

Revenue Recognition – continued

Expenses for shipping costs are expensed as incurred and are included in the cost of sales in the accompanying statements of income. Such shipping costs approximated \$10,000 and \$12,000, respectively, for the quarters ended March 31, 2023 and 2022.

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.

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies – continued

Stock-Based Compensation

The Company accounts for stock-based compensation, which focuses primarily on share-based payments for employee services and requires these payments to be recorded using a fair-value-based method. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

3. Inventories

Inventories consisted of the following:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Sweat Patch	\$ 75,309	\$ 130,350
Other Sweat Patch kit components	50,555	30,494
Total inventories	<u>\$ 125,864</u>	<u>\$ 160,844</u>

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:

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Current	\$ 15,201	\$ -
Deferred	30,016	71,865
Income tax expense (benefit), net	<u>\$ 45,217</u>	<u>\$ 71,865</u>

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Income Taxes – continued

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:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Deferred tax assets:		
Allowance for doubtful accounts	\$ -	\$ 3,150
Investments in marketable securities	17,237	17,237
Property and equipment	-	2,455
Stock based compensation	-	24,411
Total deferred tax assets	<u>17,237</u>	<u>47,253</u>
Less valuation allowance	<u>(17,237)</u>	<u>(17,237)</u>
Deferred tax assets	<u><u>\$ -</u></u>	<u><u>\$ 30,016</u></u>

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.

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. The options expire and the Plan terminates in 2025. In September 2021, 900,000 stock options were repurchased for \$2.50 per share for a total transaction of \$2,250,000 plus expenses. There were no new grants of stock options in 2021. As of December 31, 2021, there were 240,000 stock options outstanding.

In June 2022, 265,000 non-qualified options to purchase common stock were authorized and granted to the new chief executive officer with varying vesting dates up to sixty months. The options expire and the plan terminates June 2032. In January 2023, 240,000 stock options, issued in 2015, were repurchased for \$1.25 per share for a total transaction of \$300,000 plus expenses. As of March 31, 2023, there were 265,000 stock options outstanding with 53,000 vested.

The Company used the Black-Scholes stock option pricing model to determine the fair value of option grants in 2022. Compensation expense relating to option grants was determined to be material enough to record in the accompanying statements of income and is shown on the Statement of Stockholders Equity.

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Stockholders' Equity

In September 2021, the Company announced authorization for a \$1,000,000 stock repurchase program. During 2021, 90,000 shares were repurchased and retired for a cost of \$445,504. These shares were held at a \$.001 par value and were repurchased for \$4.95 per share. The stock repurchase program will expire on August 31, 2026.

In April 2022, the Company repurchased and retired 44,278 shares for a cost of \$196,824. These shares were held at a \$.001 par value and were repurchased on average for \$4.45 per share.

For the periods ended March 31, 2023, and December 31, 2022, the total outstanding common shares were 5,058,995 and 5,058,995, respectively.

8. Dividend

No dividends were declared or paid in 2022.

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.

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 April 26, 2023, the date the accompanying consolidated financial statements was available for issuance.

PHARMCHEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Stockholders' Equity

In September 2021, the Company announced authorization for a \$1,000,000 stock repurchase program. During 2021, 90,000 shares were repurchased and retired for a cost of \$445,504. These shares were held at a \$.001 par value and were repurchased for \$4.95 per share. The stock repurchase program will expire on August 31, 2026.

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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 April 26, 2023, the date the accompanying consolidated financial statements was available for issuance.

Alternative Reporting Standard: Pink® Basic Disclosure Guidelines

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, 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 Pink Basic Disclosure Guidelines (“Guidelines”).¹ These Guidelines set forth the disclosure obligations that make up the “Alternative Reporting Standard” for Pink companies. These Guidelines have been designed to encompass the “Catch All” information required in Rule 15c2-11,² however they have not been reviewed by the U.S. Securities and Exchange Commission or any state securities regulator. We use information provided by companies under these Guidelines to designate the appropriate tier in the Pink Market: Current Information or Limited Information.³

These Guidelines may be amended from time to time, in the sole and absolute discretion of OTC Markets Group, with or without notice. The information provided by companies under these Guidelines is subject to our [Privacy Policy](#).

Pink Current Information Tier

Companies that make the information described below publicly available on a timely basis may qualify for the Current Information Tier.

Qualification Process:

1. **Subscribe to the OTC Disclosure & News Service:** by submitting an application through [Gateway](#). Allow OTC Markets 2-4 weeks of application processing time.
2. **Upload Initial Disclosure:** Upload the following documents through OTCIQ:
 - **All Quarterly Reports** for Current Fiscal Year – must include Disclosure Statement and Financial Reports listed below
 - **Annual Report** for Most Recently Completed Fiscal Year– must include Disclosure Statement and Financial Reports listed below
 - **Annual Report** for Prior Completed Fiscal Year – must include Financial Reports listed below
 - **Disclosure Statements:** Disclosure information pursuant to these Guidelines for the applicable period. (see the fillable form starting on Page 4).
 - **Financial Statements:** Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited. Required 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

¹ This is not legal advice, and OTC Markets Group makes no assurance that compliance with our disclosure requirements will satisfy any legal requirements.

² Publication of information pursuant to these Guidelines does not guarantee or ensure that the Company will be designated as having “current information” or eligible for public quotations pursuant to Rule 15c2-11 or any other applicable regulation.

³ OTC Markets Group may require companies with securities designated as Caveat Emptor to make additional disclosures in order to qualify for the Pink Current Information tier.

3. **Attorney Letter** (only required if not providing audited financials): 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 must submit a signed Attorney Letter Agreement according to the [Attorney Letter Agreement Instructions](#). The attorney is required to submit an Attorney Letter Agreement for each company that engages the attorney for the purpose of providing this Letter.
 - **Attorney Letter:** After a qualified attorney reviews the Disclosure Statement, upload the “Attorney Letter With Respect to Current Information” in accordance with the [Attorney Letter Guidelines](#) through OTCIQ. Attorney Letters must reference all required reports as set forth in Section 2 above.
4. **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 are defined as the beneficial owner of more than 10% of the outstanding units or shares of any class of any equity security of the issuer.
5. **OTC Markets Group Processing of Disclosure:** 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 Disclosure Requirements:** To qualify for Current Information on an ongoing basis, companies must:
 - Upload 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
 - Maintain a Verified Profile. At least once every six months, review and verify the Company’s profile information through OTCIQ.

Pink Limited Information Tier

Companies that make the information described below publicly available through OTCIQ may qualify for the Limited Information Tier.

7. **Annual Financial Statements:** Companies must upload the below financial statements for a completed Fiscal Year within the past 16 months. Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.
 - 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
8. **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 are defined as the beneficial owner of more than 10% of the outstanding units or shares of any class of any equity security of the issuer.
9. **Ongoing Disclosure Requirements:** To Qualify for Limited Information on an ongoing basis, companies must:
 - Upload reports through OTCIQ on the following schedule:
 - Annual Report (including the required financial statements outlined in Item 8) within 120 days of the fiscal year end

- Review and Verify the Company's profile information through OTCIQ at least once every 12 months.

Current Reporting of Material Corporate Events

In addition to the disclosure requirements above, companies are expected to release quickly 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 any of the following events occur 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 OTCIQ.⁴

Material corporate events include:

- Entry into or termination of a material definitive agreement
- 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 financial obligation or an obligation under an off-balance sheet arrangement
- Costs associated with exit or disposal activities
- Material impairments
- 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
- Changes in control of issuer
- Departure of directors or principal officers; election of directors; appointment of principal officers
- Amendments to articles of incorporation or bylaws; change in fiscal year
- 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
- Changes to the company's shell status
- Other events the issuer determines to be material

⁴ "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.otcm Markets.com/corporate-services/products/disclosure-and-news-service>

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

PharmChem, Inc.

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

855-458-4100

www.pharmchek.com

info@pharmchem.com

424990

Consolidated Quarterly Report

For the period ending 3/31/2023 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

5,058,995 as of 3/31/2023 – current reporting period date

5,058,995 as of 12/31/2022 – 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 Control⁵ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

⁵ “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 any names used by predecessor entities, along with the dates of the name changes.

N/A

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

DE - Active

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

N/A

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

The Company announced a \$0.20 dividend on January 31, 2023 to all shareholders on record at February 8, 2023, paid February 15, 2023.

On January 20, 2023, the Company signed an agreement with the Chief Revenue Officer to repurchase all 240,000 unexercised Stock Options for \$1.25 each.

The address(es) of the issuer's principal executive office:

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

The address(es) 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: 3/31/2023</u>
Total shares outstanding:	<u>5,058,995</u>	<u>as of date: 3/31/2023</u>
Total number of shareholders of record:	<u>460</u>	<u>as of date: 7/15/2022</u>

All additional class(es) of publicly quoted or traded securities (if any): **N/A**

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
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>

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
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>

Other classes of authorized or outstanding equity securities: 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). 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:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding (if applicable):	_____	<u>as of date: _____</u>
Total number of shareholders of record (if applicable):	_____	<u>as of date: _____</u>

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

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.

Company has no preferred stock issued.

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

Common Stockholders do not have any other material rights.

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

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 as of Second Most Recent Fiscal Year End: Date <u>12/31/2021</u> Opening Balance Common: <u>5,103,273</u> Preferred: <u>0</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation,	Number of Shares	Class of Securities	Value of shares issued (\$/per	Were the shares issued at a discount	Individual/ Entity Shares were issued to.	Reason for share issuance (e.g. for cash or debt conversion) -	Restricted or Unrestricted	Exemption or

	shares returned to treasury)	Issued (or cancelled)		share) at Issuance	to market price at the time of issuance? (Yes/No)	*You must disclose the control person(s) for any entities listed.	OR- Nature of Services Provided	as of this filing.	Registration Type.
<u>1st 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>No</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>3rd 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>4th 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>1st 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>
Shares Outstanding on Date of This Report:									
	<u>Ending Balance</u>	<u>Ending Balance:</u>							
Date <u>3/31/2022</u>	Common: <u>5,058,995</u>								
	Preferred: <u>0</u>								

Example: A company with a fiscal year end of December 31st, 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, 2021 through December 31, 2022 pursuant to the tabular format above.

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

N/A

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.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

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

N/A

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
(Please ensure that these descriptions are updated on the Company's Profile on www.otcm Markets.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.

None

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 cocaine, opiates (including heroin), amphetamines (including methamphetamine), phencyclidine, marijuana and fentanyl.

The Company created a direct wholly owned subsidiary, Chemiclear Testing LLC ("Chemiclear"), at the end of 2022. Chemiclear sells and distributes the TruPatch, trademark pending, sweat patch kit, for over-the-counter use. Chemiclear Testing LLC was incorporated in Delaware and shares the company's corporate offices located in Fort Worth, Texas.

5) Issuer's Facilities

The goal of this section is to provide a potential investor 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, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company's only property is a leased office in Fort Worth, TX – the lease term ends in 2023.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **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 in the note section.

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 an investor 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 shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	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>Tice Brown</u>	<u>Director, Owner more than 5%</u>	<u>New York, NY</u>	<u>1,633,309</u>	<u>Common</u>	<u>32.3%</u>	<u>N/A</u>
<u>Tim Eriksen</u>	<u>Director</u>	<u>Custer, WA</u>	<u>182,681</u>	<u>Common</u>	<u>3.6%</u>	<u>N/A</u>
<u>Thompson Clark</u>	<u>Director</u>	<u>Raleigh NC</u>	<u>5,000</u>	<u>Common</u>	<u><1%</u>	<u>N/A</u>
<u>Harris Perlman</u>	<u>Director</u>	<u>Austin, TX</u>	<u>71,836</u>	<u>Common</u>	<u>1.4%</u>	<u>N/A</u>
<u>Tristram Jordan</u>	<u>Owner more and 5%</u>	<u>Ft. Lauderdale, FL</u>	<u>721,576</u>	<u>Common</u>	<u>14.3%</u>	<u>N/A</u>
<u>Richard Jordan</u>	<u>Owner more and 5%</u>	<u>Ft. Lauderdale, FL</u>	<u>454,442</u>	<u>Common</u>	<u>9.0%</u>	<u>N/A</u>
<u>Matt Katz</u>	<u>CEO/President</u>	<u>Sacramento, CA</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Kerri Wagner</u>	<u>CRO</u>	<u>Volga, SD</u>	<u>100</u>	<u>Common</u>	<u><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><1%</u>	<u>N/A</u>

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

As to the owners of more than 5% shares above, the issuer is not aware of any such proceedings.

2. 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, or banking activities;

As to the owners of more than 5% shares above, the issuer is not aware of any such proceedings.

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

As to the owners of more than 5% shares above, the issuer is not aware of any such proceedings.

4. The entry 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 owners of more than 5% shares 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 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.

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: WhitleyPenn, 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:

Twitter: N/A
Discord: N/A
LinkedIn: www.linkedin.com/company/pharmchem
Facebook: N/A
Company Website: 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) Financial Statements

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

- ☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)⁶:

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

Describe the qualifications of the person or persons who prepared the financial statements:

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

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

⁶ 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.

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, Matt Katz 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.

4/26/2023 [Date]

Matt Katz [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.

4/26/2023 [Date]

Shana Veale [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")