

POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

APRIL 30, 2023

UNAUDITED

POLYDEX PHARMACEUTICALS LIMITED
QUARTERLY REPORT
APRIL 30, 2023
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ITEM I NAME OF ISSUER

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

ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	April 30, 2023
(ii)	Authorized	100,000 shares at \$0.10 each
(iii)	Issued and outstanding	None
(iv)	Freely tradable shares (public float)	None
(v)	Number of shareholders of record	None

Preferred Stock – Class B

(i)	Period end date	April 30, 2023
(ii)	Authorized	899,400 shares at \$0.0167 each
(iii)	Issued and outstanding	899,400 shares
(iv)	Freely tradable shares (public float)	None
(v)	Number of shareholders of record	1

Common Stock

(i)	Period end date	April 30, 2023
(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

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ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2023
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	April 30	January 31
	2023	2023
	(Unaudited)	(Unaudited)
Assets		
Current assets:		
Cash	\$246,937	\$299,590
Investments held to maturity (note 3)	81,880	156,797
Trade accounts receivable	1,222,922	809,017
Government grant receivables	-	-
Inventories		
Finished goods	580,568	666,873
Work in progress	188,647	197,697
Raw materials	<u>315,605</u>	<u>346,638</u>
	1,084,820	1,211,208
Prepaid expenses and other current assets	127,371	40,068
Total current assets	2,763,930	2,516,680
Investments held to maturity (note 3)	402,579	490,192
Property, plant and equipment, net	2,804,369	2,941,549
Due from estate of former shareholder	20,903	20,903
	\$ 5,991,781	\$ 5,969,324

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2023
UNAUDITED

(Expressed in United States dollars)

	April 30	January 31
	2023	2023
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$670,995	\$537,018
Accrued liabilities	330,458	186,924
Income taxes payable	3,516	3,532
Current portion of long-term debt	-	-
Current portion of lease liabilities	5,763	5,717
Current portion of due to shareholder	53,556	53,676
Total current liabilities	1,064,288	786,867
Lease liabilities (note 4a)	1,533	3,080
Due to shareholder	80,636	93,893
	82,169	96,973
Total liabilities	1,146,457	883,840
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, 2023 - 899,400)	15,010	15,010
3,432,478 common shares (January 31, 2023- 3,432,478)	57,192	57,192
Contributed surplus	23,816,221	23,816,221
Deficit	(19,549,849)	(19,396,857)
Accumulated other comprehensive income	506,750	593,918
	4,845,324	5,085,484
	\$5,991,781	\$5,969,324

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 30, 2023
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2023	Three Months Ended April 30 2022
	(Unaudited)	(Unaudited)
Sales	\$1,494,652	\$1,155,764
Cost of goods sold	1,438,134	1,030,486
Gross profit	56,518	125,278
Expenses		
General and administrative	202,734	167,799
Interest expense	3,418	3,945
Selling and promotion	8,403	8,271
Depreciation	1,759	2,024
Foreign exchange (gain) loss	(4,218)	24,565
Interest and other income	(2,586)	(4,226)
Total expenses	209,510	202,378
Income before income taxes	(152,992)	(77,100)
Provision for income taxes (note 7)		
Current	-	-
Deferred	-	-
Net income for the period	(152,992)	(77,100)
Unrealized gain (loss) on investments available for sale	-	-
Currency translation adjustment	(87,168)	9,940
Comprehensive income for the period	(\$240,160)	(\$67,160)
Per share information:		
Earnings per common share:		
Basic	(0.04)	(0.02)
Diluted	(0.04)	(0.02)
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,432,478	3,432,478
Diluted	3,432,478	3,432,478

See accompanying notes.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
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(Expressed in United States dollars)

	Three Months Ended April 30 2023	Three Months Ended April 30 2022
	(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
Deficit:		
Balance, beginning of period	(\$19,396,857)	(\$18,630,483)
Net profit for the period	(152,992)	(77,100)
Balance, end of period	(\$19,549,849)	(\$18,707,583)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	\$593,918	\$748,352
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	(87,168)	9,940
Balance, end of period	\$506,750	\$758,292

See accompanying notes.

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

	Three Months Ended April 30 2023	Three Months Ended April 30 2022
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	(\$152,992)	(\$77,100)
Add (deduct) items not affecting cash:		
Depreciation and amortization	103,457	84,865
Net change in non-cash working capital balances related to operations	(120,212)	(238,243)
Cash provided by operating activities	(169,747)	(230,478)
Investing activities:		
Additions to property, plant and equipment	(15,645)	(46,248)
Increase in investments available for sale	(2,587)	(2,253)
Proceeds (Acquisition) of investments available for sale	151,711	-
Cash used in investing activities	133,479	(48,501)
Financing activities:		
Repayment of long-term debt	-	(4,759)
Proceeds (Repayment) of lease liabilities, net	(1,353)	(1,314)
Decrease in due to shareholder	(13,377)	(15,437)
Cash used in financing activities	(14,730)	(21,510)
Effect of exchange rate changes	(1,655)	18,874
Net increase in cash and cash equivalents	(52,653)	(281,615)
Cash, beginning of year	299,590	1,030,107
Cash, end of period	\$246,937	\$748,492

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, 2023 as found on the Polydex Pharmaceuticals Limited (the “Company”) website, www.polydex.com. The unaudited interim consolidated financial statements as of April 30, 2023 and 2022 include all normal recurring adjustments which management considers necessary for a fair presentation. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire fiscal year. The interim consolidated financial statements include the accounts and transactions of the Company and its majority owned subsidiaries in which the Company has equal to or more than a 50% ownership interest and exercises control.

Management has reviewed subsequent events, and there were no material subsequent events since April 30, 2023 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 variable overhead expenses and fixed overhead expenses based on normal manufacturing capacity.

Investments held-to-maturity

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

Property, plant and equipment

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

- Buildings 15 to 25 years
- Machinery and equipment 3 to 10 years

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

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

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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.

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Derivative financial instruments

The Company's Canadian subsidiary from time to time enters into foreign exchange contracts, to manage exposure to currency rate fluctuations related to expected future cash flows. The Company does not engage in speculative trading of derivative financial instruments. The foreign exchange contracts are not designated as hedging instruments, and as a result all foreign exchange contracts are marked to market and the resulting gains and losses are recorded in the consolidated statements of operations in each reporting period. Unrealized gains and losses are included in accrued liabilities in the consolidated balance sheets and in net change in non-cash working capital balances related to operations in the consolidated statements of cash flows. For the quarter ended April 30, 2023 the Company has not entered into any derivative financial instruments.

Stock options

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

Income taxes

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

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

Income per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding of 3,432,478 for the three months ended April 30, 2023 (2022 – 3,432,478). Diluted earnings per common share is computed using the weighted average number of common shares outstanding adjusted for the incremental shares, using the treasury stock method, attributed to outstanding options to purchase common stock. No incremental shares were used in the calculation of diluted earnings per common share for the period ending April 30, 2023 (2022 – \$0).

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3. Investments Held-to-Maturity:

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

	April 30 2023	January 31 2023
	\$	\$
Guaranteed interest contracts with interest rates varying from 0.5% to 2.55% per annum and varying maturities from February 2024 to February 2027	484,459	646,989
	484,459	646,989

Contractual maturities of investments held-to-maturity at April 30, 2023 are as follows:

	Net Carrying Amount	
Due in one year or less	81,880	
Due beyond one year	402,579	
	484,459	

4. Long term debt obligations:

[a] Finance lease liabilities consist of the following:

	April 30 2023	January 31 2023
	\$	\$
Lease liability, repayable in quarterly installments of \$2,134 (U.S. \$1,571) bearing interest at 10.15% and maturing in 2025	7,296	8,797
Less current portion	5,763	5,717
	1,533	3,080

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

	\$
2024	6,289
2025	1,572
Total minimum lease payments	7,861
Less amount representing imputed interest	565
	7,296

Interest expense for the 3 months ended April 30, 2023 for finance lease obligations was \$236 (2022 - \$374).

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 \$1,140,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as of April 30, 2023.

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, 2023 to April 30, 2023, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2022 to April 30, 2022, because there were no options granted during that period.

7. Provision for Income Taxes

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

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8. Segmented Information:

Total revenue by significant customer:

	Three Months Ended April 30 2023	Three Months Ended April 30 2022
	\$	\$
Customer A	621,160	203,000
Customer B	415,833	-
Customer C	245,700	700
Customer D	-	307,890
Customer E	-	197,500
	1,282,693	709,090

Sales by geographic destination:

	Three Months Ended April 30 2023	Three Months Ended April 30 2022
	\$	\$
United States	974,120	730,108
Pacific Rim	415,833	9,300
Europe	65,660	382,140
Other	38,450	32,970
Canada	589	1,246
	1,494,652	846,893

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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 2024 refers to the Company's fiscal year ending January 31, 2024. The following discussion should be read in conjunction with the April 30, 2023 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2024. 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 accordance with United States generally accepted accounting principles. All amounts are in United States dollars, unless otherwise denoted.

Overview

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

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

Management Objectives for Fiscal 2024:

The quarters sales results showed some improvement from the first quarter of fiscal 2023 due to increased sales of powdered product. Unfortunately Cost of Goods Sold increased due to lack of replacement inventory of liquid material from overseas which is expected to reach the company in the second quarter. The company continues to monitor the COVID-19 pandemic and the African Swine Fever issue although there has been little change. There is still uncertainty in the world with the remaining supply chain issues and with the Ukrainian situation. We do not believe the Ukrainian situation will have a significant effect unless it expands. Even then it is very difficult to predict the effect as the East European market is quite small for us. Supply chain issues have mainly resulted in increased shipping costs for product and the cost has been passed onto the customer whenever possible. Supply of raw materials is under control but with continued increased vigilance.

Given the uncertainty for the future and over the past several years, the Company ("Polydex") and Biospectra Canada Ltd and Biospectra, Inc. (together "Biospectra") signed a Plan

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of Arrangement on April 26, 2023 by which Biospectra will acquire all of the outstanding common shares and preferred shares of the Company for total consideration of \$6,940,000 (of which \$15,020 will be paid for the 899,400 Class B Preferred shares). There are a total of 3,432,478 common shares outstanding. The price per common share is US\$2.017.

On May 24th, 2023, an Interim Hearing was held in the Ontario Court of Justice and the Interim Order was approved. As a result a Special Shareholders Meeting is scheduled to be held on July 14, 2023 to vote on the acquisition. Shareholders will receive a Notice of Meeting and information Circular prior to the meeting.

The Polydex Board has carefully considered the Arrangement and the terms of the Arrangement Agreement and has unanimously concluded that:

- (i) the Arrangement is in the best interest of Polydex;
- (ii) the terms of the Arrangement Agreement treat stakeholders of Polydex equitably and fairly, including the Shareholders in the context of their respective rights under the Articles;
- (iii) the terms and conditions of the Arrangement Agreement, including the representations, warranties and covenants contained therein and the conditions to the completion of the Arrangement, are reasonable in light of the applicable circumstances; and
- (iv) the Consideration to be received by the holders of Polydex Shares pursuant to the Arrangement and the Arrangement Agreement is fair to the holders of Polydex Shares.

In reaching its conclusions, the Polydex Board a) consulted with Polydex's management and legal counsel, b) received a Fairness Opinion of the arrangement and c) considered a number of factors.

The Polydex Board reviewed Polydex's current and historical financial condition, capital needs, liquidity, results of operations, business and competitive position, as well as Polydex's future business plans and potential long-term value, taking into account its future prospects and costs.

Based on this review and the surrounding circumstances, the Polydex Board concluded the Arrangement was the most favourable alternative available to the Polydex Shareholders and unanimously recommends approval of the transaction.

If the Arrangement is approved by shareholders at the shareholder meeting, the Company will then seek a final order from the Ontario Court of Justice approving the Arrangement and authorizing its closing.

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Results of Operations

Three months ended April 30, 2023 compared to three months ended April 30, 2022:

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Net Profit	\$(152,991)	\$(77,100)	98%
Income per Share:			
Basic	\$(0.04)	\$(0.02)	
Diluted	\$(0.04)	\$(0.02)	

The decrease in net profit is due to higher administrative costs and increases to cost of goods sold.

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Sales	\$1,494,652	\$1,155,764	29%

Sales increased due to higher powdered product sales but still lacked liquid product sales.

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Gross profit	\$56,518	\$125,278	(55)%

Percentage of sales	4%	11%
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The decrease in gross profit in the first quarter of fiscal year 2024 was due to an increase in cost of goods sold. The lack of replacement inventory of the liquid materials from overseas was delayed and is expected to be received in the second quarter. This shipping delay added to a large write down of our inventory.

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	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Selling, promotion, general and administrative expenses	\$211,137	\$176,070	20%

The additional expenses associated with the BioSpectra acquisition increased these costs.

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Depreciation and amortization expense	\$103,457	\$84,865	22%

Depreciation and amortization increased as a result of plant equipment written off that was acquired over 10 years ago that still remained on the books.

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Interest expense	\$3,418	\$3,945	(13%)

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

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	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Foreign exchange (gain) loss	\$(4,218)	\$24,565	(117)%

The decrease in the foreign exchange loss for the first quarter of fiscal year 2024 was due to the US dollar in the first quarter. The volatility of these exchange rates increase or decrease the value of exchange affected amounts in the Company's Canadian division, Dextran Products, especially U.S. denominated sales.

	Three Months Ended April 30 2023	Three Months Ended April 30 2022	Variance
Interest and other income	\$2,587	\$4,226	(39)%

Interest and other income decreased compared to the prior year. The company invests in a series of guaranteed interest rate contracts. These contracts provide consistent and steady returns with no risk of capital erosion. The company used a laddered approach to investing in these contracts and the rates of return on the contracts renewing are currently lower than the rates when the funds were initially invested. The company also redeemed \$151,711 of contracts in February 2023.

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Liquidity and Capital Resources

As of April 30, 2023, the Company had cash and investments of \$731,396 compared to cash and investments of \$946,579 at January 31, 2023. In the first quarter of fiscal year 2024, the Company used cash of \$169,747 in its operating activities, compared to cash used of \$230,478 for the first quarter of fiscal year 2022. The decrease of cash for operations during the first quarter of fiscal year 2024 is primarily due to the timing of receivables and payables.

The Company's working capital decreased to \$1,699,642 from \$1,729,813 as at January 31, 2023 and the working capital ratio decreased to 2.60 to 1 as of April 30, 2023 compared to 3.20 to 1 as of January 31, 2023.

As of April 30, 2023, the Company had accounts receivable of \$1,222,922 and inventory of \$1,084,820 compared to \$809,017 and \$1,211,208 respectively at January 31, 2023 and \$752,160 and \$1,483,077 respectively at April 30, 2022. Accounts receivable increased due to the timing of collections while inventory decreased due to overseas shipments delayed until the second quarter.

Accounts payable increased to \$670,995 at April 30, 2023, compared to \$537,018 at January 31, 2023 and \$898,953 at April 30, 2022. Accounts payable increased from January 2023 due to timing of payments.

During the first quarter of fiscal year 2024, capital expenditures totaled \$15,647 as compared to \$46,248 in the first quarter of fiscal year 2023. Additional expenditures on capital equipment are planned for the remainder of fiscal 2024.

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

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

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

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Related Party Transactions

The amount outstanding under the due from shareholder as of April 30, 2023 was \$367,275 as compared to \$359,023 at January 31, 2023, including accrued interest. The Company has taken a cumulative provision of \$596,372 at April 30, 2023 (January 31, 2023 \$588,120) against accrued interest on the loan and the other amounts receivable from the estate as noted below. Obligations with respect to the loan transferred to the estate of Thomas C. Usher upon his death in February 2005.

Thomas C. Usher also owed \$250,000 to a subsidiary of the Company, Novadex International Limited, as of April 30, 2023, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2023. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of April 30, 2023, 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 \$445,234 at April 30, 2023 based on the closing price of the Company's common shares on the Pink Sheets quotation service on April 30, 2023. 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 has been fully paid as of January 31, 2022.

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 \$134,191 as at April 30, 2023 from \$147,569 at January 31, 2023 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 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 the Company will realize capital gains in the future to use these Canadian capital loss deductions.

Changes in Accounting Policies

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

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ITEM V LEGAL PROCEEDINGS

Not applicable.

ITEM VI DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM VII OTHER INFORMATION

Not applicable.

ITEM VIII EXHIBITS

Not applicable.

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ITEM IX CERTIFICATIONS

I, George G. Usher, certify that:

1. I have reviewed this quarterly disclosure statement of Polydex Pharmaceuticals Limited;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

June 15, 2023

/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.

June 15, 2023

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