POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

APRIL 30, 2014

UNAUDITED

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ITEM I NAME OF ISSUER

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ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	April 30, 2014
(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, 2014
(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, 2014
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,225,478 shares
(iv)	Freely tradable shares (public float)	2,394,837
(v)	Number of shareholders of record	243

ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2014
UNAUDITED

(Expressed in United States dollars)

		April 30 2014 (Unaudited)		January 31 2014 (Unaudited)
Assets				
Current assets:				
Cash	$	559,164	$	359,664
Investments available for sale (note 3)		98,295		50,883
Trade accounts receivable		1,056,737		1,107,657
Due from shareholders				20,000
Inventories				
Finished goods	591,617		774,213	
Work in progress	38,657		56,087	
Raw materials	246,553	876,827	276,720	1,018,135
Income taxes recoverable		-		-
Prepaid expenses and other current assets		77,876		83,157
Total current assets		2,668,899		2,639,496
Property, plant and equipment, net		3,224,945		3,102,497
Due from estate of former shareholder		20,903		20,903
	$	5,914,747	$	5,762,896

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2014
UNAUDITED

(Expressed in United States dollars)

	April 30 2014	January 31 2014
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 476,250	$ 496,150
Accrued liabilities	424,671	414,134
Income taxes payable	1,615	883
Other loans payable (note 4)	623,655	615,305
Customer deposits	160,551	161,811
Current portion of long-term debt	-	---
Current portion of capital lease obligations	8,781	8,641
Current portion of due to shareholder	36,000	36,000
Total current liabilities	1,731,523	1,732,924
Long-term debt (note 5)	443,684	433,515
Capital lease obligations	15,150	16,296
Due to shareholder	434,202	442,321
	893,036	892,132
Total liabilities	2,624,559	2,625,056
Going concern (note 1)		
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, 2014 - 899,400)	15,010	15,010
3,225,478 common shares (January 31, 2014 - 3,225,478)	53,734	53,734
Contributed surplus	23,643,466	23,643,466
Deficit	(21,670,771)	(21,745,366)
Accumulated other comprehensive income	1,248,749	1,170,996
	3,290,188	3,137,840
	$ 5,914,747	$ 5,762,896

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 30, 2014
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2014	Three Months Ended April 30 2013
	(Unaudited)	(Unaudited)
Sales	1,412,982	1,440,144
Cost of goods sold	1,119,715	979,181
Gross profit	293,267	460,963
Expenses		
General and administrative	146,406	160,456
Interest expense,net	22,774	14,076
Selling and promotion	11,402	11,435
Depreciation	2,846	2,597
Research and development	-	506
Foreign exchange loss	33,982	51
Interest and other income	(138)	(74)
Total expenses	217,272	189,047
Income before income taxes	75,995	271,916
Provision for income taxes	1,400	400
Net income for the period	74,595	271,516
Unrealized gain (loss) on investments available for sale	(170)	201
Currency translation adjustment	77,923	(43,771)
Comprehensive income for the period	152,348	227,946
Per share information:		
Earnings per common share:		
Basic	0.02	0.09
Diluted	0.02	0.08
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,225,478	3,172,846
Diluted	3,420,321	3,210,860

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
APRIL 30, 2014
UNAUDITED

(Expressed in United States dollars)

		Three Months Ended April 30 2014		Three Months Ended April 30 2013
		(Unaudited)		(Unaudited)
Preferred Shares:				
Balance, beginning and end of period	$	15,010	$	15,010
Common Shares:				
Balance, beginning of period		53,734		52,855
Shares issued		-		879
Balance, end of period	$	53,734	$	53,734
Contributed Surplus:				
Balance, beginning and end of period	$	23,643,466	$	23,580,674
Deficit:				
Balance, beginning of period	$	(21,745,366)	$	(22,404,288)
Net profit for the period		74,595		271,516
Balance, end of period	$	(21,670,771)	$	(22,132,772)
Accumulated Other Comprehensive Income:				
Balance, beginning of period	$	1,170,996	$	1,648,779
Unrealized gain on investments available for sale		(170)		201
Currency translation adjustment for the period		77,923		(43,771)
Balance, end of period	$	1,248,749	$	1,605,209

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
APRIL 30, 2014
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2014	Three Months Ended April 30 2013
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit (loss) for the period	74,595	271,516
Add (deduct) items not affecting cash:		
Depreciation and amortization	22,106	27,787
Deferred loan expenses	3,109	-
Net change in non-cash working capital balances related to operations	222,458	(154,736)
Cash provided by operating activities	322,268	144,567
Investing activities:		
Additions to property, plant and equipment	(93,708)	(20,829)
Proceeds (Acquisition) of investments available for sale	(46,287)	(73)
Cash used in investing activities	(139,995)	(20,902)
Financing activities:		
Repayment of long-term debt	-	(191,447)
Proceeds from long term debt	-	464,024
Proceeds (Repayment) of capital lease obligations, net	(1,402)	(2,941)
Decrease in due to shareholder	(8,119)	(3,143)
Increase (decrease) in bank indebtedness	-	(229,741)
Cash provided by (used in) financing activities	(9,521)	36,752
Effect of exchange rate changes	26,748	(3,038)
Net increase (decrease) in cash and cash equivalents	199,500	157,379
Cash, beginning of year	359,664	4,241
Cash, end of period	559,164	161,620

See accompanying notes.

ITEM III NOTES TO INTERIM FINANCIAL STATEMENTS

1. **Basis of Presentation:**

The information contained in the interim consolidated financial statements is condensed from that which would appear in annual consolidated financial statements. The interim consolidated financial statements included herein should be read in conjunction with the unaudited financial statements, and notes thereto, and other financial information contained in the Annual Report for the fiscal year ended January 31, 2014 as found on the Polydex Pharmaceuticals Limited (the "Company") website, www.polydex.com. The unaudited interim consolidated financial statements as of April 30, 2014 and 2013 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 June 10, 2014 that would require recognition or note disclosures in these financial statements.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. As can be seen from the table below, the Company's operating results and cash flow generation for the past 5 years have been inconsistent, resulting in an accumulated deficit of $21,745,366 as at January 31, 2014 (2013 – $22,404,288). As a result of the operations in fiscal years 2011 and 2010 and the inconsistent results for 2012, 2013 and 2014, the Company, through its wholly-owned subsidiary Dextran Products Limited, was in violation of its debt service loan covenant related to its long-term debt, which resulted in a restructuring and reclassification of this debt as a current liability as at January 31, 2013, January 31, 2012, January 31, 2011 and January 31, 2010. During the first quarter of fiscal year 2014, Dextran Products Limited finalized long term private financing in the amount of Cdn $500,000 to replace the operating loan and the equipment loan previously provided by its bank. The Company had positive working capital of $906,572 as at January 31, 2014 as compared to $110,245 as at January 31, 2013. The Company has positive working capital of $937,376 as at April 30, 2014 as compared to $840,268 as at April 30, 2013.

Year ended January 31,	2014 $	2013 $	2012 $	2011 $	2010 $
Net Income (loss) from operations -	**658,922**	(422,849)	231,668	(697,658)	(2,144,735)
Cash flow from operations -	**725,932**	(52,371)	465,052	(154,518)	(589,723)

Management continues to carefully monitor all cost areas of its operations, while at the same time focusing on production activities and equipment. Management is focused on reduction and hopefully avoidance of costly production equipment problems including the upgrading of essential production equipment to prevent these issues that have that have occurred in the past. This will allow the Company to take full advantage of its strong position in the supply chain to deliver quality product at a time of increased market demand.

The Company’s ability to continue as a going concern is in doubt as it is dependent on the ability of the Company to attain profitable operations, enabling it to meet the Company’s liabilities as they become due and the realization of its business plans. The outcome of these matters is dependent on factors outside the Company’s control and cannot be predicted at this time. Should the above expectations fail to occur or not achieve the levels required to meet the Company’s profitability and liquidity requirements, management will seek other sources of investment from new or existing investors, creditors and customers.

The accompanying consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments relating to the recoverability or classification of assets or the amounts or classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates relate to the allowance for doubtful accounts, depreciation and amortization rates, and asset impairment charges.

Inventories

Inventories of raw materials are stated at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Work-in-process and finished goods are valued at the lower of cost and net realizable value, and include the cost of raw materials, direct labor and fixed and variable overhead expenses.

Investments available for sale

Investments available for sale consist of Canadian medium term investments, and are stated at fair market value based on quoted market prices. Interest income is included in other income in the consolidated statement of operations as it is earned. Changes in market values during the holding period are reported as unrealized gain (loss) on investments available for sale and are included in other comprehensive income (loss). Realized gains (losses) are reclassified from accumulated other comprehensive income (loss) on a specific item basis when the security is sold or matured.

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 years
Machinery and equipment 3 to 10 years

Patents and intangible assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of ten years. Intangible assets consist of intellectual property, government licenses and government license applications.

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.

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

Revenue results from sales of bulk manufactured products. 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. Returns of bulk product are rare and generally are not accepted.

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 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, 2014 the Company has not entered into any derivative financial instruments.

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 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 3,225,478 for the three months ended April 30, 2014 (2013 - 3,172,846). 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. 204,843 incremental shares were used in the calculation of diluted earnings per common share for the period ending April 30, 2014 (2013 – 38,014).

3. Investments Available For Sale:

Investments available for sale consist of the following:

	April 30 2014	January 31 2014
Investments available for sale	**$ 98,295**	$ 50,883

The investments consist of a Canadian short-term bond fund with maturity dates extending from one to five years and a yield rate of 1.7%, and an international bond fund with a yield rate of 2.45%. Investments available for sale are stated at fair market value, based on quoted market prices. An unrealized loss of $170 has been included in accumulated other comprehensive income.

4. Other Loans Payable:

	April 30 2014	January 31 2014
Supply agreement advance	$ **250,000**	$ 250,000
Term promissory note	**158,052**	153,597
Demand promissory note	**70,058**	66,163
Other loan	**145,545**	145,545
	$ 623,655	$ 615,305

The term promissory note includes accrued interest and is due June 1, 2014. Interest is payable monthly at an annual rate of 5%. The demand promissory note is payable on demand, and includes accrued interest at an annual rate of 6%. Both these notes are secured by a collateral mortgage and general security agreement against the Company's plant and equipment. Both notes are from the same customer, and no repayments have been made to June 10, 2014.

The Other loan is a non-interest bearing advance from another customer to be used for working capital.

In July 2013, a subsidiary of the Company, Chemdex, Inc., signed an agreement with an existing customer to provide raw materials for a new product and renew an existing supply agreement for an existing product. Under the terms of the agreement the customer will endeavor to obtain registration for the new product. Once this registration has been acquired the advance will cease to be refundable, and a second payment of $250,000 will become due. 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.

5. Long Term Debt:

		April 30 2014		January 31 2014
Mortgage loan of Cdn $500,000 payable in monthly payments of Cdn $ 3,333. (U.S. $3,041) interest only with interest rate of 8%, maturing in April 2015	**$**	**456,204**	$	448,914
Less deferred acquisition costs		**(12,520)**		(15,399)
	$	**443,684**	$	433,515

The mortgage loan relates to the Company's subsidiary Dextran Products Limited located in Toronto, Canada and is secured by a general security agreement including Dextran's building and equipment as well as a pledge against its accounts receivables. The increase in value is due to the expensing of the deferred acquisition costs and the increased value of the Canadian dollar compared to its value at January 31, 2014. No payments have been made against this loan balance, and the mortgage holder has indicated that the loan will be renewed in April 2015 provided the mortgage remains in good standing at the time of renewal.

6. Commitments and Contingencies:

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's subsidiary, Dextran Products Limited has committed to the upgrade of portions of its plant roofing in the amount of Cdn $26,000 (USD $23,723), and to the purchase of a new process reactor in the amount of $49,500. Dextran Products Limited has also committed to the replacement of a dextran purification system in the amount of Cdn. $250,000 (USD $228,102).

7. Stock-based Employee Compensation:

The Company maintains an incentive share option plan for management personnel for options to purchase up to 954,950 common shares. The Company also issues options to certain consultants for services provided to the Company.

All options granted have terms of five years and vest immediately. At April 30, 2014, the Company had 354,000 options outstanding at exercise prices ranging from $0.12 to $0.82 and a weighted average exercise price of $0.35. The options, which are immediately exercisable and expire on dates between January 31, 2014 and January 31, 2018, entitle the holder of an option to acquire one common share of the Company.

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, 2014 to April 30, 2014, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2013 to April 30, 2013, because there were no options granted during that period.

8. Segmented Information:

Total revenue by significant customer:

		Three Months Ended April 30 2014		Three Months Ended April 30 2013
Customer A	$	**276,497**	$	224,254
Customer B		**141,735**		142,363
Customer C		**102,992**		--
Customer D		**63,600**		252,019
Customer E		**--**		275,495
	$	**594,824**	$	894,403

Sales by geographic destination:

	Three Months Ended April 30 2014	Three Months Ended April 30 2013
Europe	$ **633,855**	$ 558,390
United States	**314,027**	502,409
Pacific Rim	**241,205**	69,900
Other	**120,900**	104,035
Canada	**102,995**	205,410
	$ **1,412,982**	$ 1,440,144

ITEM IV MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st of each year. In this report, fiscal year 2015 refers to the Company's fiscal year ended January 31, 2015. The following discussion should be read in conjunction with the April 30, 2014 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015. 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. The Company conducts its business operations through its wholly-owned subsidiaries, Dextran Products and Chemdex.

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 in the United States provides ferric hydroxide and hydrogenated dextran to Sparhawk pursuant to a definitive supply agreement.

Management Objectives for Fiscal 2015:

During the first quarter of fiscal year 2015 the Company continued to experience high demand from customers, but issues related to insufficient water pressure provided by the municipality reduced production output and limited sales, though the impact on sales was partially mitigated by utilizing available inventories. Though the water pressure problem was alleviated subsequent to April 30, 2014, management is aware of the necessity to continue to make proactive investments in new or upgraded equipment. Following the investment of $304,982 for fiscal year 2014 and another $93,708 in the first quarter of fiscal 2015, additional expenditures of approximately $300,000 are planned for the remainder of fiscal 2015. Management's goal is to implement further upgrades and replacements over time as additional funds become available, eventually reducing or even eliminating the types of problems that have occurred in the past. Management is encouraged by the patience and support of our customers as evidenced by the investments they have made in assuring the longer term availability of the high quality products the Company has consistently delivered. The Company continues to enjoy a strong order book, and is working diligently to fulfill its commitments, though equipment problems may continue to remain an issue for the immediate future.

Results of Operations

Three months ended April 30, 2014 compared to three months ended April 30, 2013:

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Net Profit	**$75,995**	$271,916	(72)%
Income per Share	**$0.02**	$0.09	

The decrease in net profit for the first quarter of fiscal year 2015 is a result of decreased gross margins and increased exchange related expenses compared to the first quarter of fiscal year 2014.

	Three Months Ended April 30 2014	Three Months Ended April 30, 2013	Variance
Sales	**$1,412,982**	$1,440,144	(2)%

Sales decreased slightly for the first quarter of fiscal year 2015 from the comparable period for the first quarter of fiscal year 2014. Sales for the first quarter of fiscal 2015 were impacted by production issues that reduced the ability to produce sufficient product to meet customer demand.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Gross profit	**$293,267**	**$460,963**	(36)%
Percentage of sales	**21%**	**32%**	

Gross profit in the first quarter of fiscal year 2014 benefitted from a large shipment of high margin powdered product that did not occur in fiscal 2015. In addition, water pressure problems reduced the ability to meet customer demand throughout the first quarter of fiscal 2015 though this was partly compensated by the drawdown of inventory from January 31, 2014 and the decreased value of the Canadian dollar compared to the first quarter of fiscal 2014.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Selling, promotion, general and administrative expenses	**$157,808**	$171,891	(8)%

The decrease during the first quarter of fiscal year 2015 in selling, promotion, general and administrative expenses is due primarily to the decreased value of the Canadian dollar compared to the comparable period of fiscal 2014, as well as management's continued attention to cost control.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Research and development expenditures	--	$506	(100)%

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.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Depreciation and amortization expense	**$22,106**	$27,787	(20)%

The reduction in depreciation and amortization resulted from the continuance of assets becoming fully depreciated, as well as the decrease in value of the Canadian dollar compared to the first quarter of fiscal 2014. Included in depreciation and amortization expense are allocations to cost of goods sold in the amount of $19,260 for the first quarter of fiscal year 2015 (2014 - $25,190).

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Interest expense	**$22,774**	$14,076	62%

The increase in interest expense in fiscal year 2015 is primarily due to the larger mortgage and related interest rate as compared to the bank term loan and operating loan that were in effect for most of the first quarter of fiscal year 2014.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Foreign exchange loss	**$33,982**	$51	(99)%

The increased foreign exchange loss for the first quarter of fiscal year 2015 compared to the first quarter of fiscal year 2014 was due to the increased value of the Canadian dollar as at April 30, 2014 versus the fiscal year end value of the United States dollar.

	Three Months Ended April 30, 2014	Three Months Ended April 30, 2013	Variance
Interest and other income	**$138**	$74	86%

Interest and other income increased compared to the prior year due to the increased investments held by the Company throughout most of the first quarter of fiscal 2015.

Liquidity and Capital Resources

As of April 30, 2014, the Company had cash of $559,164, compared to cash of $359,664 at January 31, 2014. In the first quarter of fiscal year 2015, the Company generated cash of $322,268 in its operating activities, compared to $144,567 for the first quarter of fiscal year 2014. The generation of cash for operations during the first quarter of fiscal year 2015 is primarily due to the increase in receivables collections and inventory reductions during the period. Depreciation continues to be a non-cash expense of the Company.

The Company's working capital increased to $937,267 and a working capital ratio of 1.54 to 1 as of April 30, 2014, compared to $910,235 and 1.53 to 1 as of January 31, 2014.

As of April 30, 2014, the Company had accounts receivable of $1,056,737 and inventory of $876,827 compared to $1,107,657 and $1,018,136 respectively at January 31, 2014 and $955,644 and $1,197,894 respectively at April 30, 2013. Accounts receivable decreased due to customer collections during the period, while inventory decreased due to lowered production caused by an insufficient water pressure supply which is provided by the municipality.

At April 30, 2014, the Company had accounts payable of $476,250 compared to $496,150 at January 31, 2014 and $580,700 at April 30, 2013. The decrease in accounts payable from January 31, 2014 was due to the timing of supplier payments.

During the first quarter of fiscal year 2015, capital expenditures totaled $93,708 as compared to $20,829 in the first quarter of fiscal year 2014. The increase was due primarily to plant roofing improvements and installation of water pressure equipment. Additional expenditures on capital equipment are planned for the remainder of fiscal 2015.

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.

The Company has planned major improvements to its production equipment at its plant located at Dextran Products Limited in Toronto, Canada, as mentioned above.

Capital lease obligations decreased from January 31, 2014 due to loan repayments during the period.

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

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

Related Party Transactions

In August 1997, the Company loaned the late Thomas C. Usher, its Vice-Chairman, Director of Research and Development, a member of its Board of Directors and the beneficial owner of greater than 5% of the outstanding common shares of the Company, $691,500 at an interest rate equal to the prime rate of Toronto Dominion Bank plus 1.50% (the “Loan”). Repayment of the Loan has occurred primarily through offsets by the Company against royalty payments due Thomas C. Usher pursuant to an intellectual property license agreements that expired January 31, 2014. The amount outstanding under the Loan as of April 30, 2014 was $220,879, as compared to $218,340 at January 31, 2014, including accrued interest. The Company has taken a cumulative provision of $449,976 at April 30, 2014 (January 31, 2014 - $447,437) 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, 2014, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2014. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of April 30, 2014, 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 $206,774 at April 30, 2014, based on the closing price of the Company’s common shares on the Pink Sheets quotation service on April 30, 2014. 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, 2014 is $7,764 (January 31, 2014 – $8,721).

The Company also has an outstanding loan payable to Ruth Usher, a former director and the widow of Thomas C. Usher. The amount due from the Company pursuant to this loan decreased to $470,202 at April 30, 2014 from $478,321 at January 31, 2014 due to monthly payments by the Company, less interest charges.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical Accounting Policies

The Company's interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, applied on a consistent basis. The critical accounting policies include the use of estimates of allowance for doubtful accounts, the useful lives of assets and the realizability of deferred tax assets.

Management is required to make estimates and assumptions in preparing the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods. The actual results could differ from these estimates. Significant estimates made by management include the calculation of reserves for uncollectible accounts, inventory allowances, useful lives of long-lived assets and the realizability of deferred tax assets.

Revenue Recognition

Revenue results from sales of bulk manufactured products and is recognized when title and risk of ownership of products pass to the customer. Title and risk of ownership pass to the customer pursuant to the applicable sales contract, either upon shipment of product or upon receipt by the customer. Since returns are rare and generally not accepted, management has not made provision for returns. In addition, product sold in bulk quantities is tested, prior to release for shipment, to ensure that it meets customer specifications, and in many cases, customers receive samples for their own testing. Approval is obtained from the customer prior to shipping.

Allowance for Doubtful Accounts

Accounts receivable is stated net of allowances for doubtful accounts. Allowances for doubtful accounts are determined by each reporting unit on a specific item basis. Management reviews the credit worthiness of individual customers and past payment history to determine the allowance for doubtful accounts. Since the majority of sales at Dextran Products are export, Dextran Products maintains credit insurance through a crown corporation which is supported by the Canadian government, for the majority of its customers' receivables. There has been no allowance for doubtful accounts during the past two fiscal years.

Long-Lived Assets

Long-lived assets are stated at cost, less accumulated depreciation or amortization computed using the straight-line method based on their estimated useful lives ranging from three to 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.

ITEM V LEGAL PROCEEDINGS

The Company is not party to any pending legal proceedings.

ITEM VI DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM VII OTHER INFORMATION

Not applicable.

ITEM VIII EXHIBITS

Not applicable

ITEM IX CERTIFICATIONS

I, George G. Usher, certify that:

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

June 10, 2014

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

ITEM IX CERTIFICATIONS (Continued)

I, John A. Luce, 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 10, 2014

/s/ John A. Luce
Chief Financial Officer
Polydex Pharmaceuticals Limited