

# **POLYDEX PHARMACEUTICALS LIMITED**

*QUARTERLY DISCLOSURE REPORT*

*APRIL 30, 2020*

*UNAUDITED*

POLYDEX PHARMACEUTICALS LIMITED  
QUARTERLY REPORT  
APRIL 30, 2020  
UNAUDITED

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**ITEM I      NAME OF ISSUER**

Polydex Pharmaceuticals Limited  
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**ITEM II      SHARES OUTSTANDING**

Preferred Stock – Class A

(i)	Period end date	April 30, 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	April 30, 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	April 30, 2020
(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	219

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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, 2020  
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	April 30 2020 (Unaudited)	January 31 2020 (Unaudited)
<b>Assets</b>		
Current assets:		
Cash	\$840,659	\$370,236
Investments held to maturity (note 3)	218,236	152,643
Trade accounts receivable	772,345	1,332,828
Inventories		
Finished goods	715,357	736,004
Work in progress	162,391	12,120
Raw materials	<u>220,054</u>	<u>277,894</u>
	1,097,802	1,026,018
Prepaid expenses and other current assets	54,080	78,897
Total current assets	2,983,122	2,960,622
Investments held to maturity (note 3)	729,445	843,728
Property, plant and equipment, net	3,110,934	3,296,971
Deferred taxes (note 9)	62,500	62,500
Due from estate of former shareholder	20,903	20,903
	<b>\$ 6,906,904</b>	<b>\$ 7,184,724</b>

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**APRIL 30, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>April 30 2020</b>	<b>January 31 2020</b>
	(Unaudited)	(Unaudited)
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$362,968	\$339,635
Accrued liabilities	252,379	252,155
Income taxes payable	2,140	2,194
Other loans and advances (note 4)	64,275	64,275
Current portion of long-term debt	51,569	66,429
Current portion of lease liabilities	4,144	4,270
Current portion of due to shareholder	52,380	47,760
<b>Total current liabilities</b>	<b>789,855</b>	<b>776,718</b>
Long-term debt (note 5a)	126,899	138,435
Lease liabilities (note 5b)	16,731	18,811
Due to shareholder	253,785	269,708
	<b>397,415</b>	<b>426,954</b>
<b>Total liabilities</b>	<b>1,187,270</b>	<b>1,203,672</b>
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, 2019 - 899,400)	15,010	15,010
3,432,478 common shares (January 31, 2020 - 3,432,478)	57,191	57,192
Contributed surplus	23,816,221	23,816,221
Deficit	(18,232,218)	(18,290,558)
Accumulated other comprehensive income	63,430	383,187
	<b>5,719,634</b>	<b>5,981,052</b>
	<b>\$6,906,904</b>	<b>\$7,184,724</b>

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**APRIL 30, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>Three Months Ended April 30 2020</b>	<b>Three Months Ended April 30 2019</b>
	(Unaudited)	(Unaudited)
<b>Sales</b>	\$839,322	\$1,221,484
Cost of goods sold	686,044	896,856
<b>Gross profit</b>	153,278	324,628
<b>Expenses</b>		
General and administrative	136,037	143,733
Interest expense	6,714	8,685
Selling and promotion	7,787	8,082
Depreciation	2,128	1,558
Research and development	--	-
Foreign exchange (gain) loss	(53,139)	(31,331)
Interest and other income	(4,588)	(2,885)
<b>Total expenses</b>	94,939	127,842
Income before income taxes	58,339	196,786
Provision for income taxes (note 9)		
Current	-	-
Deferred	-	-
	-	-
<b>Net income for the period</b>	<b>58,339</b>	<b>196,786</b>
Unrealized gain (loss) on investments available for sale	-	-
Currency translation adjustment	(319,759)	(135,461)
<b>Comprehensive income for the period</b>	<b>(\$261,420)</b>	<b>\$61,325</b>
Per share information:		
Earnings per common share:		
Basic	0.02	0.06
Diluted	0.02	0.06
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,432,478	3,419,478
Diluted	3,432,478	3,437,714

See accompanying notes.

**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**APRIL 30, 2020**  
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(Expressed in United States dollars)

	<b>Three Months Ended April 30 2020</b>	<b>Three Months Ended April 30 2019</b>
	(Unaudited)	(Unaudited)
<b>Preferred Shares:</b>		
Balance, beginning and end of period	\$15,010	\$15,010
<b>Common Shares:</b>		
Balance, beginning and end of period	57,171	56,974
<b>Deficit:</b>		
Balance, beginning of period	(\$18,290,557)	(\$18,541,444)
Net profit for the period	58,339	196,787
Balance, end of period	(\$18,232,218)	(\$18,344,657)
<b>Accumulated Other Comprehensive Income:</b>		
Balance, beginning of period	\$383,189	\$381,258
Unrealized gain on investments available for sale	-	-
Currency translation adjustment for the period	(319,759)	(135,461)
Balance, end of period	\$63,430	\$245,797

See accompanying notes.



**POLYDEX PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**APRIL 30, 2020**  
**UNAUDITED**

(Expressed in United States dollars)

	<b>Three Months Ended April 30 2020</b>	<b>Three Months Ended April 30 2019</b>
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	\$58,339	\$196,786
Add (deduct) items not affecting cash:		
Depreciation and amortization	67,719	67,940
Net change in non-cash working capital balances related to operations	444,943	(202,306)
<b>Cash provided by operating activities</b>	<b>571,001</b>	<b>62,420</b>
Investing activities:		
Additions to property, plant and equipment	(57,767)	(78,239)
Increase in investments available for sale	(4,588)	(2,885)
Proceeds (Acquisition) of investments available for sale	-	(603,576)
<b>Cash used in investing activities</b>	<b>(62,355)</b>	<b>(684,700)</b>
Financing activities:		
Repayment of long-term debt	(15,579)	(155,513)
Proceeds (Repayment) of lease liabilities, net	(981)	(2,054)
Decrease in due to shareholder	(11,303)	(5,358)
<b>Cash used in financing activities</b>	<b>(27,863)</b>	<b>(22,925)</b>
Effect of exchange rate changes	(10,361)	(10,664)
<b>Net increase in cash and cash equivalents</b>	<b>470,423</b>	<b>(655,869)</b>
Cash, beginning of year	370,236	1,593,728
<b>Cash, end of period</b>	<b>\$840,659</b>	<b>\$937,859</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 April 30, 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 April 30, 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 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

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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.

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

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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, 2020 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, 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 diluted earnings per common share for the period ending April 30, 2020 (2019 – 18,326).

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

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

	<b>April 30 2020</b>	January 31 2020
	\$	\$
Guaranteed interest contracts with interest rates varying from 1.9% to 2.55% per annum and varying maturities from February 2021 to February 2027	<b>947,681</b>	996,371
	<b>947,681</b>	996,371

Contractual maturities of investments held-to-maturity at April 30, 2020 are as follows:

	Net Carrying Amount	
Due in one year or less	218,236	
Due beyond one year	729,445	
	<b>947,681</b>	

**4. Other loans and advances:**

Other loans and advances consist of the following:

	<b>April 30 2020</b>	January 31 2020
	\$	\$
Customer advance	<b>64,275</b>	64,275

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

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**5. Long term debt obligations:**

[a] Bank term loans consist of the following:

	<b>April 30 2020 \$</b>	January 31 2020 \$
Bank term loan #1 payable in monthly installments of Cdn \$5,594 (U.S. \$4,001) principal and interest at the Canadian bank's fixed rate of 4.98%	<b>35,261</b>	49,371
Bank term loan #2 payable in monthly installments of Cdn \$2,527 (U.S. \$1,808) principal and interest at the Canadian bank's fixed rate of 3.97%	<b>143,207</b>	155,493
	<b>178,468</b>	204,864
Less: current portion	<b>51,569</b>	66,429
	<b>126,899</b>	138,435

Bank term loan #1 was arranged in January 2016 for 60 months at a fixed rate of prime plus 1.50% (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 in December 2017 for 120 months at a fixed rate of prime plus 1.50% (2019 - 3.97%).

The Company also obtained an operating loan facility of Cdn \$300,000 (USD – \$214,592) for working capital purposes, which was not utilized at January 31, 2020 and April 30, 2020. This Canadian operating facility bears interest at the Canadian bank's prime lending rate plus 2.15%. (2019 – 3.95%).

Bank debt and facility are collateralized by a general security agreement over the Company's assets and a collateral mortgage of Cdn \$500,000 (USD – \$357,654) on the Company's building located in Toronto, Canada.

The Company was in compliance with all covenants as of April 30, 2020.

Interest expense for the quarter on the loans were \$1,843 (2019 - \$2,781)

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[a] Principal repayments on the bank loans are as follows:

	\$
<b>2021</b>	<b>51,569</b>
<b>2022</b>	<b>16,966</b>
<b>2023</b>	<b>17,652</b>
<b>2024</b>	<b>17,652</b>
<b>2025</b>	<b>17,652</b>
<b>Thereafter</b>	<b>56,977</b>
	<b>178,468</b>

[b] Finance lease liabilities consist of the following:

	<b>April 30</b>	January 31
	<b>2020</b>	<b>2020</b>
	\$	\$
Lease liability, repayable in quarterly installments of \$2,134 (U.S. \$1,526) bearing interest at 10.15% and maturing in 2024	<b>20,875</b>	23,081
Less current portion	<b>4,144</b>	4,270
	<b>16,731</b>	18,811

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

	\$
<b>2021</b>	<b>6,108</b>
<b>2022</b>	<b>6,108</b>
<b>2023</b>	<b>6,108</b>
<b>2024</b>	<b>6,108</b>
<b>2025</b>	<b>1,527</b>
<b>Total minimum lease payments</b>	<b>25,959</b>
<b>Less amount representing imputed interest</b>	<b>5,085</b>
	<b>20,875</b>

Interest expense for the 3 months ended April 30, 2020 for finance lease obligations was \$559 (2019 - \$-).



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**6. Commitments and Contingencies:**

In July of 2013, a subsidiary of the Company, Chemdex Inc., renewed its supply agreement with an existing customer and signed an agreement to supply raw materials for an additional product. The agreement is for a period of ten years, renewable for another ten years, and provides the customer with exclusive rights to these raw materials in the United States.

The Company has committed to purchase approximately \$160,000 of partially finished product from a contract manufacturer.

There were no other material commitments or contingencies outstanding as of April 30, 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 April 30, 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 April 30, 2019, because there were no options granted during that period.

**8. 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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**9. Segmented Information:**

Total revenue by significant customer:

	<b>Three Months Ended April 30 2020</b>	Three Months Ended April 30 2019
	\$	\$
Customer A	276,500	-
Customer B	242,359	-
Customer C	150,130	-
Customer D	44,572	36,792
Customer E	4,550	139,838
Customer F	4,200	485,604
Customer G	3,375	34,391
Customer H	-	165,900
Customer I	-	119,838
	<b>725,686</b>	982,363

Sales by geographic destination:

	<b>Three Months Ended April 30 2020</b>	Three Months Ended April 30 2019
	\$	\$
United States	467,336	718,482
Europe	334,472	224,329
Other	35,260	108,810
Canada	2,254	119,838
Pacific Rim	-	50,025
	<b>839,322</b>	1,221,484

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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 ending January 31, 2021. The following discussion should be read in conjunction with the April 30, 2020 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 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 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 2021:*

Management regards the quarters results while disappointing also satisfactory under the circumstances of the COVID Pandemic which hit Europe in Q1. This affected Europe and Asian orders as the global economy slowed significantly.

In the first quarter of fiscal 2021 management has also saw increased demand in Native Dextran for new applications. This development work has been ongoing for several years and management is pleased to see progress. We have confirmed orders in place for the first half of the year.

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**Results of Operations**

*Three months ended April 30, 2020 compared to three months ended April 30, 2019:*

	<b>Three Months Ended April 30 2020</b>	Three Months Ended April 30 2019	Variance
<b>Net Profit</b>	<b>\$58,339</b>	\$196,786	(70.4)%
<b>Income per Share:</b>			
<b>Basic</b>	<b>\$0.02</b>	\$0.06	
<b>Diluted</b>	<b>\$0.02</b>	\$0.06	

The decrease in net profit for the first quarter of fiscal year 2021 is primarily a result of decreased gross margins. Powdered sales in the current quarter were not as strong as they were in the first quarter of last year.

	<b>Three Months Ended April 30 2020</b>	Three Months Ended April 30 2019	Variance
<b>Sales</b>	<b>\$839,322</b>	\$1,221,484	(31.3)%

Sales decreased for the first quarter of fiscal year 2021 from the comparable period for the first quarter of 2020. In April we evoked our pandemic plan and closed the plant for two weeks. During this time we developed reduced hours or working from home programs and increased sanitation plans for the facility. We restarted mid-month and our programs appear to be working well. The immediate future looks brighter with increased orders in the second quarter.

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	Three Months Ended April 30 2020	Three Months Ended April 30 2019	Variance
<b>Gross profit</b>	<b>\$153,278</b>	<b>\$324,628</b>	<b>(52.3)%</b>
Percentage of sales	18%	27%	

The decrease in gross profit in the first quarter of fiscal year 2021 was due to a drop in powdered sales in the quarter compared to a year ago. Raw materials have become a concern with some instability of delivery. We are in regular communication with suppliers to monitor the situation.

	Three Months Ended April 30 2020	Three Months Ended April 30 2019	Variance
<b>Selling, promotion, general and administrative expenses</b>	<b>\$143,824</b>	<b>\$151,815</b>	<b>(5)%</b>

The decrease during the first quarter of fiscal year 2021 in selling, promotion, general and administrative expenses compared to the comparable period of fiscal 2020 is primarily due to the change in foreign exchange rates in the first quarter of the year compared to the year end rate.

	Three Months Ended April 30 2020	Three Months Ended April 30 2019	Variance
<b>Depreciation and amortization expense</b>	<b>\$67,719</b>	<b>\$67,940</b>	<b>--%</b>

Depreciation and amortization remained virtually the same from the previous year.

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	Three Months Ended April 30 2020	Three Months Ended April 30 2019	Variance
<b>Interest expense</b>	<b>\$6,714</b>	<b>\$8,685</b>	<b>(23%)</b>

The decrease in interest expense in the first quarter of fiscal year 2021 was due to the decreased value in the Canadian dollar as the company continues to pay down loans. The drop in US prime rates also resulted in a drop in interest paid on the shareholder loan.

	Three Months Ended April 30 2020	Three Months Ended April 30 2019	Variance
<b>Foreign exchange (gain) loss</b>	<b>\$(53,139)</b>	<b>\$(31,331)</b>	<b>69%</b>

The increase in the foreign exchange gain for the first quarter of fiscal year 2021 was due to the weakened Canadian 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 2020	Three Months Ended April 30 2019	Variance
<b>Interest and other income</b>	<b>\$4,588</b>	<b>\$2,885</b>	<b>50%</b>

Interest and other income increased compared to the prior year. The company invests in a series of guaranteed interest rate contracts. The company transferred the equivalent of \$500,000 Cdn to its investments in December 2019. These contracts provide consistent and steady returns with no risk of capital erosion.

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**Liquidity and Capital Resources**

As of April 30, 2020, the Company had cash and investments of \$1,788,340 compared to cash and investments of \$1,536,713 at January 31, 2020. In the first quarter of fiscal year 2021, the Company generated cash of \$571,001 in its operating activities, compared to \$62,420 for the first quarter of fiscal year 2020. The increase in the generation of cash for operations during the first quarter of fiscal year 2020 is primarily due to the timing of receivables collections.

The Company's actual working capital increased to \$2,193,267 from \$2,183,905 as at January 31, 2020 and the working capital ratio decreased to 3.78 to 1 as of April 30, 2020 compared to 3.81 to 1 as of January 31, 2020.

As of April 30, 2020, the Company had accounts receivable of \$772,345 and inventory of \$1,097,802 compared to \$1,332,828 and \$1,026,018 respectively at January 31, 2020 and \$1,270,405 and \$1,183,772 respectively at April 30, 2019. Accounts receivable decreased due to the timing of sales and while inventory increased due to a shipment received at the end of April.

Accounts payable increased to \$362,968 at April 30, 2020, compared to \$339,634 at January 31, 2020 and \$571,052 at April 30, 2019. Accounts payable decreased due to timing of payments.

During the first quarter of fiscal year 2021, capital expenditures totaled \$57,767 as compared to \$78,239 in the first quarter of fiscal year 2020. Additional expenditures on capital equipment are planned 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 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.

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**Related Party Transactions**

The amount outstanding under the due from shareholder as of April 30, 2020 was \$308,292 as compared to \$304,833 at January 31, 2020, including accrued interest. The Company has taken a cumulative provision of \$538,019 at April 30, 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 April 30, 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 April 30, 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 \$252,994 at April 30, 2020 based on the closing price of the Company's common shares on the Pink Sheets quotation service on April 30, 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 April 30, 2020 is \$3,532 (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 \$306,165 as at April 30, 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 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.

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**ITEM VI      DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM VII     OTHER INFORMATION**

Not applicable.

**ITEM VIII    EXHIBITS**

Not applicable

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**ITEM IX      CERTIFICATIONS**

I, George G. Usher, certify that:

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

June 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.

June 15, 2020

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