

# **POLYDEX PHARMACEUTICALS LIMITED**

*QUARTERLY DISCLOSURE REPORT*

*OCTOBER 31, 2022*

*UNAUDITED*

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
OCTOBER 31, 2022  
UNAUDITED

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**POLYDEX PHARMACEUTICALS LIMITED**  
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**ITEM I      NAME OF ISSUER**

Polydex Pharmaceuticals Limited  
421 Comstock Road  
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	October 31, 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	October 31, 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	October 31, 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	206

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**ITEM III      INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

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**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 31, 2022**  
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(Expressed in United States dollars)

	<b>October 31</b>	<b>January 31</b>
	<b>2022</b>	<b>2022</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Current assets:		
Cash	\$172,640	\$1,030,107
Investments held to maturity (note 3)	231,284	325,266
Trade accounts receivable	814,190	774,289
Inventories		
Finished goods	579,393	388,306
Work in progress	334,947	377,104
Raw materials	<u>379,574</u>	<u>346,475</u>
Prepaid expenses and other current assets	97,540	15,385
Total current assets	2,609,568	3,256,932
Investments held to maturity (note 3)	629,676	750,132
Property, plant and equipment, net	2,890,751	3,249,312
Deferred taxes	-	-
Due from estate of former shareholder	20,903	20,903
	6,150,898	7,277,279

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 31, 2022**  
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(Expressed in United States dollars)

	<b>October 31 2022</b>	<b>January 31 2022</b>
	(Unaudited)	(Unaudited)
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$764,363	\$716,976
Accrued liabilities	157,961	207,646
Income taxes payable	2,794	1,458
Current portion of long-term debt (note 4a)	103,649	19,211
Current portion of lease liabilities (note 4b)	5,453	5,248
Current portion of due to shareholder	53,100	60,756
<b>Total current liabilities</b>	<b>1,087,320</b>	<b>1,011,295</b>
Long-term debt (note 4a)	-	106,353
Lease liabilities (note 4b)	4,463	9,414
Due to shareholder	107,765	143,925
	<b>112,228</b>	<b>259,692</b>
<b>Total liabilities</b>	<b>1,199,548</b>	<b>1,270,987</b>
Commitments and contingencies (note 5)		
Subsequent events (note 6)		
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)	57,191	57,191
Contributed surplus	23,816,221	23,816,221
Deficit	(19,400,031)	(18,630,483)
Accumulated other comprehensive income	462,959	748,353
	<b>4,951,350</b>	<b>6,006,292</b>
	<b>\$6,150,898</b>	<b>\$7,277,279</b>

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**OCTOBER 31, 2022**  
**UNAUDITED**

(Expressed in United States dollars)

	Three Months Ended October 31 2022 (Unaudited)	Three Months Ended October 31 2021 (Unaudited)	Nine Months Ended October 31 2022 (Unaudited)	Nine Months Ended October 31 2021 (Unaudited)
<b>Sales</b>	\$858,089	\$1,096,360	\$ 3,105,931	\$ 3,283,897
Cost of goods sold	999,439	975,741	3,223,513	3,010,828
<b>Gross profit</b>	(141,350)	120,619	(117,582)	273,069
<b>Expenses</b>				
General and administrative	181,692	148,830	521,228	434,054
Interest expense, net	4,432	8,138	12,580	24,576
Selling and promotion	14,776	4,507	33,762	14,211
Depreciation	1,761	2,265	5,741	6,854
Foreign exchange (gain) loss	42,069	30,284	89,775	104,558
Interest and other income	(3,992)	(4,729)	(12,528)	(14,066)
<b>Total expenses</b>	240,738	189,295	650,558	570,187
Income before income taxes	(382,088)	(68,676)	(768,140)	(297,118)
Provision for income taxes (note 8)				
Current	842	-	1,408	-
Deferred	-	-	-	-
	842	-	1,408	-
<b>Net income (loss) for the period</b>	<b>(382,930)</b>	<b>(68,676)</b>	<b>(769,548)</b>	<b>(297,118)</b>
Unrealized gain (loss) on investments	-	-	-	-
Currency translation adjustment	(285,359)	(24,009)	(285,393)	236,922
<b>Comprehensive income for the period</b>	<b>(\$668,289)</b>	<b>(\$92,685)</b>	<b>(\$1,054,941)</b>	<b>(\$60,196)</b>
Per share information:				
Earnings per common share:				
Basic	(0.11)	(0.02)	(0.22)	(0.09)
Diluted	(0.11)	(0.02)	(0.22)	(0.09)
Weighted average number of common shares used compute net income per share for the period:				
Basic	3,432,478	3,432,478	3,432,478	3,432,478
Diluted	3,432,478	3,432,478	3,432,478	3,432,478

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
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(Expressed in United States dollars)

	<b>Nine Months Ended October 31 2022</b>	<b>Nine Months Ended October 31 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	\$57,191	\$57,191
<b>Contributed Surplus:</b>		
Balance, beginning and end of period	\$23,816,221	\$23,816,221
<b>Deficit:</b>		
Balance, beginning of period	(\$18,630,483)	(\$18,078,856)
Net profit for the period	(769,548)	(195,407)
Balance, end of period	(\$19,400,031)	(\$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	(285,393)	260,931
Balance, end of period	\$462,959	\$925,567

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**OCTOBER 31, 2022**  
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(Expressed in United States dollars)

	<b>Nine Months Ended October 31 2022</b>	<b>Nine Months Ended October 31 2021</b>
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	(\$769,548)	(\$297,118)
Add (deduct) items not affecting cash:		
Depreciation and amortization	248,858	247,425
Deferred income taxes	---	-
Net change in non-cash working capital balances related to operations	(391,743)	185,822
<b>Cash provided by operating activities</b>	<b>(912,433)</b>	<b>136,129</b>
Investing activities:		
Additions to property, plant and equipment	(104,537)	(142,563)
Decrease in due from shareholder	-	-
Increase in investments available for sale	(12,528)	(14,066)
Proceeds (Acquisition) of investments available for sale	-	-
<b>Cash used in investing activities</b>	<b>(117,065)</b>	<b>(156,629)</b>
Financing activities:		
Repayment of long-term debt	(9,325)	(14,042)
Proceeds (Repayment) of capital lease obligations, net	(2,595)	(3,709)
Decrease in due to shareholder	(43,816)	(45,576)
<b>Cash used in financing activities</b>	<b>(55,736)</b>	<b>(63,327)</b>
Effect of exchange rate changes	227,767	67,726
<b>Net increase in cash and cash equivalents</b>	<b>(857,467)</b>	<b>(16,101)</b>
Cash, beginning of year	1,030,107	1,314,284
<b>Cash, end of period</b>	<b>\$172,640</b>	<b>\$1,298,183</b>

See accompanying notes.

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**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. The unaudited interim consolidated financial statements as of October 31, 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 except as noted in note 6, there were no material subsequent events since October 31, 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.

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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 fixed and variable 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 at 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 and patents and intangible assets

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.

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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.

Derivative financial instruments

The Company's Canadian operations 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

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balance sheets and in net change in non-cash working capital balances related to operations in the consolidated statements of cash flows. For the fiscal period ended October 31, 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 and nine months ended October 31, 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 year to date diluted earnings per share as at October 31, 2022 and no incremental shares were included for the nine months ended October 31, 2021. No incremental shares were used in the calculation of diluted earnings per share for the three months ended October 31, 2022, and no incremental shares were included for the three months ended October 31, 2021.

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

Investments available for sale, at fair value, consist of the following:

	<b>October 31 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	<b>860,960</b>	1,075,398
	<b>860,960</b>	1,075,398

Contractual maturities of investments held-to-maturity at October 31, 2022 are as follows:

	Net Carrying Amount
Due in one year or less	231,284
Due beyond one year	629,676
	<b>860,960</b>

On September 10, 2022 the company received Cdn \$206,088 (US \$158,104) from the redemption of two guaranteed interest contract certificates.

On November 29, 2022 the company received Cdn \$315,517 (US \$222,374) from the redemption of three guaranteed interest contract certificates. A portion of these proceeds were used on December 1, 2022 to pay the bank term loan payable in full.

**4. Long term debt obligations:**

[a] Bank term loans consist of the following:

	<b>October 31 2022</b>	January 31 2022
	\$	\$
Bank term loan payable in monthly installments of Cdn \$2,527 (U.S. \$1,851) principal and interest at the Canadian bank's fixed rate of 3.97%	<b>103,649</b>	125,564
Less: current portion	<b>103,649</b>	19,211
	<b>-</b>	106,353

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Bank term loan was arranged in December 2017 for 120 months at a fixed rate of prime plus 1.50% (2021 and 2020 - 3.97%). On December 1, 2022 the bank term loan payable was paid in full.

The Company also obtained an operating loan facility of Cdn \$300,000 (USD – \$219,796) for working capital purposes, of which none was utilized at January 31, 2022 and October 31, 2022. This Canadian operating facility bears interest at the Canadian bank’s prime lending rate plus 2.15%.

Bank indebtedness and facility are collateralized by a general security agreement over the Company's assets and a collateral mortgage of Cdn \$500,000 (USD – \$366,327) on the Company’s building located in Toronto, Canada.

The company was in compliance with all covenants as of October 31, 2022.

Interest expense for the nine months ended October 31, 2022 on the loans was \$3,306 (2021 - \$4,186).

[b] Finance lease obligations consist of the following:

	<b>October 31 2022</b>	January 31 2022
	\$	\$
Lease liability, repayable in quarterly instalments of \$2,134 (U.S. \$1,563) bearing interest at 10.15 % and maturing in 2024	<b>9,916</b>	14,662
Less current portion	<b>6,256</b>	5,248
	<b>3,660</b>	9,414

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

	\$
<b>2024</b>	<b>6,256</b>
<b>2025</b>	<b>4,692</b>
<b>Total minimum lease payments</b>	<b>10,948</b>
<b>Less amount representing imputed interest</b>	<b>1,032</b>
	<b>9,916</b>

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Interest expense for the nine months ended October 31, 2022 for finance lease obligations was \$947 (2021 - \$1,427).

**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 \$175,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as of October 31, 2022.

**6. Subsequent Events**

On November 29, 2022 the company received Cdn \$315,517 (US \$222,374) from the redemption of three guaranteed interest contract certificates. On December 1, 2022 the company paid the bank term loan payable in full.

**7. 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 October 31, 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 October 31, 2021, because there were no options granted during that period.

**8. Provision for Income Taxes**

The Company's income tax provision for October 31, 2022 relates to income taxes owing at its United State's subsidiary Chemdex, Inc.

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**9. Segmented Information:**

Total revenue by significant customer:

	<b>Nine Months Ended Oct 31 2022</b>	Nine Months Ended Oct 31 2021
	\$	\$
Customer A	713,484	414,400
Customer B	481,250	402,300
Customer C	422,250	350,740
Customer D	343,170	161,988
Customer E	-	712,320
	<b>1,960,154</b>	<b>2,041,748</b>

Sales by geographic destination:

	<b>Nine Months Ended Oct 31 2022</b>	Nine Months Ended Oct 31 2021
	\$	\$
United States	1,933,774	2,319,529
Europe	875,875	736,923
Other	169,750	209,741
Pacific Rim	100,800	13,321
Canada	25,732	4,383
	<b>3,105,931</b>	<b>3,283,897</b>

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**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 ended January 31, 2023. The following discussion should be read in conjunction with the October 31, 2022 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the nine months ended October 31, 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 substantial 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. The Company conducts its business operations through its wholly-owned subsidiary Chemdex, Inc. and its corporate division operating as Dextran Products. (On May 1, 2017 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 Dextran Products in Canada. Chemdex Inc. in the United States provides ferric hydroxide and hydrogenated dextran to a customer pursuant to a definitive supply agreement.

*Management Objectives for Fiscal 2023:*

Results for the current quarter and year to date continue to reflect a soft market and persisting problems with the global economy as a whole. Supply chain issues and African Swine Fever epidemic that has swept through the Far East and parts of Europe also continue to have an impact on the company results. The African Swine Fever epidemic may be abating but increased sales of Iron Dextran, our liquid product line, have yet to be seen.

Management continues to actively focus on re-establishing its sales of liquid product. There is increased interest in our liquid product as a result of a recent visit to Europe. Management is hopeful for new business to start in fiscal 2024. Exploration of new markets for our powdered products also continues as a top priority for the company and some progress is being made. An increase in powdered sales is anticipated for the final quarter of fiscal 2023. Management's continued cautious approach to cash management has allowed the company to weather these world-wide issues. Every effort is being made to return to profitability.

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**Results of Operations**

<i>Nine and three months ended October 31, 2022 compared to nine and three months ended October 31, 2021:</i>	<b>Three Months Ended October 31, 2022</b>	<b>Three Months Ended October 31, 2021</b>	<b>Variance</b>	<b>Nine Months Ended October 31, 2022</b>	<b>Nine Months Ended October 31, 2021</b>	<b>Variance</b>
<b>Net Income</b>	\$(382,930)	\$(68,676)	458%	\$(769,548)	\$(297,118)	159%
<b>Net Income per Share</b>						
<b>Basic:</b>	\$(0.11)	\$(0.02)		\$(0.22)	\$(0.09)	
<b>Diluted:</b>	\$(0.11)	\$(0.02)		\$(0.22)	\$(0.09)	

The decrease in net income for the third quarter and the year to date fiscal 2023 compared to the third quarter and year to date fiscal 2022 continues to be due to the decrease in liquid product sales due to African Swine Fever and continued foreign exchange loss due to the strengthening of the Canadian Dollar.

	<b>Three Months Ended October 31, 2022</b>	<b>Three Months Ended October 31, 2021</b>	<b>Variance</b>	<b>Nine Months Ended October 31, 2022</b>	<b>Nine Months Ended October 31, 2021</b>	<b>Variance</b>
<b>Sales</b>	\$858,089	\$1,096,360	(22)%	\$3,105,931	\$3,283,897	(5)%

Sales during the third quarter of fiscal 2023 were lower compared to the sales in the third quarter of fiscal 2022. Sales year to date in fiscal 2023 were also lower than in fiscal 2022. Both decreases are primarily due to the change in product mix.

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	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Gross Profit</b>	<b>\$(141,350)</b>	<b>\$120,619</b>	<b>(217)%</b>	<b>\$(117,582)</b>	<b>\$273,069</b>	<b>(143)%</b>
<b>Percentage of sales</b>	<b>-16.5%</b>	<b>11.0%</b>		<b>-3.8%</b>	<b>8.3%</b>	

The decrease in gross profit percentage and dollar amounts in the third quarter and year to date of fiscal 2023 are primarily due to a drop in sales of more profitable powdered and liquid product from a year ago. Shipping costs and supply chain issues have also reduced margins. Raw materials continued to be a concern in Q3 with some instability of delivery but due to management's regular communication with suppliers this seems to be less of an issue. COVID 19 and African Swine Fever continue to affect gross profit as a result of increased costs. Management continues to monitor the situation closely as the COVID 19 situation remains extremely fluid.

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Selling, promotion, general and administrative expenses</b>	<b>\$196,468</b>	<b>\$156,968</b>	<b>26%</b>	<b>\$554,990</b>	<b>\$458,630</b>	<b>21%</b>

The change in these costs result mainly from wage subsidies received pursuant to the Canada Emergency Recovery Benefits (CERB) in the previous fiscal year during the pandemic. All other costs remained consistent to the prior year.

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	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Depreciation and amortization expense</b>	<b>\$82,728</b>	<b>\$83,127</b>	<b>(0.5)%</b>	<b>\$248,858</b>	<b>\$247,425</b>	<b>1%</b>

Depreciation and amortization remains virtually unchanged for the three months and the nine months ending October 31, 2022 compared to the three and nine months ended October 31, 2021. The Company continues to invest in equipment to meet current and expected increases in production demand.

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Interest Expense</b>	<b>\$4,432</b>	<b>\$4,507</b>	<b>(2)%</b>	<b>\$12,580</b>	<b>\$14,211</b>	<b>(11)%</b>

Interest expense decreased in the quarter and year to date of fiscal 2023 compared to fiscal 2022 as the company continues to pay down loans.

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Foreign exchange (gain) loss</b>	<b>\$42,069</b>	<b>\$30,284</b>	<b>39%</b>	<b>\$89,775</b>	<b>\$104,558</b>	<b>(14)%</b>

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.

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	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Interest and investment income</b>	<b>\$3,992</b>	<b>\$4,729</b>	<b>(16)%</b>	<b>\$12,528</b>	<b>\$14,066</b>	<b>(11)%</b>

Interest and investment income decreased in the current quarter and year to date. 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 decrease results from lower interest rates on renewal from rates when the investment contracts were initially purchased. The company also received approximately \$206,000 from two investment contracts redeemed in September 2022 resulting in lower interest payments received for the remainder of the quarter.

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Variance	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 2021	Variance
<b>Income taxes current</b>	<b>\$ 842</b>	<b>\$ -</b>	<b>%</b>	<b>\$ 1,406</b>	<b>\$ -</b>	<b>%</b>

The Company's income tax provision for fiscal 2023 relates to income taxes owing from its United State's subsidiary Chemdex, Inc.

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**Liquidity and Capital Resources**

As of October 31, 2022, the Company had cash and investments of \$1,033,600 compared to cash and investments of \$2,105,505 at January 31, 2022. In the first nine months of fiscal year 2023, the Company used cash of \$812,433 in its operating activities, compared to \$136,129 generated for the nine months of fiscal year 2022.

The Company's working capital decreased to \$1,522,250 from \$2,255,521 as at January 31, 2022. The working capital ratio decreased to 2.40 to 1 as of October 31, 2022 compared to 3.23 to 1 as of January 31, 2022.

As of October 31, 2022, the Company had accounts receivable of \$814,190 and inventory of \$1,293,914 compared to \$774,289 and \$1,111,885 respectively at January 31, 2022 and \$757,155 and \$807,843 respectively at October 31, 2021. The increase in accounts receivable is primarily due to the timing of customer receipts while inventory remained relatively the same.

As of October 31, 2022, the Company had accounts payable of \$764,363 compared to \$716,976 at January 31, 2022 and \$433,082 at October 31, 2021. The increase in accounts payable is a result of timing of payments.

During the third quarter of fiscal year 2023, capital expenditures amounted to \$51,151 compared to \$41,390 in the third quarter of fiscal year 2022. Expenditures in the third quarter of fiscal 2023 related to building and plant equipment. Additional expenditures on capital equipment are possible 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 the Company's Dextran Products division. Dextran Products' functional currency is the Canadian dollar. This currency translation adjustment arises from the translation of Dextran Products' divisional 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.

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**Related Party Transactions**

The amount due from shareholder as of October 31, 2022 was \$351,225 compared to \$335,710 at January 31, 2022, including accrued interest. The Company has taken a cumulative provision of \$580,323 at October 31, 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 October 31, 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 October 31, 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 \$183,332 at October 31, 2022, based on the closing price of the Company's common shares on the Pink Sheets quotation service on October 31, 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. There is no amount owing on this commitment as at October 31, 2022 (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 \$160,864 at October 31, 2022 from \$204,681 at January 31, 2022 due to monthly payments by the Company, less interest charges.

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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 substantial 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.

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*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 Dextran Products 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.

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**ITEM V      LEGAL PROCEEDINGS**

Not applicable.

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**ITEM VI      DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM VII     OTHER INFORMATION**

Not applicable.

**ITEM VIII    EXHIBITS**

Not applicable

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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.

December 15, 2022

/s/ George G. Usher

Chairman, President and Chief Executive Officer  
Polydex Pharmaceuticals Limited

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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.

December 15, 2022

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