

# **POLYDEX PHARMACEUTICALS LIMITED**

*QUARTERLY DISCLOSURE REPORT*

*OCTOBER 31, 2020*

*UNAUDITED*

**POLYDEX PHARMACEUTICALS LIMITED**  
**QUARTERLY REPORT**  
**OCTOBER 31, 2020**  
**UNAUDITED**

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**ITEM I      NAME OF ISSUER**

Polydex Pharmaceuticals Limited  
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Toronto, Ontario, Canada  
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Fax: (416) 755-0334  
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**ITEM II      SHARES OUTSTANDING**

Preferred Stock – Class A

(i)	Period end date	October 31, 2020
(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, 2020
(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, 2020
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,432,478
(iv)	Freely tradable shares (public float)	2,386,525
(v)	Number of shareholders of record	219

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**ITEM III INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 31, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>October 31</b>	<b>January 31</b>
	<b>2020</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Current assets:		
Cash	\$892,674	\$370,236
Investments held to maturity (note 3)	230,859	152,643
Trade accounts receivable	1,276,935	1,332,828
Inventories		
Finished goods	584,237	736,004
Work in progress	180,765	12,120
Raw materials	<u>294,177</u>	<u>277,894</u>
Prepaid expenses and other current assets	41,557	78,897
Total current assets	3,501,204	2,960,622
Investments held to maturity (note 3)	773,737	843,728
Property, plant and equipment, net	3,261,334	3,296,971
Deferred taxes	62,500	62,500
Due from estate of former shareholder	20,903	20,903
	7,619,678	7,184,724

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 31, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>October 31 2020</b>	<b>January 31 2020</b>
	(Unaudited)	(Unaudited)
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$711,852	\$339,635
Accrued liabilities	264,651	252,155
Income taxes payable	2,188	2,194
Other loans and advances (note 4)	64,275	64,275
Current portion of long-term debt (note 5a)	29,192	66,429
Current portion of lease liabilities (note 5b)	4,574	4,270
Current portion of due to shareholder	53,952	47,760
Total current liabilities	1,130,684	776,718
Long-term debt (note 5a)	125,142	138,435
Lease liabilities (note 5b)	15,218	18,811
Due to shareholder	225,710	269,708
	366,070	426,954
Total liabilities	1,496,754	1,203,672
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	(18,144,149)	(18,290,557)
Accumulated other comprehensive income	378,651	383,187
	6,122,924	5,981,052
	\$7,619,678	\$7,184,724

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**OCTOBER 31, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	Three Months Ended October 31 2020 (Unaudited)	Three Months Ended October 31 2019 (Unaudited)	Nine Months Ended October 31 2020 (Unaudited)	Nine Months Ended October 31 2019 (Unaudited)
<b>Sales</b>	\$1,228,855	\$1,215,105	3,445,924	3,680,472
Cost of goods sold	1,025,490	982,540	2,792,422	2,764,263
<b>Gross profit</b>	203,365	232,565	653,502	916,209
<b>Expenses</b>				
General and administrative	152,580	152,686	425,887	459,268
Interest expense, net	5,663	8,064	18,350	26,095
Selling and promotion	7,842	8,813	35,346	33,277
Depreciation	2,248	2,157	6,567	5,846
Foreign exchange (gain) loss	18,656	(10,296)	36,864	9,534
Interest and other income	(4,895)	(3,456)	(14,307)	(9,809)
<b>Total expenses</b>	182,094	157,968	508,707	524,211
Income before income taxes	21,271	74,597	144,795	391,998
Provision for income taxes (note 8)				
Current	(2,336)	815	(1,613)	1,536
Deferred	-	-	-	-
	(2,336)	815	(1,613)	1,536
<b>Net income (loss) for the period</b>	<b>23,607</b>	<b>73,782</b>	<b>146,408</b>	<b>390,462</b>
Unrealized gain (loss) on investments	-	-	-	-
Currency translation adjustment	39,376	(9,248)	(4,538)	(17,967)
<b>Comprehensive income for the period</b>	<b>\$62,983</b>	<b>\$64,534</b>	<b>\$141,870</b>	<b>\$372,495</b>
Per share information:				
Earnings per common share:				
Basic	0.01	0.02	0.04	0.11
Diluted	0.01	0.02	0.04	0.11
Weighted average number of common shares used compute net income per share for the period:				
Basic	3,432,478	3,419,478	3,432,478	3,419,478
Diluted	3,432,478	3,444,868	3,432,478	3,443,549

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**OCTOBER 31, 2020**  
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(Expressed in United States dollars)

	<b>Nine Months Ended October 31 2020</b>	<b>Nine Months Ended October 31 2019</b>
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	\$15,010	\$15,010
Common Shares:		
Balance, beginning and end of period	\$57,191	\$56,975
Contributed Surplus:		
Balance, beginning and end of period	\$23,816,221	\$23,807,078
Deficit:		
Balance, beginning of period	(\$18,290,557)	(\$18,541,444)
Net profit for the period	146,408	390,462
Balance, end of period	(\$18,144,149)	(\$18,150,982)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	\$383,189	\$381,257
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	(4,538)	(17,967)
Balance, end of period	\$378,651	\$363,290

See accompanying notes.



**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**OCTOBER 31, 2020**  
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(Expressed in United States dollars)

	<b>Nine Months Ended October 31 2020</b>	<b>Nine Months Ended October 31 2019</b>
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	\$146,408	\$390,462
Add (deduct) items not affecting cash:		
Depreciation and amortization	212,047	214,003
Deferred income taxes	---	-
Net change in non-cash working capital balances related to operations	425,136	(113,640)
<b>Cash provided by operating activities</b>	<b>783,591</b>	<b>490,825</b>
Investing activities:		
Additions to property, plant and equipment	(197,731)	(289,309)
Decrease in due from shareholder	-	-
Increase in investments available for sale	(14,307)	(9,809)
Proceeds (Acquisition) of investments available for sale	-	(599,627)
<b>Cash used in investing activities</b>	<b>(212,038)</b>	<b>(898,745)</b>
Financing activities:		
Repayment of long-term debt	(48,287)	(47,209)
Proceeds (Repayment) of capital lease obligations, net	(3,082)	(2,864)
Decrease in due to shareholder	(37,806)	(20,245)
<b>Cash used in financing activities</b>	<b>(89,175)</b>	<b>(70,318)</b>
Effect of exchange rate changes	40,060	74
<b>Net increase in cash and cash equivalents</b>	<b>522,438</b>	<b>(478,164)</b>
Cash, beginning of year	370,236	1,593,728
<b>Cash, end of period</b>	<b>\$892,674</b>	<b>\$1,115,564</b>

See accompanying notes.

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**ITEM III NOTES TO INTERIM FINANCIAL STATEMENTS**

**1. Basis of Presentation:**

The information contained in the interim consolidated financial statements is condensed from that which would appear in annual consolidated financial statements. The interim consolidated financial statements included herein should be read in conjunction with the unaudited financial statements, and notes thereto, and other financial information contained in the Annual Report for the fiscal year ended January 31, 2020 as found on the Polydex Pharmaceuticals Limited (the “Company”) website, [www.polydex.com](http://www.polydex.com). The unaudited interim consolidated financial statements as of October 31, 2020 and 2019 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, 2020 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 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.

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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 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 annually 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.

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.

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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.

Comprehensive income

The Company discloses comprehensive income in their financial statements. 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. Capital stock is recorded at historical rates. Revenue and expense items are translated using the average exchange rates for the year. The resulting gains and losses have been reported separately as accumulated other comprehensive income within shareholders' equity.

Derivative financial instruments

The Company's Canadian subsidiary enters into foreign exchange contracts from time to time, 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 three months and nine months ended October 31, 2020 the Company has not entered into any derivative financial instruments.

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Stock options

The Company uses the fair value accounting to apply recognition provisions to its 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 statement or tax returns. Deferred income taxes are provided for 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 (loss) 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 current quarter and year to date ended October 31, 2020 (2019 – 3,419,478). 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, 2020, and 24,071 incremental shares were included for the nine months ended October 31, 2019. No incremental shares were used in the calculation of diluted earnings per share for the three months ended October 2020 and 25,390 incremental shares were included for the three months ended October 31, 2019.

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

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

	<b>October 31 2020</b>	January 31 2020
	\$	\$
Guaranteed interest contracts with interest rates varying from 1.9% to 2.55% per annum and varying maturities from December 2020 to February 2027	<b>1,004,596</b>	996,371
	<b>1,004,596</b>	996,371

Contractual maturities of investments held-to-maturity at October 31, 2020 are as follows:

	Net Carrying Amount	
Due in one year or less	230,859	
Due beyond one year	773,737	
	<b>1,004,596</b>	

**4. Other loans and advances:**

Other loans and advances consist of the following:

	<b>October 31 2020</b>	January 31 2020
	\$	\$
Customer advance	<b>64,275</b>	75,825

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:

	<b>October 31 2020 \$</b>	<b>January 31 2020 \$</b>
Bank term loan #1 payable in monthly installments of Cdn \$5,594 (U.S. \$4,200) principal and interest at the Canadian bank's fixed rate of 4.98%	<b>12,482</b>	49,371
Bank term loan #2 payable in monthly installments of Cdn \$2,527 (U.S. \$1,897) principal and interest at the Canadian bank's fixed rate of 3.97%	<b>141,852</b>	155,493
	<b>154,334</b>	204,864
Less: current portion	<b>29,192</b>	66,429
	<b>125,142</b>	138,435

Bank term loan #1 was arranged in January 2016 for 60 months at a fixed rate of prime plus 1.5% (2019 – 4.20%). On January 29, 2019 the loan was renewed at a fixed rate of 4.98% per annum maturing January 29, 2021.

Bank term loan #2 was arranged December 2017 for 120 months at a fixed rate of prime plus 1.50% (2019 – 3.97%).

The Company also has an operating loan facility of Cdn \$300,000 (USD – \$225,259) for working capital purposes, of which none was utilized at October 31, 2020 and January 31, 2020. This Canadian operating facility bears interest at the Canadian banks' prime lending rate plus 3.00%.

Bank indebtedness and the operating loan facility are collateralized by a general security agreement over the Company's assets and a collateral mortgage of Cdn \$500,000 (USD - \$375,432) on the Company's building located in Toronto, Canada. The company was in compliance with all covenants as of October 31, 2020.

Interest expense for the nine months ended October 31, 2020 for the bank loan was \$7,188 (2019 - \$10,520).

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Principal repayments on the bank loan are as follows:

	\$
<b>2021</b>	<b>29,192</b>
<b>2022</b>	<b>18,166</b>
<b>2023</b>	<b>18,900</b>
<b>2024</b>	<b>19,543</b>
<b>2025</b>	<b>20,308</b>
<b>Thereafter</b>	<b>48,225</b>
<b>Total</b>	<b>154,334</b>

[b] Finance lease obligations consist of the following:

	<b>October 31</b>	<b>January 31</b>
	<b>2020</b>	<b>2020</b>
	\$	\$
Lease liability (Cdn. \$34,423) , repayable in monthly instalments of \$2,134 (U.S. \$1,602) bearing interest at 10.15% and maturing in fiscal 2024	<b>19,792</b>	23,081
Less current portion	<b>4,574</b>	4,270
	<b>15,218</b>	18,811

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

	\$
<b>2021</b>	<b>6,412</b>
<b>2022</b>	<b>6,412</b>
<b>2023</b>	<b>6,412</b>
<b>2024</b>	<b>4,807</b>
<b>Total minimum lease payments</b>	<b>24,043</b>
<b>Less amount representing imputed interest</b>	<b>4,251</b>
	<b>19,792</b>

Interest expense for the 9 months ended October 31, 2020 for capital lease obligations was \$1,636 (2019 - \$659)



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**6. Commitments and Contingencies:**

In July 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 \$250,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as at October 31, 2020.

**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, 2020 to October 31, 2020, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2019 to October 31, 2019, because there were no options granted during that period.

**8. Provision for Income Taxes:**

The Company's income tax provision for October 31, 2020 relates to income taxes owing at its United State's subsidiary, Chemdex Inc.

**9 Segmented Information:**

Total revenue by significant customer:

	<b>Nine Months Ended Oct 31 2020</b>	<b>Nine Months Ended Oct 31 2019</b>
	<b>\$</b>	<b>\$</b>
Customer A	<b>709,059</b>	-
Customer B	<b>553,000</b>	276,500
Customer C	<b>395,150</b>	480,466
Customer D	<b>391,841</b>	430,859
Customer E	<b>259,355</b>	334,616
Customer F	<b>164,273</b>	225,462
Customer G	<b>132,211</b>	204,451

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Customer H	<b>7,000</b>	608,404
	<b>2,611,889</b>	2,560,758

Sales by geographic destination:

	<b>Nine Months Ended Oct 31 2020</b>	Nine Months Ended Oct 31 2019
	\$	\$
United States	<b>1,672,502</b>	1,815,459
Europe	<b>1,164,127</b>	1,124,416
Canada	<b>281,047</b>	338,268
Other	<b>245,573</b>	280,155
Pacific Rim	<b>82,675</b>	122,175
	<b>3,445,924</b>	3,680,472

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**ITEM IV      MANAGEMENT DISCUSSION AND ANALYSIS**

*The Company's fiscal year ends on January 31<sup>st</sup> of each year. In this report, fiscal year 2021 refers to the Company's fiscal year ended January 31, 2021. The following discussion should be read in conjunction with the October 31, 2020 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the nine months ended October 31, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2021. For further information, refer to the Polydex Pharmaceuticals Limited Annual Report on our website [www.polydex.com](http://www.polydex.com). The company's financial statements are prepared in substantial accordance with United States generally accepted accounting principles. All amounts are in United States dollars, unless otherwise denoted.*

**Overview**

The Company is engaged in the manufacture of bulk pharmaceutical intermediates for the worldwide veterinary pharmaceutical industry and also the manufacture and marketing of biotechnology-based products for the human pharmaceutical market. The Company conducts its business operations through its wholly-owned subsidiary Chemdex, Inc. and its corporate division operating as Dextran Products. (On May 1, 2017 Dextran Products Limited and Polydex Chemicals (Canada) Limited were amalgamated into the parent company Polydex Pharmaceuticals Limited).

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

*Management Objectives for Fiscal 2021:*

The effect of the COVID pandemic appears to have stabilized somewhat although customers are still not able to forecast their needs with any clarity. Raw material supplies are under tight control and few issues have occurred in this quarter.

The demand for Native Dextran was consistent for Q3, has fluctuated for Q4 thus far but appears to be slightly more stable for fiscal 2022. Product registrations have been initiated in two countries although approval dates are unknown.

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**Results of Operations**

*Nine and three months ended October 31, 2020 compared to nine and three months ended October 31, 2019:*

	<b>Three Months Ended October 31, 2020</b>	<b>Three Months Ended October 31, 2019</b>	<b>Variance</b>	<b>Nine Months Ended October 31, 2020</b>	<b>Nine Months Ended October 31, 2019</b>	<b>Variance</b>
<b>Net Income</b>	\$23,607	\$73,782	(68%)	\$146,408	\$390,462	(62%)
<b>Net Income per Share</b>						
<b>Basic:</b>	\$0.01	\$0.02		\$0.04	\$0.11	
<b>Diluted:</b>	\$0.01	\$0.02		\$0.04	\$0.11	

The decrease in net income for the third quarter and the year to date fiscal 2020 compared to the third quarter and year to date fiscal 2019 is due primarily to decreased gross margins and the change in product mix and decrease in sales of powdered product.

	<b>Three Months Ended October 31, 2020</b>	<b>Three Months Ended October 31, 2019</b>	<b>Variance</b>	<b>Nine Months Ended October 31, 2020</b>	<b>Nine Months Ended October 31, 2019</b>	<b>Variance</b>
<b>Sales</b>	\$1,228,855	\$1,215,105	1%	\$3,445,924	\$3,680,472	(6%)

Sales during the third quarter of fiscal 2020 were higher compared to the sales in the third quarter of fiscal 2019 due to the change in product mix. The decrease in sales for the year to date fiscal 2020 compared to fiscal 2019 is primarily due to timing of shipments.

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	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Gross Profit</b>	<b>\$203,365</b>	<b>\$232,565</b>	<b>(13%)</b>	<b>\$653,502</b>	<b>\$916,209</b>	<b>(29%)</b>
Percentage of sales	16.5%	19.1%		19.0%	24.9%	

The decrease in gross margin percentage and dollar amounts in the third quarter and year to date of fiscal year 2020 were primarily due to lower powdered sales orders.

	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Selling, promotion, general and administrative expenses</b>	<b>\$160,422</b>	<b>\$161,499</b>	<b>(1%)</b>	<b>\$461,233</b>	<b>\$492,545</b>	<b>(6%)</b>

The decrease in the third quarter of fiscal 2020 compared to fiscal 2019 is timing of pay periods in the current quarter and a decrease in professional fees.

	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Research and Development expenditures</b>	<b>\$ --</b>	<b>\$ --</b>	<b>-- %</b>	<b>\$ --</b>	<b>\$ --</b>	<b>--%</b>

During fiscal year 2010 all of the Company's research into Ushercell was halted, with only some patent expenses being incurred and paid. Since that time further patent fees have been curtailed, with only smaller patent maintenance fees being expensed as incurred.

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	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Depreciation and amortization expense</b>	<b>\$74,015</b>	<b>\$81,122</b>	<b>(9%)</b>	<b>\$212,047</b>	<b>\$214,003</b>	<b>(1%)</b>

Depreciation and amortization decreased for the three months and decreased for the nine months ending October 31, 2020 compared to the three and nine months ended October 31, 2019. The Company continues to invest in equipment to meet current and expected increases in production demand.

	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Interest Expense</b>	<b>\$5,663</b>	<b>\$8,064</b>	<b>(30%)</b>	<b>\$18,350</b>	<b>\$26,095</b>	<b>(30%)</b>

Interest expense decreased in the quarter and year to date of fiscal 2021 compared to 2020 as the company continues to pay down loans.

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	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Foreign exchange (gain) loss</b>	<b>\$18,656</b>	<b>\$(10,296)</b>	<b>(281%)</b>	<b>\$36,864</b>	<b>\$9,534</b>	<b>386%</b>

The volatility of these exchange rates increase or decrease the value of exchange affected amounts in the Company's Canadian division, Dextran Products, especially U.S. denominated sales.

	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Interest and investment income</b>	<b>\$4,895</b>	<b>\$3,456</b>	<b>42%</b>	<b>\$14,307</b>	<b>\$9,809</b>	<b>46%</b>

Interest and investment income increased 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 company transferred the equivalent of \$500,000 Canadian dollars to its investments in December 2019.

	Three Months Ended October 31, 2020	Three Months Ended October 31, 2019	Variance	Nine Months Ended October 31, 2020	Nine Months Ended October 31, 2019	Variance
<b>Income taxes current</b>	<b>\$(2,336)</b>	<b>\$815</b>	<b>(386)%</b>	<b>\$(1,613)</b>	<b>\$1,536</b>	<b>(205)%</b>

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

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**Liquidity and Capital Resources**

As of October 31, 2020, the Company had cash and investments of \$1,897,270 compared to cash of and investments of \$1,366,608 at January 31, 2020. In the first nine months of fiscal year 2021, the Company generated cash of \$783,591 in its operating activities, compared to \$490,826 for the nine months of fiscal year 2020. The increase in generation of cash from operations during the first nine months of fiscal year 2020 is primarily due to timing of payments to suppliers.

The Company's working capital increased to \$2,370,520 from \$2,183,905 as at January 31, 2020. The working capital ratio decreased to 3.10 to 1 as of October 31, 2020 compared to 3.81 to 1 as of January 31, 2020.

As of October 31, 2020, the Company had accounts receivable of \$1,270,935 and inventory of \$1,059,179 compared to \$1,322,828 and \$1,026,018 respectively at January 31, 2020 and \$1,049,217 and \$1,408,269 respectively at October 31, 2019. The decrease in accounts receivable is primarily due to the timing of customer receipts while inventory remained relatively the same.

At October 31, 2020, the Company had accounts payable of \$711,852 compared to \$339,634 at January 31, 2020 and \$636,920 at October 31, 2019. The increase in accounts payable resulted from a shipment of raw materials received at the end of the quarter for drying.

During the third quarter of fiscal year 2021, capital expenditures amounted to \$67,698 compared to \$68,236 in the third quarter of fiscal year 2020. Expenditures in the third quarter of fiscal 2021 related to building and plant equipment. Additional expenditures on capital equipment are possible for the remainder of fiscal 2021.

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

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

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



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**Related Party Transactions**

The amount due from shareholder as of October 31, 2020 was \$316,393 compared to \$304,833 at January 31, 2020, including accrued interest. The Company has taken a cumulative provision of \$545,490 at October 31, 2020 (January 31, 2020 - \$533,930) 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, 2020, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2020. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of October 31, 2020, Thomas C. Usher, now through his estate, had pledged 243,263 common shares of the Company as security for these amounts owing to the Company. These common shares had a market value of \$257,859 at October 31, 2020, based on the closing price of the Company's common shares on the Pink Sheets quotation service on October 31, 2020. 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, 2020 is \$855 (January 31, 2020 - \$3,532).

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 \$279,641 at October 31, 2020 from \$317,468 at January 31, 2020 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 fifteen 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. Dextran Products 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.

**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, 2020

/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, 2020

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