

POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

OCTOBER 31, 2021

UNAUDITED

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QUARTERLY REPORT
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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

ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	October 31, 2021
(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, 2021
(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, 2021
(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	210

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ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
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(Expressed in United States dollars)

	October 31	January 31
	2021	2021
	(Unaudited)	(Unaudited)
Assets		
Current assets:		
Cash	\$1,298,183	\$1,314,284
Investments held to maturity (note 3)	334,398	320,977
Trade accounts receivable	757,155	952,518
Government grant receivable	2,871	72,914
Inventories		
Finished goods	559,446	427,239
Work in progress	5,348	94,315
Raw materials	<u>243,049</u>	<u>269,961</u>
Prepaid expenses and other current assets	46,289	96,129
Total current assets	3,246,739	3,548,337
Investments held to maturity (note 3)	765,306	730,930
Property, plant and equipment, net	3,412,531	3,409,113
Deferred taxes	62,500	62,500
Due from estate of former shareholder	20,903	20,903
	<u>7,507,979</u>	<u>7,771,783</u>

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
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(Expressed in United States dollars)

	October 31	January 31
	2021	2021
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$433,082	\$610,725
Accrued liabilities	239,277	205,114
Income taxes payable	478	2,349
Other loans and advances (note 4)	51,190	51,190
Current portion of long-term debt (note 5a)	19,536	18,376
Current portion of lease liabilities (note 5b)	5,437	4,887
Current portion of due to shareholder	61,932	57,480
Total current liabilities	810,932	950,121
Long-term debt (note 5a)	114,237	124,966
Lease liabilities (note 5b)	10,929	14,591
Due to shareholder	157,875	207,903
	283,041	347,460
Total liabilities	1,093,973	1,297,581
Commitments and contingencies (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, 2020 - 899,400)	15,010	15,010
3,432,478 common shares (January 31, 2020 - 3,432,478)	57,191	57,191
Contributed surplus	23,816,221	23,816,221
Deficit	(18,375,974)	(18,078,856)
Accumulated other comprehensive income	901,558	664,636
	6,414,006	6,474,202
	\$7,507,979	\$7,771,783

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
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(Expressed in United States dollars)

	Three Months Ended October 31 2021 (Unaudited)	Three Months Ended October 31 2020 (Unaudited)	Nine Months Ended October 31 2021 (Unaudited)	Nine Months Ended October 31 2020 (Unaudited)
Sales	\$1,096,360	\$1,228,855	3,283,897	3,445,924
Cost of goods sold	975,741	1,025,490	3,010,828	2,792,422
Gross profit	120,619	203,365	273,069	653,502
Expenses				
General and administrative	148,830	152,580	434,054	425,887
Interest expense, net	8,138	5,663	24,576	18,350
Selling and promotion	4,507	7,842	14,211	35,346
Depreciation	2,265	2,248	6,854	6,567
Foreign exchange (gain) loss	30,284	18,656	104,558	36,864
Interest and other income	(4,729)	(4,895)	(14,066)	(14,307)
Total expenses	189,295	182,094	570,187	508,707
Income before income taxes	(68,676)	21,271	(297,118)	144,795
Provision for income taxes (note 8)				
Current	-	(2,336)	-	(1,613)
Deferred	-	-	-	-
	-	(2,336)	-	(1,613)
Net income (loss) for the period	(68,676)	23,607	(297,118)	146,408
Unrealized gain (loss) on investments	-	-	-	-
Currency translation adjustment	(24,009)	39,376	236,922	(4,538)
Comprehensive income for the period	(\$92,685)	\$62,983	(\$60,196)	\$141,870
Per share information:				
Earnings per common share:				
Basic	(0.02)	0.01	(0.09)	0.04
Diluted	(0.02)	0.01	(0.09)	0.04
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)

	Nine Months Ended October 31 2021	Nine Months Ended October 31 2020
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	\$15,010	\$15,010
Common Shares:		
Balance, beginning and end of period	\$57,191	\$57,191
Contributed Surplus:		
Balance, beginning and end of period	\$23,816,221	\$23,816,221
Deficit:		
Balance, beginning of period	(\$18,078,856)	(\$18,290,557)
Net profit for the period	(297,118)	146,408
Balance, end of period	(\$18,375,974)	(\$18,144,149)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	\$664,636	\$383,189
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	236,922	(4,538)
Balance, end of period	\$901,558	\$378,651

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
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(Expressed in United States dollars)

	Nine Months Ended October 31 2021	Nine Months Ended October 31 2020
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	(\$297,118)	\$146,408
Add (deduct) items not affecting cash:		
Depreciation and amortization	247,425	212,047
Deferred income taxes	---	-
Net change in non-cash working capital balances related to operations	185,822	425,136
Cash provided by operating activities	136,129	783,591
Investing activities:		
Additions to property, plant and equipment	(142,563)	(197,731)
Decrease in due from shareholder	-	-
Increase in investments available for sale	(14,066)	(14,307)
Proceeds (Acquisition) of investments available for sale	-	-
Cash used in investing activities	(156,629)	(212,038)
Financing activities:		
Repayment of long-term debt	(14,042)	(48,287)
Proceeds (Repayment) of capital lease obligations, net	(3,709)	(3,082)
Decrease in due to shareholder	(45,576)	(37,806)
Cash used in financing activities	(63,327)	(89,175)
Effect of exchange rate changes	67,726	40,060
Net increase in cash and cash equivalents	(16,101)	522,438
Cash, beginning of year	1,314,284	370,236
Cash, end of period	\$1,298,183	\$892,674

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, 2021 as found on the Polydex Pharmaceuticals Limited (the “Company”) website, www.polydex.com. The unaudited interim consolidated financial statements as of October 31, 2021 and 2020 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 October 31, 2021 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.

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

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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.

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,

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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 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, 2021 the Company has not entered into any derivative financial instruments.

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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, 2021 (2020 - 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, 2021 and no incremental shares were included for the nine months ended October 31, 2020. No incremental shares were used in the calculation of diluted earnings per share for the three months ended October 31, 2021, and no incremental shares were included for the three months ended October 31, 2020.

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3. Investments Held-to-Maturity:

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

	October 31 2021	January 31 2021
	\$	\$
Guaranteed interest contracts with interest rates varying from 0.5% to 2.55% per annum and varying maturities from December 2021 to February 2027	1,099,704	1,051,907
	1,099,704	1,051,097

Contractual maturities of investments held-to-maturity at October 31, 2021 are as follows:

	Net Carrying Amount
Due in one year or less	334,398
Due beyond one year	765,306
	1,099,704

4. Other loans and advances:

Other loans and advances consist of the following:

	October 31 2021	January 31 2021
	\$	\$
Customer advance	51,190	51,190
	51,190	51,190

The advance from a customer is non-interest bearing, unsecured, and is repayable on demand.

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5. Long term debt obligations:

[a] Bank term loans consist of the following:

	October 31 2021	January 31 2021
	\$	\$
Bank term loan payable in monthly installments of Cdn \$2,527 (U.S. \$2,028) principal and interest at the Canadian bank's fixed rate of 3.97%	133,773	143,342
Less: current portion	19,536	18,376
	114,237	124,966

Bank term loan was arranged in December 2017 for 120 months at a fixed rate of prime plus 1.50% (2020 and 2019 - 3.97%).

The Company also obtained an operating loan facility of Cdn \$300,000 (USD – \$242,248) for working capital purposes, of which none was utilized at January 31, 2021 and October 31, 2021. 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 – \$403,747) on the Company's building located in Toronto, Canada.

The company was in compliance with all covenants as of October 31, 2021.

Interest expense for the nine months ended October 31, 2021 on the loans was \$4,186 (2020 - \$6,046).

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Principal repayments on the bank loan are as follows:

	\$
2022	19,536
2023	20,325
2024	21,147
2025	22,001
2026	22,890
Thereafter	27,874
	133,773

[b] Finance lease obligations consist of the following:

	October 31	January 31
	2021	2021
	\$	\$
Lease liability, repayable in quarterly instalments of \$2,134 (U.S. \$1,712) bearing interest at 10.15 % and maturing in 2024	16,366	19,478
Less current portion	5,437	4,887
	10,952	14,591

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

	\$
2022	6,895
2023	6,895
2024	5,171
Total minimum lease payments	18,961
Less amount representing imputed interest	2,595
	16,366

Interest expense for the nine months ended October 31, 2021 for finance lease obligations was \$1,427 (2020 - \$1,636).

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6. 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 \$1,250,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as of October 31, 2021.

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, 2021 to October 31, 2021, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2020 to October 31, 2020, because there were no options granted during that period.

8. Provision for Income Taxes

The Company's income tax provision for October 31, 2021 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:

	Nine Months Ended Oct 31 2021	Nine Months Ended Oct 31 2020
	\$	\$
Customer A	712,320	709,059
Customer B	414,400	395,150
Customer C	402,300	553,000
Customer D	350,740	-
Customer E	161,988	164,273
Customer F	-	391,481
	2,041,748	2,213,323

Sales by geographic destination:

	Nine Months Ended Oct 31 2021	Nine Months Ended Oct 31 2020
	\$	\$
United States	2,319,529	1,672,502
Europe	736,923	1,164,127
Other	209,741	245,573
Pacific Rim	13,321	82,675
Canada	4,383	281,047
	3,283,897	3,445,924

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ITEM IV MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st of each year. In this report, fiscal year 2022 refers to the Company's fiscal year ended January 31, 2022. The following discussion should be read in conjunction with the October 31, 2021 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the nine months ended October 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2022. For further information, refer to the Polydex Pharmaceuticals Limited Annual Report on our website 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 2022:

Both the COVID pandemic and African Swine Fever continue to have an impact on the current quarter and fiscal year to date results. These are beyond the company's control. The company continues to receive orders from Europe and is still able to move product to mitigate the effects to a certain extent. The market for Iron Dextran remains weak and is not forecast to improve in the near future. The company's return to profitability is dependent upon the recovery of this market and the worldwide economy. The company continues to explore new markets for its Powdered products and also Native Dextran for industrial uses.

Management continues to endorse its cautious and careful approach to cash management which puts it in a strong position for some time while weathering a pandemic and a significant African Swine Fever outbreak. Supply chain issues are constantly monitored.

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Results of Operations

<i>Nine and three months ended October 31, 2021 compared to nine and three months ended October 31, 2020:</i>	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Net Income	\$(68,676)	\$23,607	(391)%	\$(297,118)	\$146,408	(303)%
Net Income per Share						
Basic:	\$(0.02)	\$0.01		\$(0.09)	\$0.04	
Diluted:	\$(0.02)	\$0.01		\$(0.09)	\$0.04	

The decrease in net income for the third quarter and the year to date fiscal 2022 compared to the third quarter and year to date fiscal 2021 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.

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Sales	\$1,096,360	\$1,228,855	(11)%	\$3,283,897	\$3,445,924	(5)%

Sales during the third quarter of fiscal 2022 were lower compared to the sales in the third quarter of fiscal 2021. Sales year to date in fiscal 2022 are also lower than in fiscal 2021. Both decreases are primarily due to the change in product mix.

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	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Gross Profit	\$120,619	\$203,365	(41)%	\$273,069	\$653,502	(58)%
Percentage of sales	11.0%	16.5%		8.3%	19.0%	

The decrease in gross profit percentage and dollar amounts in the third quarter and year to date of fiscal 2022 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, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Selling, promotion, general and administrative expenses	\$156,968	\$160,422	(2)%	\$458,630	\$461,233	(1)%

The change in these costs are minimal as these costs are mainly fixed.

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Depreciation and amortization expense	\$83,127	\$74,015	12%	\$247,425	\$212,047	17%

Depreciation and amortization increased for the three months and the nine months ending October 31, 2021 compared to the three and nine months ended October 31, 2020. The Company continues to invest in equipment to meet current and expected increases in production demand.

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	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Interest Expense	\$4,507	\$7,842	(42)%	\$14,211	\$18,350	(23)%

Interest expense decreased in the quarter and year to date of fiscal 2022 compared to fiscal 2021 as the company continues to pay down loans.

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Foreign exchange (gain) loss	\$30,284	\$18,656	62%	\$104,558	\$36,864	185%

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.

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
Interest and investment income	\$4,729	\$4,895	(3)%	\$14,066	\$14,307	(2)%

Interest and investment income decreased slightly 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.

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	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	Variance	Nine Months Ended October 31, 2021	Nine Months Ended October 31, 2020	Variance
				\$		
Income taxes current	\$ -	\$(2,336)	(100)%	-	\$(1,613)	(100)%

The change in income taxes from fiscal 2021 is a result of adjustments to prior year's tax provisions on US operations.

Liquidity and Capital Resources

As of October 31, 2021, the Company had cash and investments of \$2,397,887 compared to cash and investments of \$2,366,191 at January 31, 2021. In the first nine months of fiscal year 2022, the Company generated cash of \$136,129 in its operating activities, compared to \$783,591 for the nine months of fiscal year 2021.

The Company's working capital decreased to \$2,436,560 from \$2,598,217 as at January 31, 2021. The working capital ratio increased to 4.0 to 1 as of October 31, 2021 compared to 3.73 to 1 as of January 31, 2021.

As of October 31, 2021, the Company had accounts receivable of \$757,155 and inventory of \$807,843 compared to \$952,518 and \$791,515 respectively at January 31, 2021 and \$1,270,935 and \$1,059,179 respectively at October 31, 2020. The decrease in accounts receivable is primarily due to the timing of customer receipts while inventory remained relatively the same.

As of October 31, 2021, the Company had accounts payable of \$433,082 compared to \$610,725 at January 31, 2021 and \$711,852 at October 31, 2020. The decrease in accounts payable is a result of timing of payments.

During the third quarter of fiscal year 2022, capital expenditures amounted to \$41,390 compared to \$67,698 in the third quarter of fiscal year 2021. Expenditures in the third quarter of fiscal 2022 related to building and plant equipment. Additional expenditures on capital equipment are possible for the remainder of fiscal 2022.

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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.

Related Party Transactions

The amount due from shareholder as of October 31, 2021 was \$331,753 compared to \$320,196 at January 31, 2021, including accrued interest. The Company has taken a cumulative provision of \$560,850 at October 31, 2021 (January 31, 2020 - \$549,293) 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, 2021, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2021. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of October 31, 2021, 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 \$226,188 at October 31, 2021, based on the closing price of the Company's common shares on the Pink Sheets quotation service on October 31, 2021. 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 October 31, 2021 is \$0 (January 31, 2020 - \$697).

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 \$219,807 at October 31, 2021 from \$265,362 at January 31, 2021 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, 2021

/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, 2021

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