

# **POLYDEX PHARMACEUTICALS LIMITED**

*QUARTERLY DISCLOSURE REPORT*

*APRIL 30, 2022*

*UNAUDITED*

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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INDEX

<b>ITEM I</b>	<b>Name of Issuer</b>	Page	3
<b>ITEM II</b>	<b>Share Structure</b>	Page	3
<b>ITEM III</b>	<b>Consolidated Financial Statements</b>		
	<b>Interim Financial Statements</b>	Page	4-9
	<b>Notes to Interim Financial Statements</b>	Page	10-17
<b>ITEM IV</b>	<b>Management Discussion and Analysis</b>	Page	18-25
<b>ITEM V</b>	<b>Legal Proceedings</b>	Page	26
<b>ITEM VI</b>	<b>Defaults Upon Senior Securities</b>	Page	26
<b>ITEM VII</b>	<b>Other Information</b>	Page	26
<b>ITEM VIII</b>	<b>Exhibits</b>	Page	26
<b>ITEM IX</b>	<b>Certifications</b>	Page	27-28

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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**ITEM I      NAME OF ISSUER**

Polydex Pharmaceuticals Limited  
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Toronto, Ontario, Canada  
M1L 2H5  
Tel: (416) 755-2231  
Fax: (416) 755-0334  
Web: [www.polydex.com](http://www.polydex.com)

**ITEM II      SHARES OUTSTANDING**

Preferred Stock – Class A

(i)	Period end date	April 30, 2022
(ii)	Authorized	100,000 shares at \$0.10 each
(iii)	Issued and outstanding	None
(iv)	Freely tradable shares (public float)	None
(v)	Number of shareholders of record	None

Preferred Stock – Class B

(i)	Period end date	April 30, 2022
(ii)	Authorized	899,400 shares at \$0.0167 each
(iii)	Issued and outstanding	899,400 shares
(iv)	Freely tradable shares (public float)	None
(v)	Number of shareholders of record	1

Common Stock

(i)	Period end date	April 30, 2022
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,432,478 shares
(iv)	Freely tradable shares (public float)	2,561,166
(v)	Number of shareholders of record	209

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

**ITEM III      INTERIM FINANCIAL STATEMENTS**

CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

**TABLE OF CONTENTS**

Consolidated Balance Sheets April 30, 2022 and January 31, 2022 (Unaudited) .....	5-6
Consolidated Statements of Operations and Comprehensive Income Three months ended April 30, 2022 and 2021 (Unaudited) .....	7
Consolidated Statements of Shareholders' Equity Three months ended April 30, 2022 and 2021 (Unaudited) .....	8
Consolidated Statements of Cash Flows Three months ended April 30, 2022 and 2021 (Unaudited) .....	9
Notes to Consolidated Financial Statements (Unaudited) .....	10-17

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**APRIL 30, 2022**  
**UNAUDITED**

	<b>April 30</b>	<b>January 31</b>
	<b>2022</b>	<b>2022</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Current assets:		
Cash	\$748,492	\$1,030,107
Investments held to maturity (note 3)	409,586	325,266
Trade accounts receivable	752,160	774,289
Government grant receivables	-	-
Inventories		
Finished goods	628,094	388,306
Work in progress	480,025	377,104
Raw materials	<u>374,958</u>	<u>346,475</u>
	1,483,077	1,111,885
Prepaid expenses and other current assets	66,844	15,385
<b>Total current assets</b>	<b>3,460,159</b>	<b>3,256,932</b>
Investments held to maturity (note 3)	668,065	750,132
Property, plant and equipment, net	3,205,124	3,249,312
Due from estate of former shareholder	20,903	20,903
	<b>\$ 7,354,251</b>	<b>\$ 7,277,279</b>

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**APRIL 30, 2022**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>April 30 2022</b>	<b>January 31 2022</b>
	(Unaudited)	(Unaudited)
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$898,953	\$716,976
Accrued liabilities	191,520	207,646
Income taxes payable	1,456	1,458
Current portion of long-term debt	19,367	19,211
Current portion of lease liabilities	5,556	5,248
Current portion of due to shareholder	61,188	60,756
Total current liabilities	1,178,040	1,011,295
Long-term debt (note 4a)	101,248	106,353
Lease liabilities (note 4b)	7,775	9,414
Due to shareholder	128,056	143,925
	237,079	259,692
Total liabilities	1,415,119	1,270,987
Commitments and contingencies (note 5)		
Shareholders' equity:		
Capital stock		
Authorized:		
100,000 Class A preferred shares of \$0.10 each		
899,400 Class B preferred shares of \$0.0167 each		
10,000,000 common shares of \$0.0167 each		
Issued and outstanding:		
899,400 Class B preferred shares (January 31, 2022 - 899,400)	15,010	15,010
3,432,478 common shares (January 31, 2022- 3,432,478)	57,192	57,192
Contributed surplus	23,816,221	23,816,221
Deficit	(18,707,583)	(18,630,483)
Accumulated other comprehensive income	758,292	748,352
	5,939,132	6,006,292
	<b>\$7,354,251</b>	<b>\$7,277,279</b>

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**APRIL 30, 2022**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>Three Months Ended April 30 2022</b>	<b>Three Months Ended April 30 2021</b>
	(Unaudited)	(Unaudited)
<b>Sales</b>	\$1,155,764	\$846,893
Cost of goods sold	1,030,486	824,044
<b>Gross profit</b>	125,278	22,849
<b>Expenses</b>		
General and administrative	167,799	137,793
Interest expense	8,271	4,921
Selling and promotion	3,945	6,729
Depreciation	2,024	2,276
Foreign exchange (gain) loss	24,565	71,249
Interest and other income	(4,226)	(4,712)
<b>Total expenses</b>	202,378	218,256
Income before income taxes	(77,100)	(195,407)
Provision for income taxes (note 7)		
Current	-	-
Deferred	-	-
<b>Net income for the period</b>	<b>(77,100)</b>	<b>(195,407)</b>
Unrealized gain (loss) on investments available for sale	-	-
Currency translation adjustment	9,940	260,931
<b>Comprehensive income for the period</b>	<b>(\$67,160)</b>	<b>\$65,524</b>
Per share information:		
Earnings per common share:		
Basic	(0.02)	(0.06)
Diluted	(0.02)	(0.06)
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,432,478	3,432,478
Diluted	3,432,478	3,432,478

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**APRIL 30, 2022**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>Three Months Ended April 30 2022</b>	<b>Three Months Ended April 30 2021</b>
	(Unaudited)	(Unaudited)
<b>Preferred Shares:</b>		
Balance, beginning and end of period	\$15,010	\$15,010
<b>Common Shares:</b>		
Balance, beginning and end of period	57,192	57,192
<b>Deficit:</b>		
Balance, beginning of period	(\$18,630,483)	(\$18,078,856)
Net profit for the period	(77,100)	(195,407)
Balance, end of period	(\$18,707,583)	(\$18,274,263)
<b>Accumulated Other Comprehensive Income:</b>		
Balance, beginning of period	\$748,352	\$664,636
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	9,940	260,931
Balance, end of period	\$758,292	\$925,567

See accompanying notes.



**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**APRIL 30, 2022**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>Three Months Ended April 30 2022</b>	<b>Three Months Ended April 30 2021</b>
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	(\$77,100)	(\$195,407)
Add (deduct) items not affecting cash:		
Depreciation and amortization	84,865	81,059
Net change in non-cash working capital balances related to operations	(238,243)	(15,484)
<b>Cash provided by operating activities</b>	(230,478)	(129,832)
Investing activities:		
Additions to property, plant and equipment	(46,248)	(25,207)
Increase in investments available for sale	(2,253)	(4,712)
Proceeds (Acquisition) of investments available for sale	-	-
<b>Cash used in investing activities</b>	(48,501)	(29,919)
Financing activities:		
Repayment of long-term debt	(4,759)	(4,606)
Proceeds (Repayment) of lease liabilities, net	(1,314)	(1,201)
Decrease in due to shareholder	(15,437)	(15,000)
<b>Cash used in financing activities</b>	(21,510)	(20,807)
Effect of exchange rate changes	18,873	48,858
<b>Net increase in cash and cash equivalents</b>	(281,615)	(134,700)
Cash, beginning of year	1,030,107	1,314,284
<b>Cash, end of period</b>	\$748,492	\$1,179,584

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

**ITEM III NOTES TO INTERIM FINANCIAL STATEMENTS**

**1. Basis of Presentation:**

The information contained in the interim consolidated financial statements is condensed from that which would appear in annual consolidated financial statements. The interim consolidated financial statements included herein should be read in conjunction with the unaudited financial statements, and notes thereto, and other financial information contained in the Annual Report for the fiscal year ended January 31, 2022 as found on the Polydex Pharmaceuticals Limited (the “Company”) website, [www.polydex.com](http://www.polydex.com). The unaudited interim consolidated financial statements as of April 30, 2022 and 2021 include all normal recurring adjustments which management considers necessary for a fair presentation. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire fiscal year. The interim consolidated financial statements include the accounts and transactions of the Company and its majority owned subsidiaries in which the Company has equal to or more than a 50% ownership interest and exercises control.

Management has reviewed subsequent events, and there were no material subsequent events since April 30, 2022 that would require recognition or note disclosures in these financial statements.

**2. Significant Accounting Policies:**

Basis of consolidation

The interim consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are 100% owned. All inter-company accounts and transactions have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase.

Trade receivables

The Company has trade receivables from selling manufactured goods at agreed upon prices. Normal receivables are due between 30 and 120 days after the issuance of the invoice. The receivables from export sales are insured by Export Development Canada. At quarter end, substantially all of the receivables were insured and no allowance was required.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant accounting estimates relate to the allowance for doubtful accounts, depreciation and amortization rates, and asset impairment charges.

Inventories

Inventories of raw materials are stated at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Work-in-process and finished goods are valued at the lower of cost and net realizable value, and include the cost of raw materials, direct labor and variable overhead expenses and fixed overhead expenses based on normal manufacturing capacity.

Investments held-to-maturity

Investments are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investments held-to-maturity consisted of guaranteed interest rate contracts with varying interest rates and are stated amortized cost, based on interest earned. Interest income is included in other income in the consolidated statements of operations and comprehensive income as it is earned.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets commencing when available for use as follows:

Buildings 15 to 25 years

Machinery and equipment 3 to 10 years

Useful life is the period over which the asset is expected to contribute to the Company's future cash flows. The Company reviews the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future pre-tax cash flows of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Impairment losses are not reversible.

Costs related to plant refurbishments and equipment upgrades that represent improvements to existing facilities are capitalized. Costs related to repair and maintenance of buildings and equipment are expensed. The Company has no major planned maintenance activity.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

Revenue recognition

All revenue is from sales of bulk manufactured products and is measured based on a consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties, such as taxes assessed by a governmental authority. Revenue is recognized when title and risk of ownership of products pass to the customer. Title and risk of ownership pass to the customer pursuant to the applicable sales contract, either upon shipment of product or upon receipt by the customer.

Product sold in bulk quantities is tested, prior to release for shipment, to ensure that it meets customer specifications, and in many cases, customers receive samples for their own testing. Approval is obtained from the customer prior to shipping. Further purchases by a customer of a bulk product with the same specifications do not require approvals.

Comprehensive income

The Company discloses comprehensive income in their financial statements using the single statement method. In addition to items included in net income, comprehensive income includes items currently charged or credited directly to shareholders' equity, such as foreign currency translation adjustments.

Shipping and handling costs

Shipping and handling costs incurred by the Company for shipment of products to customers are included in cost of goods sold.

Research and development

Research and development costs are expensed as incurred and are stated net of investment tax credits earned.

Foreign currency translation

The functional currency of the Company's Canadian operations has been determined to be the Canadian dollar. All asset and liability accounts of the Company except capital stock have been translated into United States dollars using the current exchange rates at the interim consolidated balance sheet dates. Share capital is recorded at historical rates. Revenue and expense items are translated using the average exchange rates for the period. The resulting gains and losses have been reported separately as accumulated other comprehensive income (loss) within shareholders' equity.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

Derivative financial instruments

The Company's Canadian subsidiary from time to time enters into foreign exchange contracts, to manage exposure to currency rate fluctuations related to expected future cash flows. The Company does not engage in speculative trading of derivative financial instruments. The foreign exchange contracts are not designated as hedging instruments, and as a result all foreign exchange contracts are marked to market and the resulting gains and losses are recorded in the consolidated statements of operations in each reporting period. Unrealized gains and losses are included in accrued liabilities in the consolidated balance sheets and in net change in non-cash working capital balances related to operations in the consolidated statements of cash flows. For the quarter ended April 30, 2022 the Company has not entered into any derivative financial instruments.

Stock options

The Company uses the fair value accounting methodology to apply recognition provisions to employee stock options granted, modified or settled. Compensation expense is recorded at the date stock options are granted. The amount of compensation expense is determined by estimating the fair value of the options granted using the Black-Scholes option pricing model.

Income taxes

The Company accounts for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred income taxes are provided using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities.

Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period of enactment. Deferred tax assets may be reduced if deemed necessary based on a judgmental assessment of available evidence, by a valuation allowance for the amount of any tax benefits which are more likely, based on current circumstances, not expected to be realized.

Income per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding of 3,432,478 for the three months ended April 30, 2022 (2021 – 3,432,478). Diluted earnings per common share is computed using the weighted average number of common shares outstanding adjusted for the incremental shares, using the treasury stock method, attributed to outstanding options to purchase common stock. No incremental shares were used in the calculation of diluted earnings per common share for the period ending April 30, 2022 (2021 – \$0).

POLYDEX PHARMACEUTICALS LIMITED  
 QUARTERLY REPORT  
 APRIL 30, 2022  
 UNAUDITED

**3. Investments Held-to-Maturity:**

Investments held-to-maturity, at fair value, consist of the following:

	<b>April 30 2022</b>	January 31 2022
	\$	\$
Guaranteed interest contracts with interest rates varying from 0.5% to 2.55% per annum and varying maturities from December 2022 to February 2027	1,077,651	1,075,398
	1,077,651	1,075,398

Contractual maturities of investments held-to-maturity at April 30, 2022 are as follows:

	Net Carrying Amount	
Due in one year or less	409,586	
Due beyond one year	668,065	
	1,077,651	

**4. Long term debt obligations:**

[a] Bank term loans consist of the following:

	<b>April 30 2022</b>	January 31 2022
	\$	\$
Bank term loan payable in monthly installments of Cdn \$2,527 (U.S. \$1,983) principal and interest at the Canadian bank's fixed rate of 3.97%	120,615	125,564
	120,615	125,564
Less: current portion	19,367	19,211
	101,248	106,353

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

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Bank term loan was arranged in December 2017 for 120 months at the bank's fixed rate of 3.97%.

The Company also obtained an operating loan facility of Cdn \$300,000 (USD – \$235,442) for working capital purposes, which was not utilized at January 31, 2022 and April 30, 2022. This Canadian operating facility bears interest at the Canadian bank's prime lending rate plus 2.15%. (2021 – 2.15%).

Bank debt and facility are collateralized by a general security agreement over the Company's assets and a collateral mortgage of Cdn \$500,000 (USD – \$392,403) on the Company's building located in Toronto, Canada.

The Company was in compliance with all covenants as of April 30, 2022.

Interest expense for the quarter on the loan was \$1,611 (2021 - \$1,551)

[a] Principal repayments on the bank loans are as follows:

	\$
<b>2023</b>	<b>19,367</b>
<b>2024</b>	<b>20,149</b>
<b>2025</b>	<b>20,963</b>
<b>2026</b>	<b>21,810</b>
<b>2027</b>	<b>22,691</b>
<b>Thereafter</b>	<b>15,635</b>
	<hr/> <b>120,615</b> <hr/>

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

[b] Finance lease liabilities consist of the following:

	<b>April 30 2022</b>	January 31 2022
	\$	\$
Lease liability, repayable in quarterly installments of \$2,134 (U.S. \$1,675) bearing interest at 10.15% and maturing in 2024	<b>13,331</b>	14,662
Less current portion	<b>5,556</b>	5,248
	<b>7,775</b>	9,414

Future minimum annual lease payments on the finance lease obligations including interest are as follows:

	\$
<b>2023</b>	<b>6,702</b>
<b>2024</b>	<b>6,702</b>
<b>2025</b>	<b>1,675</b>
<b>Total minimum lease payments</b>	<b>15,079</b>
<b>Less amount representing imputed interest</b>	<b>1,748</b>
	<b>13,331</b>

Interest expense for the 3 months ended April 30, 2022 for finance lease obligations was \$374 (2021 - \$505).

**5. Commitments and Contingencies:**

In July of 2013, a subsidiary of the Company, Chemdex Inc., renewed its supply agreement with an existing customer and signed an agreement to supply raw materials for an additional product. The agreement is for a period of ten years, renewable for another ten years, and provides the customer with exclusive rights to these raw materials in the United States.

The Company has committed to purchase approximately \$700,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as of April 30, 2022.



**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

---

**6. Stock-based Employee Compensation:**

The Company uses the fair value method to account for awards of stock-based employee compensation. No stock-based employee compensation expense was recorded during the period from February 1, 2022 to April 30, 2022, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2021 to April 30, 2021, because there were no options granted during that period.

**7. Provision for Income Taxes**

The Company's current income tax provision relates to income taxes owing at its subsidiary Chemdex, Inc.

**8. Segmented Information:**

Total revenue by significant customer:

	<b>Three Months Ended April 30 2022</b>	<b>Three Months Ended April 30 2021</b>
	\$	\$
Customer A	307,890	-
Customer B	203,000	-
Customer C	197,500	204,200
Customer D	700	200,190
Customer E	-	220,320
	<b>709,090</b>	<b>624,710</b>

Sales by geographic destination:

	<b>Three Months Ended April 30 2022</b>	<b>Three Months Ended April 30 2021</b>
	\$	\$
United States	730,108	488,091
Europe	382,140	303,382
Other	32,970	46,930
Pacific Rim	9,300	6,820
Canada	1,246	1,670
	<b>846,893</b>	<b>846,893</b>

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

---

**ITEM IV      MANAGEMENT DISCUSSION AND ANALYSIS**

*The Company's fiscal year ends on January 31<sup>st</sup> of each year. In this report, fiscal year 2023 refers to the Company's fiscal year ending January 31, 2023. The following discussion should be read in conjunction with the April 30, 2022 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2023. For further information, refer to the Polydex Pharmaceuticals Limited Annual Report on our website, [www.polydex.com](http://www.polydex.com). The Company's financial statements are prepared in accordance with United States generally accepted accounting principles. All amounts are in United States dollars, unless otherwise denoted.*

**Overview**

The Company is engaged in the manufacture of bulk pharmaceutical intermediates for the worldwide veterinary pharmaceutical industry and also the manufacture and marketing of biotechnology-based products for the human pharmaceutical market. On May 1, 2017 The Company's Canadian subsidiaries, Dextran Products Limited and Polydex Chemicals Canada Limited were amalgamated into the parent company Polydex Pharmaceuticals Limited.

The manufacture and sale of bulk quantities of dextran and derivative products for sale to large pharmaceutical companies throughout the world is conducted through the Dextran Products division in Canada. Chemdex in the United States provides ferric hydroxide and hydrogenated dextran to Sparhawk pursuant to a definitive supply agreement.

*Management Objectives for Fiscal 2023:*

Management is cautiously optimistic with the results of this quarter and the year over year improvement shown. It is too early to forecast if we will improve year over year but management has set this as a company goal. Every effort is being made to return to profitability. Management believes this is possible due to the continued interest in powdered products that are in development as well as the new markets that we continue to investigate with the possibility of contribution towards sales by the final quarter of the current fiscal year.

While COVID 19 continues to be with us, it is becoming slightly more manageable but only with consistent vigilance as costs continue to fluctuate with little warning. African Swine Fever also continues to hamper the improvement in the swine industry and related support industries of which we are a part. This accounts for our liquid product sales remaining at low levels. This is a valuable volume business and contributor to margin and it is extremely difficult to predict when this market will improve at this point.

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

Supply chain logistics are still a major global issue. At this point it requires us to carry higher than normal inventory levels but these are in preparation for future sales. Management continues to endorse its cautious and careful approach to cash management which allowed us to employ this inventory strategy.

**Results of Operations**

*Three months ended April 30, 2022 compared to three months ended April 30, 2021:*

	<b>Three Months Ended April 30 2022</b>	Three Months Ended April 30 2021	Variance
<b>Net Profit</b>	<b>\$(77,100)</b>	\$(195,407)	(61)%
<b>Income per Share:</b>			
<b>Basic</b>	<b>\$(0.02)</b>	\$(0.06)	
<b>Diluted</b>	<b>\$(0.02)</b>	\$(0.06)	

The increase in net profit is due to higher margin powdered product and a decrease in the foreign exchange loss due to the weakening of the Canadian dollar.

	<b>Three Months Ended April 30 2022</b>	Three Months Ended April 30 2021	Variance
<b>Sales</b>	<b>\$1,155,764</b>	\$846,893	36.5%

While sales increased, the product mix did not include sufficient higher margin powdered product to compensate for the lack of liquid product sales and to show profits for the current quarter.

POLYDEX PHARMACEUTICALS LIMITED  
 QUARTERLY REPORT  
 APRIL 30, 2022  
 UNAUDITED

	Three Months Ended April 30 2022	Three Months Ended April 30 2021	Variance
<b>Gross profit</b>	<b>\$125,278</b>	<b>\$22,849</b>	<b>448%</b>
Percentage of sales	11%	3%	

The increase in gross profit in the first quarter of fiscal year 2022 was due to sales of more profitable powdered product. Shipping costs during the pandemic have also increased and thus reducing margins.

	Three Months Ended April 30 2022	Three Months Ended April 30 2021	Variance
<b>Selling, promotion, general and administrative expenses</b>	<b>\$176,070</b>	<b>\$144,522</b>	<b>22%</b>

The prior year costs were offset by subsidies from the Canadian Emergency Wage Subsidy Program. This program ended in October of 2021. All other costs remained consistent to the prior year.

	Three Months Ended April 30 2022	Three Months Ended April 30 2021	Variance
<b>Depreciation and amortization expense</b>	<b>\$84,865</b>	<b>\$81,059</b>	<b>5%</b>

Depreciation and amortization remained similar to the previous year.

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

	<b>Three Months Ended April 30 2022</b>	Three Months Ended April 30 2021	Variance
<b>Interest expense</b>	<b>\$3,945</b>	\$4,921	(20%)

Interest expense continues to decrease as the loans are paid down. The US prime rate has increased slightly and will have an impact on interest paid on the shareholder loan although not significant at this point.

	<b>Three Months Ended April 30 2022</b>	Three Months Ended April 30 2021	Variance
<b>Foreign exchange (gain) loss</b>	<b>\$24,565</b>	\$71,249	(66)%

The decrease in the foreign exchange loss for the first quarter of fiscal year 2022 was due to the US dollar in the first quarter. The volatility of these exchange rates increase or decrease the value of exchange affected amounts in the Company's Canadian division, Dextran Products, especially U.S. denominated sales.

	<b>Three Months Ended April 30 2022</b>	Three Months Ended April 30 2021	Variance
<b>Interest and other income</b>	<b>\$4,226</b>	\$4,712	(10)%

Interest and other income decreased compared to the prior year. The company invests in a series of guaranteed interest rate contracts. These contracts provide consistent and steady returns with no risk of capital erosion. The company used a laddered approach to investing in these contracts and the rates of return on the contracts renewing are currently lower than the rates when the funds were initially invested.

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**APRIL 30, 2022**  
**UNAUDITED**

---

**Liquidity and Capital Resources**

As of April 30, 2022, the Company had cash and investments of \$1,826,143 compared to cash and investments of \$2,105,505 at January 31, 2022. In the first quarter of fiscal year 2023, the Company used cash of \$230,478 in its operating activities, compared to cash used of \$129,832 for the first quarter of fiscal year 2022. The decrease of cash for operations during the first quarter of fiscal year 2022 is primarily due to the timing of receivables and payables.

The Company's working capital increased to \$2,280,518 from \$2,255,521 as at January 31, 2022 and the working capital ratio decreased to 2.94 to 1 as of April 30, 2022 compared to 3.23 to 1 as of January 31, 2022.

As of April 30, 2022, the Company had accounts receivable of \$752,160 and inventory of \$1,483,077 compared to \$774,289 and \$1,111,885 respectively at January 31, 2022 and \$830,396 and \$842,242 respectively at April 30, 2021. Accounts receivable decreased due to the timing of collections while inventory increased due to a shipments delayed until the second quarter.

Accounts payable increased to \$898,953 at April 30, 2022, compared to \$716,976 at January 31, 2022 and \$417,412 at April 30, 2021. Accounts payable increased due to timing of payments.

During the first quarter of fiscal year 2023, capital expenditures totaled \$46,248 as compared to \$25,207 in the first quarter of fiscal year 2022. Additional expenditures on capital equipment are planned for the remainder of fiscal 2023.

The change in accumulated other comprehensive income of the Company is primarily attributable to the currency translation adjustment of Dextran Products. Dextran Products' functional currency is the Canadian dollar. This currency translation adjustment arises from the translation of Dextran Products' financial statements to U.S. dollars.

Changes in the relative values of the Canadian dollar and the United States dollar occur from time to time and may, in certain instances, materially affect the Company's results of operations.

The Company does not believe that the impact of inflation has had a material effect on its operations or financial results at any time in the last three years.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

**Related Party Transactions**

The amount outstanding under the due from shareholder as of April 30, 2022 was \$339,749 as compared to \$335,741 at January 31, 2022, including accrued interest. The Company has taken a cumulative provision of \$568,846 at April 30, 2022 (January 31, 2022 \$564,838) against accrued interest on the loan and the other amounts receivable from the estate as noted below. Obligations with respect to the loan transferred to the estate of Thomas C. Usher upon his death in February 2005.

Thomas C. Usher also owed \$250,000 to a subsidiary of the Company, Novadex International Limited, as of April 30, 2022, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2022. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of April 30, 2022, Thomas C. Usher, now through his estate, had pledged 238,093 common shares of the Company as security for these amounts owing to the Company. These common shares had a market value of \$219,046 at April 30, 2022 based on the closing price of the Company's common shares on the Pink Sheets quotation service on April 30, 2022. The Company intends to continue to hold the pledged assets as collateral until the amounts owing discussed above are repaid.

The Company had a commitment to pay an amount equal to one year's salary, \$110,000, to Thomas C. Usher's estate. The amount owing on this commitment as at April 30, 2022 is \$0 (January 31, 2022 – \$0 ).

The Company also has an outstanding loan payable to the estate of Ruth Usher, a former director and the widow of Thomas C. Usher. The amount due from the Company pursuant to this loan decreased to \$189,244 as at April 30, 2022 from \$204,681 at January 31, 2022 due to monthly payments by the Company, less interest charges.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Critical Accounting Policies**

The Company's interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, applied on a consistent basis. The critical accounting policies include the use of estimates of allowance for doubtful accounts, the useful lives of assets and the realizability of deferred tax assets.

Management is required to make estimates and assumptions in preparing the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods. The actual results could differ from these estimates. Significant estimates made by management include the calculation of reserves for uncollectible accounts, inventory allowances, useful lives of long-lived assets and the realizability of deferred tax assets.

***Revenue Recognition***

Revenue results from sales of bulk manufactured products and is recognized when title and risk of ownership of products pass to the customer. Title and risk of ownership pass to the customer pursuant to the applicable sales contract, either upon shipment of product or upon receipt by the customer. Since returns are rare and generally not accepted, management has not made provision for returns. In addition, product sold in bulk quantities is tested, prior to release for shipment, to ensure that it meets customer specifications, and in many cases, customers receive samples for their own testing. Approval is obtained from the customer prior to shipping.

***Allowance for Doubtful Accounts***

Accounts receivable is stated net of allowances for doubtful accounts. Allowances for doubtful accounts are determined by each reporting unit on a specific item basis. Management reviews the credit worthiness of individual customers and past payment history to determine the allowance for doubtful accounts. Since the majority of sales at Dextran Products are export, Dextran Products maintains credit insurance through a crown corporation which is supported by the Canadian government, for the majority of its customers' receivables. There has been no allowance for doubtful accounts during the past two fiscal years.



POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

---

***Long-Lived Assets***

Long-lived assets are stated at cost, less accumulated depreciation or amortization computed using the straight-line method based on their estimated useful lives ranging from three to twenty five years. Useful life is the period over which the asset is expected to contribute to the Company's future cash flows. A significant change in estimated useful lives could have a material impact on the results of operations. The Company reviews the recoverability of its long-lived assets, including buildings, equipment and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future pre-tax cash flows of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets as well as other fair value determinations.

***Deferred Tax Assets***

The Company has recorded a valuation allowance on deferred tax assets where there is uncertainty as to the ultimate realization of the future tax deduction. The Company has incurred capital losses, which are only deductible against capital gains. It is not certain that the Company will realize capital gains in the future to use these Canadian capital loss deductions.

**Changes in Accounting Policies**

No changes in accounting principles or their application have been implemented in the reporting period that would have a material effect on reported income.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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**ITEM V      LEGAL PROCEEDINGS**

Not applicable.

**ITEM VI      DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM VII     OTHER INFORMATION**

Not applicable.

**ITEM VIII    EXHIBITS**

Not applicable.

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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**ITEM IX      CERTIFICATIONS**

I, George G. Usher, certify that:

1. I have reviewed this quarterly disclosure statement of Polydex Pharmaceuticals Limited;
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 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.

June 15, 2022

/s/ George G. Usher

Chairman, President and Chief Executive Officer  
Polydex Pharmaceuticals Limited

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2022  
UNAUDITED

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**ITEM IX      CERTIFICATIONS (Continued)**

I, David P.M. Jamestee, certify that:

1. I have reviewed this quarterly disclosure statement of Polydex Pharmaceuticals Limited;
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 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.

June 15, 2022

/s/ David P.M. Jamestee  
Chief Financial Officer  
Polydex Pharmaceuticals Limited