POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

JULY 31, 2022

UNAUDITED

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INDEX

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ITEM I NAME OF ISSUER

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ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	July 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	July 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	July 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	209

ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

TABLE OF CONTENTS

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
JULY 31, 2022
UNAUDITED

(Expressed in United States dollars)

		July 31 2022		January 31 2022
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash		$462,231		$1,030,107
Investments held to maturity (note 3)		408,067		325,266
Trade accounts receivable		630,925		774,289
Inventories				
Finished goods	482,820		388,306	
Work in progress	5,109		377,104	
Raw materials	377,867	865,796	346,475	1,111,885
Prepaid expenses and other current assets		92,768		15,385
Total current assets		2,459,787		3,256,932
Investments held to maturity (note 3)		669,989		750,132
Property, plant and equipment, net		3,107,667		3,249,312
Due from estate of former shareholder		20,903		20,903
		6,258,346		7,277,279

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
JULY 31, 2022
UNAUDITED

(Expressed in United States dollars)

	July 31 2022	January 31 2022
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$182,729	$716,976
Accrued liabilities	149,471	207,646
Income taxes payable	2,016	1,458
Current portion of long-term debt (note 4a)	19,435	19,211
Current portion of lease liabilities (note 4b)	5,660	5,248
Current portion of due to shareholder	58,752	60,756
Total current liabilities	418,063	1,011,295
Long-term debt (note 4a)	95,669	106,353
Lease liabilities (note 4b)	6,257	9,414
Due to shareholder	115,717	143,925
	217,643	259,692
Total liabilities	635,706	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	(19,017,101)	(18,630,483)
Accumulated other comprehensive income	748,318	748,352
	5,619,640	6,006,292
	$6,255,346	$7,277,279

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
JULY 31, 2022
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended July 31 2022	Three Months Ended July 31 2021	Six Months Ended July 31 2022	Six Months Ended July 31 2021
	(Unaudited)	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Sales	$1,092,078	$1,340,644	2,247,842	2,187,537
Cost of goods sold	1,193,588	1,211,043	2,224,074	2,035,087
Gross profit	(101,510)	129,601	23,768	152,450
Expenses				
General and administrative	171,737	147,431	339,536	285,224
Selling and promotion	10,715	9,709	18,986	16,438
Interest expense,net	4,203	4,783	8,148	9,704
Depreciation	1,956	2,313	3,980	4,589
Foreign exchange (gain) loss	23,141	3,025	47,706	74,274
Interest and other income	(4,310)	(4,625)	(8,536)	(9,337)
Total expenses	207,442	162,636	409,820	380,892
Income before income taxes	(308,952)	(33,035)	(386,052)	(228,442)
Provision for income taxes (note 7)				
Current	566	-	566	-
Deferred	-	-	-	-
	566	-	566	-
Net income (loss) for the period	**(309,518)**	**(33,035)**	**(386,618)**	**(228,442)**
Unrealized gain (loss) on investments	-	-	-	-
Currency translation adjustment	(34)	(77,072)	(34)	183,859
Comprehensive income for the period	($309,552)	($110,107)	($386,652)	($44,583)
Per share information:				
Earnings per common share:				
Basic	(0.09)	(0.01)	(0.11)	(0.07)
Diluted	(0.09)	(0.01)	(0.11)	(0.07)
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
JULY 31, 2022
UNAUDITED

(Expressed in United States dollars)

	Six Months Ended July 31 2022	Six Months Ended July 31 2021
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	$15,010	$15,010
Common Shares:		
Balance, beginning and end of period	$57,192	$57,192
Contributed Surplus:		
Balance, beginning and end of period	$23,816,221	$23,816,221
Deficit:		
Balance, beginning of period	($18,630,483)	($18,078,856)
Net profit for the period	(386,618)	(195,407)
Balance, end of period	($19,017,101)	($18,274,263)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	$748,352	$664,636
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	(34)	260,931
Balance, end of period	$748,318	$925,567

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
JULY 31, 2022
UNAUDITED

(Expressed in United States dollars)

	Six Months Ended July 31 2022	Six Months Ended July 31 2021
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	($386,618)	($228,442)
Add (deduct) items not affecting cash:		
Depreciation and amortization	169,422	164,298
Net change in non-cash working capital balances related to operations	(290,194)	(289,211)
Cash provided by operating activities	(507,390)	(353,355)
Investing activities:		
Additions to property, plant and equipment	(53,386)	(101,173)
Decrease in due from shareholder	-	-
Increase in investments available for sale	(8,536)	(9,337)
Proceeds (Acquisition) of investments available for sale	-	-
Cash used in investing activities	(61,922)	(110,510)
Financing activities:		
Repayment of long-term debt	(9,514)	(9,364)
Proceeds (Repayment) of capital lease obligations, net	(2,647)	(2,452)
Decrease in due to shareholder	(30,212)	(30,406)
Cash used in financing activities	(42,373)	(42,222)
Effect of exchange rate changes	43,809	48,419
Net increase in cash and cash equivalents	(567,876)	(457,668)
Cash, beginning of year	1,030,107	1,314,284
Cash, end of period	$462,231	$856,616

See accompanying notes.

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 July 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 there were no material subsequent events since July 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.

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 reversable.

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, 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 July 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 six months ended July 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 July 31, 2022 and no incremental shares were included for the six months ended July 31, 2021. No incremental shares were used in the calculation of diluted earnings per share for the three months ended July 31, 2020, and no incremental shares were included for the three months ended July 31, 2019.

3. Investments Held-to-Maturity:

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

	July 31 2022 $	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	**1,075,056**	1,075,398
	1,075,056	1,075,398

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

	Net Carrying Amount
Due in one year or less	408,067
Due beyond one year	666,989
	1,075,056

4. Long term debt obligations:

[a] Bank term loans consist of the following:

	July 31 2022 $	January 31 2022 $
Bank term loan payable in monthly installments of Cdn $2,527 (U.S. $1,971) principal and interest at the Canadian bank's fixed rate of 3.97%	**115,104**	125,564
Less: current portion	**19,435**	19,211
	95,669	106,353

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%).

The Company also obtained an operating loan facility of Cdn $300,000 (USD – $233,936) for working capital purposes, of which none was utilized at January 31, 2022 and July 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 – $389,894) on the Company's building located in Toronto, Canada.

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

Interest expense for the six months ended July 31, 2022 on the loans was $2,783 (2021 - $2,850).

Principal repayments on the bank loan are as follows:

	$
2023	**19,435**
2024	**20,220**
2025	**21,036**
2026	**21,886**
2027	**22,698**
Thereafter	**9,829**
	115,104

[b] Finance lease obligations consist of the following:

	July 31 2022	January 31 2022
	$	$
Lease liability, repayable in quarterly instalments of $2,134 (U.S. $1,664) bearing interest at 10.15 % and maturing in 2024	**11,917**	14,662
Less current portion	**5,660**	5,248
	6,257	9,414

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

	$
2023	**6,659**
2024	**6,659**
Total minimum lease payments	**13,318**
Less amount representing imputed interest	**1,401**
	11,917

Interest expense for the six months ended July 31, 2022 for finance lease obligations was $340 (2021 - $976).

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 $750,000 of partially finished product from a contract manufacturer.

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

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 July 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 July 31, 2021, because there were no options granted during that period.

7. Provision for Income Taxes

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

8. Segmented Information:

Total revenue by significant customer:

	Six Months Ended July 31 2022	Six Months Ended July 31 2021
	$	$
Customer A	**481,250**	402,300
Customer B	**321,000**	-
Customer C	**285,381**	272,400
Customer D	**203,000**	297,000
Customer E	**-**	414,720
	1,290,831	1,386,420

Sales by geographic destination:

	Six Months Ended July 31 2022	Six Months Ended July 31 2021
	$	$
United States	**1,234,573**	1,473,227
Europe	**834,355**	562,197
Other	**149,050**	140,589
Pacific Rim	**28,625**	6,822
Canada	**1,239**	4,202
	2,247,842	2,187,537

ITEM IV MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st 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 July 31, 2022 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three and six months ended July 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. 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.

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 Company's operating division, 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. 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.

Management continues to actively focus on re-establishing it's sales of liquid product and some interest has been expressed. Sales of industrial application product have been slow to materialize but communication with potential customers continues. Every effort is being made to return to profitability.

Supply chain logistics are still a major global issue and appear to be slowing progress on several fronts. Management continues to endorse its cautious and careful approach to cash management and is also very focused on the strength of the balance sheet. Despite a drop in working capital since the start of the current fiscal year the working capital ratio is very strong at 5.9 to 1.

Results of Operations

Three and six months ended July 31, 2022 compared to three and six months ended July 31, 2021:

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Net Income	**$(308,952)**	**$(33,035)**	**(835)%**	**$(386,052)**	**$(228,422)**	**(69)%**
Income per Share:						
Basic	**$(0.09)**	**$(0.01)**		**$(0.11)**	**$(0.07)**	
Diluted	**$(0.09)**	**$(0.01)**		**$(0.11)**	**$(0.07)**	

The decrease in net income for the second quarter continues to be due to the decrease in liquid product sales due to African Swine Fever. It is also partly due to the increase in cost of goods sold due to decrease in inventory on hand.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Sales	**$1,092,078**	**$1,340,644**	**(19)%**	**$2,247,842**	**$2,187,537**	**3%**

Sales in the second quarter of fiscal 2023 decreased compared to the second quarter of fiscal 2022 primarily due to logistic delays in shipping some product. These sales will occur in the next quarter. There is a slight increase in sales to date for fiscal 2023 compared to fiscal 2022.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Gross Profit	**$(101,510)**	**$129,601**	**(178)%**	**$23,768**	**$152,450**	**(84)%**
Percentage of sales	**(9.3)%**	**9.7%**		**1.1%**	**20%**	

The decrease in gross profit percentage and dollar amounts in the second quarter and year to date of fiscal year 2023 were primarily due to the decrease in sales of liquid product. Lack of inventory on hand at the end of the quarter also resulted in increased cost of goods sold and the negative gross profit for the quarter. Raw materials continued to be a concern this quarter mainly due to supply chain logistics. Management continues to maintain regular communication with suppliers.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Selling, promotion, general and administrative expenses	**$182,452**	**$157,140**	**16%**	**$358,522**	**$301,662**	**19%**

The prior year costs were offset by subsidies from the Canadian Emergency Wage Subsidy Program. This program ended in October of 2021. There was also an increase in professional fees in the current quarter. All other costs remained consistent to the prior year.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Depreciation and amortization expense	**$84,557**	**$82,239**	**3%**	**$169,422**	**$164,298**	**3%**

Depreciation and amortization increased comparing both the current quarter and year to date figures to the prior fiscal periods. The increases are a result of the companies continued commitment to make capital improvements to ensure efficiency and that the quality of product remains high.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Interest expense	**$4,203**	**$4,783**	**(12)%**	**$8,148**	**$9,704**	**(16%**

The decrease in interest expense in the second quarter of fiscal year 2023 continues to be due to paying down of loans.

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Foreign exchange (gain) loss	**$23,141**	**$3,025**	**665%**	**$47,706**	**$74,274**	**(36)%**

The foreign exchange loss for the second quarter of fiscal year 2023 was due to the increased value of the Canadian dollar. 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 July 31, 2022	Three Months Ended July 31, 2021	Variance	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Variance
Interest and investment income	**$4,310**	**$ 4,625**	**(7)%**	**$8,536**	**$9,337**	**(9)%**

Interest and other income decreased slightly in the current quarter and year to date. The company invests in a series of guaranteed interest rate contracts. As the contracts mature the renewal interest rates are lower than the rates when funds were first invested. These contracts provide consistent and steady returns with no risk of capital erosion.

Liquidity and Capital Resources

As of July 31, 2022, the Company had cash and investments of $1,537,287 compared to cash and investments of $2,105,505 at January 31, 2022. In the first six months of fiscal year 2023 the Company used cash of $507,390 in its operating activities, compared to $353,355 used for the six months of fiscal year 2022. The increase in cash used for operations during the current year is primarily due to timing of receivables collections as well as greater reduction of accounts payable.

The Company's working capital decreased to $2,041,724 from $2,255,521 as at January 31, 2022. The working capital ratio increased to 5.88 to 1 as of July 31, 2022 compared to 3.23 to 1 as of January 31, 2022.

As of July 31, 2022, the Company had accounts receivable of $630,925 and inventory of $865,796 compared to $774,289 and $1,111,885 respectively at January 31, 2022 and $1,159,982 and $663,444 respectively at July 31, 2021. Accounts receivable decreased in the current fiscal year due to the timing of receipts, while inventory decreased due to fewer orders.

At July 31, 2022, the Company had accounts payable of $182,729 compared to $716,976 at January 31, 2022 and $327,976 at July 31, 2021. Accounts payable decreased due to timing of payments.

During the second quarter of fiscal year 2023, capital expenditures totaled $7,138 as compared to $75,966 in the second quarter of fiscal year 2022. Expenditures in the second quarter of fiscal 2023 related to 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 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 and changing prices 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 July 31, 2022 was $344,818 as compared to $335,741 at January 31, 2022, including accrued interest. The Company has taken a cumulative provision of $573,915 at July 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 July 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 July 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 $171,427 at July 31, 2022, based on the closing price of the Company's common shares on the Pink Sheets quotation service on July 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 July 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 $174,469 as at July 31, 2022 from $204,681 at January 31, 2022 due to monthly payments by the Company, less interest charges.

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.

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.

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

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.

September 15, 2022

/s/ George G. Usher
Chairman, President and Chief Executive Officer
Polydex Pharmaceuticals Limited

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.

September 15, 2022

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