POLYDEX PHARMACEUTICALS LIMITED

ANNUAL REPORT

JANUARY 31, 2015

UNAUDITED

INDEX

PART A GENERAL COMPANY INFORMATION

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

Incorporated under the laws of the Commonwealth of the Bahamas, June 14, 1979

PART B SHARE STRUCTURE

Preferred Stock – Class A

(i) Period end date	January 31, 2015
(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	January 31, 2015
(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	January 31, 2015
(ii) Authorized	10,000,000 shares
(iii) Issued and outstanding	3,305,478 shares
(iv) Freely tradable shares (public float)	2,394,837 shares
(v) Number of shareholders of record	244

Transfer Agent

Computershare
211 Quality Circle, Suite 210
College Station Texas
USA 77845

PART C BUSINESS INFORMATION

Introduction

Polydex Pharmaceuticals Limited (the "Company") is engaged in the development, manufacture and marketing of biotechnology-based products for the human pharmaceutical market, and also manufactures bulk pharmaceutical intermediates for the worldwide veterinary pharmaceutical industry. The Company focuses on the manufacture and sale of Dextran and derivative products, including Iron Dextran and Dextran Sulphate, and other specialty chemicals. Dextran, a generic name applied to certain synthetic compounds formed by bacterial growth on sucrose, is a polymer or giant molecule. The name Polydex combines the words "polymer" and "dextran".

The Company was incorporated under the laws of the Commonwealth of the Bahamas on June 14, 1979 as Polydex Chemicals Limited, and changed its name on March 28, 1984.

The company conducts its business operations through its two wholly-owned subsidiaries. Dextran Products Limited, incorporated in Canada in 1966 ("Dextran Products"), manufactures and sells Dextran and Dextran derivative products including Iron Dextran while Chemdex Inc ("Chemdex") which is incorporated in the state of Kansas, United States, sells Iron Dextran for the US market.

Products and Sales

Iron Dextran

Iron Dextran is a derivative of Dextran produced by complexing iron with Dextran. Iron Dextran is injected into most pigs at birth as a treatment for anemia. The Company sells Iron Dextran to independent distributors and wholesalers primarily in Europe, the Far East, South America and Canada. Chemdex, Inc. has United States FDA approval for the manufacture and sale of Iron Dextran for veterinary use. On March 4, 2004, Sparhawk Laboratories Inc. ("Sparhawk") and Chemdex entered into an exclusive Supply Agreement under which Sparhawk agreed to purchase 100% of its product needs for bulk Iron Dextran solution from Chemdex for a period of 10 years, and Chemdex agreed to sell such products in the United States exclusively to Sparhawk, subject to minimum purchase requirements. Concurrently with the Supply Agreement, the Company sold its finished product veterinary pharmaceutical business to Sparhawk. In July 2013 Chemdex, Inc., signed an agreement with Sparhawk to provide raw materials for a new product and renew the existing supply agreement noted above. 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.

Dextran Sulphate

Dextran Sulphate is a specialty chemical derivative of Dextran used in research applications by the pharmaceutical industry and other centers of chemical research. Dextran Sulphate manufactured by the Company is sold primarily to independent distributors and wholesalers in the United States and Europe for analytical applications. This usage requires no regulatory approval.

Patents, Trademarks and Licenses

Cellulose Sulphate

Ushercell is a high molecular weight Cellulose Sulphate envisioned for topical vaginal use primarily in the prevention and transmission of AIDS and other sexually transmitted diseases, as well as unplanned pregnancies.

During fiscal year ended January 31, 2001, a patent bearing U.S. patent number 6,063,773 was issued to the Company and co-inventors entitled "Cellulose Sulphate for use as Antimicrobial and Contraceptive Agent". Various clinical trials with respect to the safety and efficacy of this product have been completed.

During fiscal year ended January 31, 2006, a patent bearing European Patent No. 1,296,691 entitled "Cellulose Sulfate and Other Sulfated Polysaccharides to Prevent and Treat Papilloma Virus and Other Infections" was issued. This patent is effective in the following countries: France, Germany, United Kingdom, Austria, Belgium, Switzerland, Denmark, Spain, Finland, Greece, Ireland, Italy, Netherlands, Portugal, Sweden, Turkey and Hong Kong. This patent is directed to treating, inhibiting and preventing papilloma virus infections using sulfated polysaccharides.

Low Molecular Weight Dextran

Cystic fibrosis is a genetic disease, which causes a cascade of effects, the most severe being a buildup of mucus in the lungs. This mucus is difficult to remove and also permits the colonization of bacteria, which then cause secondary infections and often death. Research relating to cystic fibrosis has shown that a special form of Dextran, named by the Company as Usherdex 4, is effective in preventing the colonization of bacteria in the mouth and in stimulating the macrophages in the lungs to remove the bacteria present and lessen secondary infections.

The Company is a party to a Research Agreement with the University of British Columbia, and a number of Canadian hospitals. Under the terms of this Research Agreement, the Company agreed to provide equipment and funding for continuing research on a low molecular weight dextran, initially studied for a cystic fibrosis treatment, in exchange for an exclusive worldwide license to manufacture, distribute and sell any products developed from the research. Two patents with respect to research products were issued by the United States Patent and Trademark Office in 1996. U.S. patent number 5,441,938 is held jointly by the University of British Columbia and the Company, and U.S. patent number 5,514,665 is held by the University of British Columbia and licensed to the Company. Rights to the low molecular weight dextran were licensed to BCY LifeSciences, Inc. of Canada in 1999. Under this license agreement, BCY LifeSciences will pay a royalty to both the Company and the University of British Columbia based on sales and sublicensing revenue in return for the exclusive right to sublicense, manufacture, distribute and sell developed products. In February 2005, BCY Lifesciences sublicensed the low molecular weight dextran to ALIGN Pharmaceuticals, a private United States based company.

Iron Dextran

Effective February 1, 1995, the Company entered into an agreement with Novadex Corp., an affiliated company, under which Novadex granted the Company the exclusive worldwide license to use a certain process developed by Novadex for producing Iron Dextran. This process allowed the Company to produce Iron Dextran at a lower cost than would otherwise be possible given the Company's plant and equipment. The license agreement expired when the related patent expired in January 31, 2014. The Company paid a license fee based on production volumes until the patent expired. During July 1999, Novadex was liquidated, and all of its assets and liabilities, including the above-referenced license agreement, were assumed by its sole shareholder, the former Vice Chairman of the Company, Thomas C. Usher, who passed away on February 26, 2005. Since the licence agreement and the related patent are now expired, the technology relating to the process described above now belongs to the Company, with no further obligation to make royalty payments.

Suppliers

Dextran Products

In the manufacture of Dextran and Dextran derivative products, the Company uses one main supplier for its sugar raw material requirements. The Company also uses two suppliers for its iron requirements with respect to the manufacture of Iron Dextran. Both sugar and iron are readily available from numerous suppliers at competitive prices in the market.

The Company is dependent upon a single source for a certain raw material used in the production of Dextran Sulphate. Such supply was adequate in fiscal year 2015, and no shortages are anticipated in the near term. However, any curtailment in availability of such raw material could be accompanied by production or other delays as well as increased raw material costs, with consequent adverse effect on the Company's results of operations. The Company has initiated an outsourcing program for the product involved and so any adverse effect will be mitigated once the program is fully operational which is expected in the latter part of fiscal year 2016. The Company has no other long-term contracts with its suppliers.

Order Book and Seasonality

The Company's order book as at January 31, 2015 was higher than levels seen in previous years due to the economy continuing to show recovery as well as companies' increasing demand. The bulk liquid product sold by Dextran Products is primarily targeted to the swine industry where modern animal husbandry techniques maintain most animals indoors. Certain producers in less developed countries may raise animals outdoors thereby reducing the amount of product required but such markets are small and decreasing in size as they modernize. Therefore the Company does not believe that such seasonality is material to its financial results as a whole. The Company's sale of Dextran Sulphate is not subject to seasonality.

Competition

The Company is the only Canadian manufacturer of Iron Dextran. The only other major supplier of Iron Dextran is located in Denmark, although there exist several smaller European and Chinese sources of Iron Dextran. Dextran Sulphate is manufactured by one manufacturer in Europe. With regard to Iron Dextran and Dextran Sulphate, the Company competes on the basis of quality, service and price.

Environmental Compliance

The Company believes that it is in substantial compliance with all existing applicable foreign, federal, state, provincial and local environmental laws and does not anticipate that such compliance will have a material effect on its future capital expenditures, earnings or competitive position.

Employees

As of March 31, 2015, the Company employed 21 employees, of whom 12 were engaged in production, 6 in quality control, 3 in administration, marketing and sales activities. None of the Company's employees are covered by collective bargaining agreements. Management considers its relations with employees to be in good standing.

Research and Development

During the fiscal years ended January 31, 2015, 2014 and 2013, the Company expended $2,644, $2,932, and $1,252 respectively. Research and development expenditures resulted primarily from legal fees related to patent acquisition and maintenance. During the fiscal years ended January 31, 2015, 2014 and 2013, the Company did not recognize any investment tax credit benefits.

PART D MANAGEMENT STRUCTURE AMD FINANCIAL INFORMATION

BOARD OF DIRECTORS

Name and Occupation	Age	Year First Elected Director
DEREK JOHN MICHAEL LEDERER, Chartered Accountant. Mr. Lederer is a partner with the public accounting firm Truster Zweig LLP. Previously he had his own public accounting firm since 1970, and is a former adjunct professor at York University in Toronto, Ontario.	**72**	**1998**
JOSEPH BUCHMAN. Now retired, Mr. Buchman was a Financial Services Representative with Metlife Financial Services, where he served in various capacities beginning in 1979. He has acted as the former vice-president of an investment firm in charge of operations and finance, and is well acquainted with the investment community and its requirements	**75**	**1983**
MARTIN LIPPER has an extensive background in business and finance, including roles as the director of research for securities firms involved in mergers and acquisitions. He is currently serving as a director of another public company.	**80**	**2010**
GEORGE G. USHER. Mr. Usher has served as Chairman of the Board since January 27, 1998, President and Chief Executive Officer of the Company since 1993 and 1996, respectively, and Vice President of Dextran Products Limited, a subsidiary of the Company, since 1987. Previously, Mr. Usher was employed by the Company in various positions since 1982.	**56**	**1988**

EXECUTIVE OFFICERS

Name	Age	Title
George G. Usher	56	Chairman of the Board, President and Chief Executive Officer
John A. Luce	68	Chief Financial Officer
Sharon L. Wardlaw	62	Chief Operating Officer, Secretary and Treasurer

SELECTED FINANCIAL DATA

The following selected historical consolidated financial and other data are qualified by reference to, and should be read in conjunction with, the consolidated financial statements and notes thereto included elsewhere in this report. The Company's consolidated financial statements are prepared in accordance with United States generally accepted accounting principles. All amounts are in United States dollars.

	Fiscal year ended January 31,				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	2015	2014	2013	2012	2011
Sales from continuing operations	**5,376,027**	5,963,784	5,192,969	6,165,754	4,483,105
Net income (loss) from continuing operations	**578,212**	658,922	(422,849)	231,668	(697,658)
Net income (loss) per common share	**0.17**	0.21	(0.13)	0.07	(0.23)
Total assets	**5,678,284**	5,762,896	5,555,977	5,531,211	5,601,591
Long term borrowings	**943,764**	928,565	731,217	811,802	872,899

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of September 12, 2008, the Company's common shares were delisted from the NASDAQ Capital Market. Subsequent to that date, the shares have been listed and traded on the OTC Bulletin Board and the Pink OTC Markets Inc through April 2015. The Company's common shares trade under the symbol "POLXF."

The reported high and low closing prices of the Company's common shares as reported on the OTC BB and Pink OTC Markets Inc. for each full quarterly period within the two most recent fiscal years of the Company were as follows:

Fiscal Year 2015

fiscal quarter ended:	**High**	**Low**
April 30, 2014	$ 1.15	0.68
July 31, 2014	1.10	1.00
October 31, 2014	0.75	0.72
January 31, 2015	0.72	0.71

Fiscal Year 2014

fiscal quarter ended:	**High**	**Low**
April 30, 2013	$ 0.34	0.17
July 31, 2013	1.00	0.25
October 31, 2013	1.24	0.81
January 31, 2014	1.14	0.82

The quotations set out above represent the prices for the specific dates between dealers and do not include retail mark-up, markdown or commission. They do not represent actual transactions.

As of January 31, 2015 there were approximately 244 holders of record of the Company's common shares.

The Company has paid no dividends in the past and does not consider likely the payment of any dividends in the foreseeable future.

At January 31, 2015, the Company issued 80,000 common shares related to options exercised by certain Directors of the Company. The Company did not make any repurchases of its common shares and does not currently have a plan to repurchase any of its common shares.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

SLF

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Shareholders of
Polydex Pharmaceuticals Limited (the "Company")

We have reviewed the accompanying consolidated balance sheet of Polydex Pharmaceuticals Limited as of January 31, 2015, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
April 24, 2015

Chartered Accountants
Licensed Public Accountants

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Toronto, Ontario M4P 1E4
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POLYDEX PHARMACEUTICALS LIMITED

Consolidated Balance Sheets

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

		January 31 2015		January 31 2014
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash	$	491,116	$	359,664
Investments available for sale (note 6)		87,277		50,883
Trade accounts receivable		980,431		1,107,657
Due from shareholders (note 8(iii))		10,218		20,000
Inventories (note 3)		978,039		1,018,135
Prepaid expenses and other current assets		74,270		83,157
Total current assets		2,621,351		2,639,496
Property, plant and equipment, net (note 4)		3,036,030		3,102,497
Due from estate of former shareholder (note 8(i))		20,903		20,903
	$	5,678,284	$	5,762,896

See accompanying notes.

On behalf of the Board:

Derek Lederer, Director Joseph Buchman, Director

POLYDEX PHARMACEUTICALS LIMITED

Consolidated Balance Sheets

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

	January 31 2015 (Unaudited)	January 31 2014 (Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 531,095	$ 496,150
Accrued liabilities (note 10)	365,793	414,134
Income taxes payable (note 14)	4,275	883
Other loans and advances (note 7)	595,982	615,305
Customer deposits	67,664	161,811
Current portion of capital lease obligations (note 9b)	33,323	8,641
Current portion of due to shareholder (note 8(ii))	36,000	36,000
Total current liabilities	1,634,132	1,732,924
Long-term debt (note 9a)	390,658	433,515
Capital lease obligations (note 9b)	73,175	16,296
Due to shareholder (note 8(ii))	410,608	442,321
Total liabilities	2,508,573	2,625,056
Related party transactions (note 8)		
Commitments and contingencies (note 20)		
Subsequent events (note 21)		
Shareholders' equity:		
Share capital (note 11)		
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
3,305,478 common shares (January 31, 2014 - 3,225,478)	55,070	53,734
Contributed surplus	23,708,452	23,643,466
Deficit	(21,167,154)	(21,745,366)
Accumulated other comprehensive income (note 19)	558,333	1,170,996
	3,169,711	3,137,840
	$ 5,678,284	$ 5,762,896

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED

Consolidated Statements of Shareholders' Equity

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

	Preferred Shares $	Common Shares $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive Income (Loss) $	Total Shareholders' Equity $
Balance, January 31, 2012 (Unaudited)	15,010	52,855	23,580,673	(21,981,439)	1,608,424	3,275,523
Common share options issued			11,872			11,872
Comprehensive income (loss):						
Net loss for the year				(422,849)		(422,849)
Unrealized loss on investments available for sale					(536)	(536)
Currency translation adjustment					40,891	40,891
Balance, January 31, 2013 (Unaudited)	15,010	52,855	23,592,545	(22,404,288)	1,648,779	2,904,901
Common share options issued (note 11b)			31,800			31,800
Common share options exercised (note 11a(iii))		879	19,121			20,000
Comprehensive income (loss):						
Net income for the year				658,922		658,922
Unrealized loss on investments available for sale					(88)	(88)
Currency translation adjustment					(477,695)	(477,695)
Balance, January 31, 2014 (Unaudited)	15,010	53,734	23,643,466	(21,745,366)	1,170,996	3,137,840
Common share options issued (note 11b)			46,322			46,322
Common share options exercised (note 11a(iii))		1,336	18,664			20,000
Comprehensive income (loss):						
Net income for the year				578,212		578,212
Realized gain on investments available for sale					(19,847)	(19,847)
Unrealized gain on investments available for sale					2,195	2,195
Currency translation adjustment					(595,011)	(595,011)
Balance, January 31, 2015 (Unaudited)	15,010	55,070	23,708,452	(21,167,154)	558,333	3,169,711

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

Year ended January 31	2015	2014	2013
	$	$	$
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	5,376,027	5,963,784	5,192,969
Cost of goods sold	4,137,966	4,515,901	4,789,649
Gross profit	1,238,061	1,447,883	403,320
Expenses			
General and administrative (note 11b)	640,503	711,384	680,178
Selling and promotion	68,746	61,492	49,867
Interest expense, net (note 7, 8, 9a & 9b)	79,173	67,017	53,228
Amortization of loan acquisition costs	12,228	9,847	-
Depreciation	10,812	9,567	15,281
Research and development (note 13)	2,644	2,932	1,252
Foreign exchange loss (gain)	(138,795)	(73,543)	28,095
Interest and other income	(20,562)	(835)	(1,030)
Total expenses	654,749	787,861	826,871
Income (loss) before income taxes	583,312	660,022	(423,551)
Income taxes (recovery) (note 14)	5,100	1,100	(702)
Net Income (loss)	578,212	658,922	(422,849)
Realized gain on investments taken to income statement	(19,847)	-	-
Unrealized gain (loss) on investments available for sale	2,195	(88)	(536)
Currency translation adjustment	(595,011)	(477,695)	40,891
Comprehensive income (loss) for the year	(34,451)	181,139	(382,494)
Per share information:			
Income (loss) per common share:			
Basic	0.17	0.21	(0.13)
Diluted	0.16	0.20	(0.13)
Weighted average number of common shares used in computing net income (loss) per share for the period:			
Basic	3,265,478	3,186,004	3,172,846
Diluted	3,481,795	3,372,369	3,172,846

See accompanying notes.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

Year ended January 31	2015	2014	2013
	$	$	$
	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):			
Operating activities:			
Net income (loss)	578,212	658,922	(422,849)
Add (deduct) items not affecting cash:			
Depreciation	121,555	100,749	169,861
Deferred loan acquisition costs	12,228	9,847	
Licence fee charged to due from shareholder (note 13)	-	35,608	43,896
Options issued in exchange for services (note 11b)	46,322	31,800	11,872
Net change in non-cash working capital balances related to operations (note 15)	(11,974)	(110,994)	144,849
Cash provided by (used in) in operating activities	746,343	725,932	(52,371)
Investing activities:			
Additions to property, plant and equipment	(367,707)	(294,404)	(115,437)
Increase in investments available for sale	(46,183)	(817)	(8,046)
Cash used in investing activities	(413,890)	(295,221)	(123,483)
Financing activities:			
Repayment of bank loan	-	(186,628)	(57,668)
Repayment of capital lease obligations	(17,677)	(9,681)	(11,284)
Decrease in due to shareholder, net	(31,710)	(30,014)	(11,632)
Increase (decrease) in long-term bank indebtedness	-	(218,922)	210,179
Proceeds from long-term debt	-	452,621	-
Exercise of common share options	10,000	-	-
Cash provided by (used in) financing activities	(39,387)	7,376	129,595
Effect of exchange rate changes	(161,614)	(82,664)	18,161
Net increase (decrease) in cash	131,452	355,423	(28,098)
Cash, beginning of year	359,664	4,241	32,339
Cash, end of year	491,116	359,664	4,241

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Polydex Pharmaceuticals Limited, the ("Company"), is incorporated in the Commonwealth of the Bahamas and carries on business in Canada and the United States. Its principal business activities, carried on through subsidiaries, include the manufacture and sale of veterinary pharmaceutical products and specialty chemicals. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are 100% owned. The subsidiaries are: Dextran Products Limited; Chemdex, Inc.; Polydex Chemicals (Canada) Limited; and Novadex International Limited. All inter-company accounts and transactions have been eliminated on consolidation.

Cash

This consists of cash held at a financial institution.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 unrecoverable amounts, depreciation and amortization rates, useful life of fixed assets, valuation allowance, deferred taxes, inventory obsolescence 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 medium-term fixed income investments are stated at fair value based on quoted market prices. Interest income is included in other income in the consolidated statements of operations as it is earned. Changes in fair 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

All revenue is 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 of product 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 and unrealized gains or losses on fair value adjustments to available for sale investments.

Shipping and handling costs

Shipping and handling costs incurred by the Company for shipment of products to customers are classified as 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 these companies have been translated into United States dollars using the current exchange rates at the 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 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 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 fiscal years 2015 and 2014 the Company has not entered into any derivative financial instruments.

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 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.

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 (loss) per common share

Basic income (loss) per common share is computed using the weighted average number of shares outstanding of 3,265,478 for the year ended January 31, 2015, 3,186,004 for the year ended January 31, 2014, and 3,172,846 for the year ended January 31, 2013. Diluted income (loss) per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock. In 2015 incremental shares of 216,317 were included in the calculation of diluted income per common share. In 2014 incremental shares of 186,365 were included in the calculation of income per common share. No incremental shares were used in 2013. Options to purchase of 379,948 common shares in 2013 were not included in the computation of diluted loss per common share because their effect was anti-dilutive.

(Expressed in US Dollars)

3. INVENTORIES

Inventories consist of the following:

	2015	2014
	$	$
Finished goods	**643,963**	729,705
Work-in-process	**79,778**	49,023
Raw materials	**254,298**	239,407
	978,039	1,018,135

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2015			2014		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
	$	**$**	**$**	$	$	$
Land and buildings	**4,321,811**	**1,233,734**	**3,088,077**	4,889,449	1,384,611	3,504,838
Machinery and equipment	**8,594,503**	**7,387,798**	**1,206,705**	9,366,291	8,332,108	1,034,183
	12,916,314	**8,621,532**	**4,294,782**	14,255,740	9,716,719	4,539,021
Less: Impairment Adjustment	**(1,258,752)**		**(1,258,752)**	(1,436,524)		(1,436,524)
	11,657,562	**8,621,532**	**3,036,030**	12,819,216	9,716,719	3,102,497

Included in machinery and equipment are assets under capital lease with a total cost of $212,163 (2014 - $39,305) and accumulated depreciation of $26,610 (2014 - $16,394). Depreciation of $110,743 was charged to cost of sales in fiscal 2015 (2014 - $85,871). Assets not available for use amounted to $2,751,529 (2014 - $3,140,123).

(Expressed in US Dollars)

5. PATENTS AND INTANGIBLE ASSETS

Patents and intangible assets consist of the following:

	2015	2014
	$	$
Cost	**80,341**	80,341
Less accumulated amortization	**80,341**	80,341
	--	--

These patents and intangible assets are fully amortized.

6. INVESTMENTS AVAILABLE FOR SALE

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

	2015	2014
	$	$
TD short term bond fund consisting of Canadian government and Corporate bonds maturing in the next 1-5 years, yielding 2.8%	**39,899**	50,883
5 year global fixed income fund class A, with an average maturity of 3.95 years and a yield to maturity of 2.07%	**47,378**	--
	87,277	50,883

Investments available for sale are stated at fair value, based on quoted market prices. The Company expects that the investments available for sale may be used for working capital for fiscal 2016 and onwards. Accordingly the investments available for sale were classified as part of current assets as at January 31, 2015.

(Expressed in US Dollars)

7. OTHER LOANS AND ADVANCES

Other loans payable consist of the following:

	2015 **$**	2014 $
Supply agreement advance	**250,000**	250,000
Term promissory note	**141,476**	153,597
Demand promissory note	**63,181**	66,163
Other loan	**141,325**	145,545
	595,982	615,305

The term promissory note includes accrued interest and has no set terms of repayment. 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 second charge collateral mortgage and general security agreement against the Company's plant and equipment (See note 4). Both notes are from the same customer, and no repayments have been made. Interest expense for the year was $13,703 (2014 - $11,403).

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 of America.

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS

Amounts due from (to) shareholder consist of the following:

	2015	2014
	$	$
Amounts due from estate of former shareholder *[i]*	**20,903**	20,903
Amounts due to shareholder *[ii]*	**(446,608)**	(478,321)
Amounts due from shareholders *[iii]*	**10,218**	20,000

[i] Amounts due from estate of former shareholder (the "Estate") bear interest at the United States banks prime lending rate plus 1.5% (2015 – 4.75%; 2014 – 4.75%), except for an amount of $250,000 (2014 – $250,000) which is non-interest bearing. In 2015, 2014 and 2013, a reserve equal to the interest income was entered to offset this interest. These amounts have no fixed terms of repayment. The Estate has pledged 243,263 shares of the Company and had pledged license fee payments from the Iron Dextran process license agreement *[note 13]* as collateral for this loan. During 2015, $NIL (2014 – $35,608) of license fee payments were utilized to reduce loan balances. The licence agreement expired as at January 31, 2014 and the Company had determined that no further reserve amount was required. The Company will continue to hold the pledged assets as collateral until the loan is repaid. The Company also had a commitment to pay a death benefit of $110,000 to the Estate. At January 31, 2015, a balance of $7,764 is still to be paid to the Estate. See also "Iron Dextran Process" under Note 13.

[ii] Amounts due to shareholder are unsecured and bear interest at the United States bank prime lending rate plus 1.5% (2014 – 4.75%; 2013 – 4.75%). Based on the current rate of interest, the principal repayment on this loan for fiscal 2015 will be approximately $36,000 (2014 - $36,000). This loan may not be called and has no fixed maturity date.

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS (cont'd)

Principal repayments on the amounts due to shareholder are as follows:

	$
2016	36,000
2017	36,000
2018	36,000
2019	36,000
2020	36,000
Thereafter	266,608
	446,608
Less: Current portion	**36,000**
	410,608

Interest expense recorded with respect to amounts due to shareholder is as follows:

	2015	2014	2013
	$	$	$
Interest expense	**21,896**	23,478	24,368

[iii] At January 31, 2015 two shareholder/directors exercised their options and purchased 80,000 common shares of the Company (note 11). Balance due from shareholders includes an amount receivable of $10,000 related to these options. The amount was received subsequent to year end.

At January 31, 2014 two shareholder/directors exercised their options and purchased 52,632 common shares of the Company (note 11). Subsequent to year end $20,000 was received.

(Expressed in US Dollars)

9. LONG TERM DEBT OBLIGATIONS

[a] Mortgage debt consists of the following:

	January 31 2015	January 31 2014
Mortgage loan of Cdn $500,000 payable in monthly payments of Cdn $ 3,333 (U.S. $2,622) interest only with interest rate of 8%, maturing in April 2017	**$ 393,360**	$ 448,914
Less deferred acquisition costs	**(2,702)**	(15,399)
	$ 390,658	$ 433,515

The mortgage loan relates to the Company's subsidiary Dextran Products Limited located in Toronto, Canada and is secured by a first mortgage on the Company's property supported by a general security agreement as well as a pledge against its accounts receivables. Subsequent to January 31, 2015, Dextran Products Limited renewed this loan for a 2 year term maturing in April 2017. There are no financial covenants associated with this loan.

Interest expense for the year for long-term debt was $35,660 (2014 - $28,729).

[b] Capital lease obligations consist of the following:

	2015 $	2014 $
Obligation under a capital lease, repayable in monthly installments of Cdn. $4,085 bearing interest at 12.67% and maturing in fiscal 2019.	**98,010**	--
Obligation under a capital lease, repayable in quarterly installments of Cdn. $1,951 bearing interest at 9.42% and maturing in fiscal 2017.	**8,488**	15,440
Obligation under a capital lease, repayable in monthly installments of Cdn. $336 bearing interest at 8.98%	--	9,497
	106,498	24,937
Less current portion	**33,323**	8,641
	73,175	16,296

(Expressed in US Dollars)

9. LONG TERM DEBT OBLIGATIONS (cont'd)

Future minimum annual lease payments on the capital lease obligations including interest are as follows for the applicable fiscal years:

	$
2016	**44,705**
2017	**41,629**
2018	**38,565**
2019	**3,214**
Total minimum lease payments	**128,113**
Less amount representing imputed interest	**21,615**
	106,498

Interest expense for the year for capital lease obligations was $7,492 (2014 - $1,963)

10. ACCRUED LIABILITIES

	2015 $	2014 $
Payroll and related taxes payable	**233,922**	289,213
Utilities and taxes	**48,911**	24,178
Professional fees payable	**25,585**	32,322
Death benefit payable	**7,764**	8,721
Others	**49,611**	59,700
	365,793	414,134

11. SHARE CAPITAL

[a] Share capital issued and outstanding

[i] Class A preferred shares

The Class A preferred shares will carry dividends, will be convertible into common shares of the Company and will be redeemable, at rates as shall be determined by resolution of the Board of Directors. No Class A preferred shares have been issued to date.

11. SHARE CAPITAL (cont'd)

[ii] Class B preferred shares

The Class B preferred shares carry no dividends, are non-convertible and entitle the holder to two votes per share. 899,400 of the Class B preferred shares have been issued and are outstanding.

[iii]Common shares

During the year ended January 31, 2015, 80,000 common share options were exercised and 80,000 common shares were issued for $20,000.

During the year ended January 31, 2014, 52,632 common share options were exercised and 52,632 common shares were issued for $20,000.

During the year ended January 31, 2013, no common share options were exercised, and no common shares were issued.

[b] Share option plan

The Company maintains an incentive share option plan for management personnel for 904,168 options to purchase common shares. The Company also issues options to certain consultants for services provided to the Company.

All options granted have a term of five years and vest immediately. At January 31, 2015, the Company had 319,000 options outstanding at exercise prices ranging from $0.12 to $0.82 and a weighted average exercise price of $0.49. The options, which are exercisable one year after being granted and expire on dates between January 31, 2016 and January 31, 2020, entitle the holder of an option to acquire one common share of the Company.

On January 31, 2015, 85,000 common share options were issued to the independent directors and officers of the Company. These options were valued at $46,322 and were included in general and administrative expense. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.5%; dividend yield of nil; volatility factor of 1.46, and an expected life of five years.

On January 31, 2014, 53,000 common share options were issued to the independent directors and officers of the Company. These options were valued at $31,800 and were included in general and administrative expense. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.00%; dividend yield of nil; volatility factor of 1.61, and an expected life of five years.

(Expressed in US Dollars)

11. SHARE CAPITAL (cont'd)

[b] Share option plan (cont'd)

Details of the outstanding options, which are all currently exercisable, are as follows:

	Share options			**Weighted average exercise price per share**		
	2015	2014	2013	**2015**	2014	2013
	#	#	#	$	$	$
Options outstanding, beginning of year	**354,000**	379,948	364,922	**0.35**	0.29	0.34
Granted	**85,000**	53,000	53,000	**0.72**	0.82	0.31
Exercised	**(80,000)**	(52,632)	—	**0.25**	0.38	
Expired	**(40,000)**	(26,316)	(37,974)	**0.25**	0.38	0.79
Options outstanding, end of year	**319,000**	354,000	379,948	**0.49**	0.35	0.29
Weighted average fair value of options granted during the year				**$0.72**	$0.82	$0.28

The following table summarizes information relating to the options outstanding at January 31, 2015:

Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (months)**
0.72	85,000	60
0.82	53,000	48
0.31	53,000	36
0.47	53,000	24
0.12	75,000	12
	319,000	37

(Expressed in US Dollars)

12. VETERINARY LABORATORIES, INC.

Sparhawk Laboratories, Inc.

In 2004 the Company sold to Sparhawk Laboratories, Inc. the assets of its subsidiary, Veterinary Laboratories, Inc. including its interest in a joint venture with Sparhawk. As part of this sale, Chemdex, Inc. entered into a supply agreement with Sparhawk to supply ferric hydroxide and hydrogenated dextran solution to Sparhawk on an exclusive basis in the United States for 10 years. This agreement expired during the fiscal year 2014. In July 2013 the Company renewed this agreement and also received an advance to participate in the development of a new product exclusive to Sparhawk (see note 7 above). The Company is not exposed to any potential losses due to this agreement.

13. LICENSE AGREEMENTS AND RESEARCH AND DEVELOPMENT

The Company has not made claims for investment tax credits on research and development activities. Research and development expenditures are as follows:

	2015	2014	2013
	$	$	$
Research and development expenditures	**2,644**	2,932	1,252
Less: Investment tax credits	—	—	—
Research and development expense	**2,644**	2,932	1,252

Iron Dextran process

The Company had an agreement with the Estate which granted the Company the exclusive worldwide license to use a certain process for producing Iron Dextran. This license agreement expired January 31, 2014. The Company paid a license fee based on production volumes. No license fees were incurred during the year ended January 31, 2015 [2014 – $35,608; 2013 – $43,896]. Those payments were applied to the balance owing by the Estate *[note 8[i]]* and no further fees are required in the future.

(Expressed in US Dollars)

14. INCOME TAXES

[a] Substantially all of the Company's activities are carried out through operating subsidiaries in Canada and the United States. The Company's effective income tax rate is dependent on the tax legislation in each country and the operating results of each subsidiary and the parent company.

The components of income (loss) before income taxes are as follows:

	2015 $	2014 $	2013 $
Bahamas	(2,185)	(2,439)	-
Canada	564,487	661,580	(417,889)
United States	21,010	881	(5,662)
	583,312	660,022	(423,551)

During fiscal 2006, the tax residency of the parent company, Polydex Pharmaceuticals Limited, was determined to be Canada, for the years 1999 to the present. Due to the losses incurred in the Company during that period, no income taxes payable were incurred. The provision for (recovery of) income taxes consists of the following:

	2015 $	2014 $	2013 $
Provision for (recovery of) income taxes based on Canadian statutory income tax rates (2015 – 25%, 2014 – 25%, 2013 – 25%)	141,122	165,395	(104,472)
Increase (decrease) in valuation allowance	(240,581)	(225,360)	98,660
Tax and exchange rate changes on deferred tax items	86,569	59,636	878
Expired tax losses and other	(1,574)	(11,422)	(1,624)
Items not deductible for tax	14,464	11,751	6,558
	—	—	—
Provision for (recovery of) income taxes based on United States income tax rates (2015 – 22%, 2014 – 22%, 2013 – 22%)	3,992	194	(1,245)
Utilization of previously unrecognized tax losses	1,108	906	(2,318)
Items not deductible for tax and other	-	-	2,861
	5,100	1,100	(702)
Provision for (recovery of) income taxes	5,100	1,100	(702)

(Expressed in US Dollars)

14. INCOME TAXES (cont'd)

Significant components of the provision for (recovery of) income taxes attributable to continuing operations are as follows:

	2015 $	2014 $	2013 $
US current tax expense (recovery)	5,100	1,100	(702)
Canadian current tax expense (recovery)	—	—	—
Income taxes (recovery)	5,100	1,100	(702)

[b] Deferred tax assets and liabilities have been provided on temporary differences that consist of the following:

	2015 $	2014 $	2013 $
Deferred tax assets			
Canadian			
Non-capital losses	890,553	1,114,126	1,335,345
Unclaimed research and development expenses	236,624	270,042	301,587
Excess of tax value over carrying value of depreciable assets	232,789	316,509	421,364
Net capital losses *[note 14[c]]*	120,257	137,241	153,272
Other items	24,109	34,004	40,155
United States			
Net operating loss carryforwards	668	2,139	2,572
	1,505,000	1,874,061	2,254,295
Less valuation allowance	1,505,000	1,874,061	2,254,295
	—	—	—

(Expressed in US Dollars)

14. INCOME TAXES (cont'd)

[c] The Canadian subsidiaries have non-capital loss carryforwards available to reduce future years' income for tax purposes totaling approximately $3,562,000. These non-capital losses expire are stated below.

Year of expiry	$
2015	474,000
2026	374,000
2027	404,000
2028	283,000
2029	288,000
2030	847,000
2031	164,000
2032	59,000
2033	482,000
2034	131,000
2035	56,000
Total	3,562,000

The Canadian subsidiaries also have deductions relating to scientific research and experimental development credits amounting to approximately $946,000. Certain Canadian subsidiaries also have net capital losses available for carryforward of approximately $481,000 available to offset future taxable capital gains. These potential deductions and net capital losses have an indefinite carryforward period.

[d] The Company has not recorded a deferred tax liability related to its investment in foreign subsidiaries. The Company has determined that its investment in these subsidiaries is permanent in nature and it does not intend to dispose of or realize dividends from these investments in the foreseeable future. However, if either of these events were to occur, the Company will be liable for withholding taxes. The amount of the deferred tax liability related to the Company's investment in foreign subsidiaries is not readily determinable.

(Expressed in US Dollars)

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2015 $	2014 $	2013 $
Decrease (increase) in assets			
Trade accounts receivable	**(10,580)**	(266,021)	64,285
Inventories	**(97,342)**	(29,967)	(166,447)
Due from shareholders/directors	**9,782**	(20,000)	--
Prepaid expenses and other current assets	**(491)**	13,472	(6,024)
	(98,631)	(302,516)	(108,186)
Increase (decrease) in liabilities			
Accounts payable	**109,175**	(147,227)	246,912
Accrued liabilities	**(4,561)**	(51,111)	2,665
Other loan payable	**62,646**	298,607	11,350
Customer deposits	**(83,995)**	87,590	(512)
Income taxes	**3,392**	3,663	(7,380)
	(11,974)	(110,994)	144,849

Cash paid during the year for interest was $79,173 (2014 – $67,017; 2013 – $41,878). Cash paid during the year for income taxes was $1,710 (2014 – NIL; 2013 – NIL).

(Expressed in US Dollars)

16. SEGMENTED INFORMATION

All manufacturing, sales and administrative operations are carried out through Dextran Products Limited ("Dextran") in Canada, while Chemdex in the United States only sells bulk quantities of a specific dextran derivative to Sparhawk under the Supply Agreement, as described in *note 12*.

Below is a breakdown of Company's sales revenue among significant customers and by geographic region:

	2015 **$**	2014 $	2013 $
Total revenue by significant customer:			
Customer A	**1,011,139**	1,322,825	1,080,980
Customer B	**758,058**	594,703	496,637
Customer C	**604,440**	576,200	670,014
Customer D	**349,085**	528,502	510,807
Customer E	**19,910**	277,610	3,080
	2,742,632	3,299,840	2,761,518

	2015 **$**	2014 $	2013 $
Sales by geographic destination:			
Europe	**1,935,917**	2,544,935	1,983,754
United States	**1,679,817**	1,722,078	1,324,912
Canada	**622,349**	642,831	812,555
Other	**607,325**	726,125	833,618
Pacific Rim	**530,619**	327,814	238,130
	5,376,027	5,963,784	5,192,969

All the Company's long lived assets are located in Canada and USA.

(Expressed in US Dollars)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies.

The carrying values of cash, trade accounts receivable, interest receivable and accounts payable approximate their fair values as at January 31, 2015 and 2014 because of the short period to maturity of these financial instruments.

The estimated fair values of the bank indebtedness, due to shareholder, long-term debt and capital lease obligations are not materially different from the carrying values for financial statement purposes as at January 31, 2015 and 2014. The estimated fair value of the amount due from shareholder is not determinable because the amount has no fixed terms of repayment.

Cash and investments available for sale have been classified as level 1 on the fair value hierarchy, since their fair values are based on quoted market prices.

18. OTHER DISCLOSURES

[a] Concentration of accounts receivable

As at January 31, 2015, five (2014 – three) customers of the Company comprised 73% (2014 - 62%) of the trade accounts receivable balance. No other customers had trade accounts receivable outstanding at year end that represented more than 10% of the Company's trade accounts receivable balance.

[b] Foreign currency risk

The Company is exposed to foreign currency risk through its net investment in its Canadian operations. The Company has not entered into hedging arrangements related to the foreign currency risk exposure.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of other accumulated comprehensive income are as follows:	**2015** $	2014 $
Unrealized gains on investments available for sale	**3,107**	20,759
Currency translation	**555,226**	1,150,237
Accumulated other comprehensive income	**558,333**	1,170,996

20. 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 Unites States (see notes 7 and 12).

The Company's subsidiary, Dextran Products Limited has committed to purchase approximately $540,000 of partially finished product from a contract manufacturer.

21. SUBSEQUENT EVENTS

The Company's subsidiary, Dextran Products Limited renewed its private mortgage loan for a 2 year term maturing in April 2017, with substantially similar terms (see note 9).

22. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606). The update is intended to clarify the principles of recognizing revenue, and to develop a common revenue standard for U.S. GAAP and IFRS that would remove inconsistencies in revenue requirements, leading to improved comparability of revenue recognition practices across entities and industries. ASC Topic 606 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual and interim financial statements for fiscal years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of evaluating the impact of this update.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides guidance about management's responsibility in evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is in the process of evaluating the impact of this update.

SECURITY OWNERSHIP OF 5% OR GREATER HOLDERS

Preferred Shares	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Class B Preferred Shares	George G. Usher Chairman of the Board, Director, President and CEO Polydex Pharmaceuticals Limited 421 Comstock Road Toronto, Ontario, Canada M1L 2H5	899,400	100%
Common Shares	George G. Usher Chairman of the Board, Director, President and CEO Polydex Pharmaceuticals Limited 421 Comstock Road Toronto, Ontario, Canada M1L 2H5	269,713	8.2%
Common Shares	Estate of Thomas C. Usher Peter T. Higgs, Trustee c/o Polydex Pharmaceuticals Limited	243,263	7.4%
Common Shares	Joseph Buchman Director c/o Polydex Pharmaceuticals Limited 421 Comstock Road Toronto, Ontario, Canada M1L 2H5	246,495	7.5%

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 consolidated financial statements and notes thereto included elsewhere in this report. This discussion may contain forward-looking statements that are dependent upon various risks, uncertainties and other factors that could cause results to differ materially from those expressed herein. 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 2016:

Demand for product continued to be high through fiscal year 2015 with the Company operating on a 24/7 basis. Investment in new equipment was made with the installation of a new unit for the purification of dextran and a vessel for production of iron dextran, a product that continues to be in high demand. Outsourcing of dextran sulphate was initiated with the aim of increasing overall production, thereby increasing sales and profit once this program is fully operational. Further plant and equipment upgrades will be undertaken as time and resources permit.

Management is grateful to its customers for their patience as the Company moves to increase production in an effort to shorten delivery times of its high quality product.

Management of the company plans to continue with a strict fiscal constraint policy and customer development including new product development based on the core Dextran molecule.

As noted above, there appear to be fewer suppliers of the company's core products in the world. This has led to increased interest and contact by existing and new potential customers. Demand that had been reduced due to the economic climate continues to be high.

This activity appears to be across all parts of the Company's product portfolio with interest in liquid and powdered product.

The company continues to be the subject of customer audits which provide them assurance of continued high quality. The Company is also investigating a new use for its core Dextran in conjunction with an American based company. Preliminary results are encouraging but the timing or volume of sales cannot be determined at this time.

Overall, management believes that a number of factors will lead to more profitable operations. First, the company appears to be one of a limited number of companies who can produce a high quality rather unique product. This has been confirmed by the customer audits and some customers who started to purchase from China but have now returned to us as a source.

Second, the supply chain is still being refilled and is demanding product from a credible source. This has been evidenced by urgent requests from some customers and the company is responding to the best of its ability.

Third, hog markets appear to be stabilizing and demand to be increasing.

(Expressed in US Dollars)

Results of Operations

Fiscal year ended January 31, 2015 compared to Fiscal Year ended January 31, 2014 compared to Fiscal Year ended January 31, 2013:

	FY 2015	FY 2014	FY 2013	15 v 14 (% increase(decrease))	14 v 13
Income (Loss) before taxes	**$583,312**	$660,022	$(423,551)	**(12)%**	256%
Net Income (Loss)	**578,212**	658,922	(422,849)	**(12)%**	256%
Income (Loss) per share	**0.17**	0.21	(0.13)		

The decrease in net profit for the fiscal year 2015 is a result of decreased sales, partially offset by decreased expenses compared to fiscal year 2014.

The increase in net profit for fiscal year 2014 was a result of increased sales and gross margins as well as decreased expenses compared to the year to date of fiscal year 2013.

(Expressed in US Dollars)

Results of Operations (cont'd)

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase (decrease))	
Sales	**$5,376,027**	$5,963,784	$5,192,969	**(10)%**	15%

The lower sales for fiscal year 2015 compared to fiscal year 2014 is primarily due to the decreased value of the Canadian dollar sales in fiscal 2015, which especially impacted the sales value of Canadian customers. Fiscal year 2015 also did not have the benefit of the large, periodic powder order that occurred in fiscal 2014. Customer demand continues to be strong, as shown by the substantial order book at year end.

Sales increased significantly for fiscal year 2014 compared to fiscal year 2013 primarily due to the decrease in production equipment issues compared to fiscal 2013.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Gross profit	**$1,238,061**	$1,447,883	$403,320	**(14)%**	259%

Gross profit decreased slightly in the fiscal year ended January 31, 2015 compared to the prior fiscal year. This was due to decreased sales as noted above. Margin percentages also decreased slightly, partially as a result of the decreased value of the Canadian dollar in fiscal 2015, and partially because fiscal 2015 did not benefit from the periodic, higher margin powder order as mentioned above.

Gross profit increased significantly in the fiscal year ended January 31, 2014 compared to the prior fiscal year. This was due to significantly increased sales resulting from much improved production which in turn allowed increased shipment of product. Margins increased as a result of improved production procedures.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Selling, promotion, general and administrative expenses	**$709,249**	$772,876	$730,045	**(8)%**	6%

Results of Operations (cont'd)

Though actual expenses remained consistent from fiscal year 2014, the decrease noted above resulted primarily from the translation of the large part of these expenses that are denominated in Canadian dollars.

Expenses increased slightly in fiscal year 2014 compared to fiscal year 2013. While maintaining strict cost control measures overall, expenses were impacted by increased sales commissions and increased options expense resulting from the increased share valuation at year end. Expenses overall benefitted from the decrease in value of the Canadian dollar, though fiscal 2014 did not enjoy the refund of the remaining non-resident withholding taxes compared to 2013.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Research and development	**$2,644**	$2,932	$1,252	**(10)%**	134%

In fiscal year 2010 all of the Company's research into Ushercell was halted, with only some patent expenses being incurred and paid. In fiscal years 2015, 2014 and 2013, research and development was limited to fees related to maintenance of existing patents. At this point, when any new information becomes available, the Company will assess the potential commercial viability of the compound before investing in further research or development.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Depreciation and amortization	**$121,555**	$100,749	$169,861	**21%**	(41)%

The increase in depreciation in fiscal year 2015 compared to fiscal year 2014 is due to the significant asset additions during the year. The increase in 2015 is partially offset by the decrease in value of the Canadian dollar.

Depreciation declined in fiscal year 2014 as compared to the prior as more assets became fully depreciated, and the significant asset additions incurred in 2014 were only subject to depreciation for a portion of the year.

(Expressed in US Dollars)

Results of Operations (cont'd)

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Interest expense	**$79,173**	$67,017	$53,228	**18%**	26%

The increase in interest expense in fiscal year 2015 results from a full year of mortgage interest compared to the partial year for fiscal 2014. This is partially offset by the decreased value of the Canadian dollar in fiscal 2015.

The increase in interest expense in fiscal year 2014 compared to fiscal year 2013 was 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 fiscal year 2013.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Foreign Exchange loss (gain)	**$(138,795)**	$(73,543)	$28,095	**89%**	362%

The Company's Canadian subsidiary, Dextran Products Limited, continued to benefit from the decreasing value of the Canadian dollar throughout fiscal year 2015, especially during the third and fourth quarters of fiscal 2015. The subsidiary continues to have a net asset exposure to the United States dollar.

Throughout fiscal year 2014 the Company also benefitted from the decreasing value of the Canadian dollar, as the Company had a net asset exposure to the United States dollar.

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Interest and other income	**$20,562**	$835	$1,030	**2,362%**	(19)%

The increase in interest income is due to the realized gain on investments transferred from Comprehensive income in fiscal year 2015. This transfer is necessary in order to capture the real gains that has occurred in these investments.

The decrease in interest income in fiscal year 2014 is due primarily to the decrease in value of the Canadian dollar throughout that year. Subsequent to the year ended January 31, 2014, the Company invested an additional Cdn. $51,000 in order to maintain a required minimum balance.

(Expressed in US Dollars)

Results of Operations (cont'd)

	FY 2015	FY 2014	FY 2013	15 v 14	14 v 13
				(% increase(decrease))	
Income tax expense (recovery)	**$5,100**	$1,100	$(702)	**364%**	257%

The increase in income tax expense for fiscal year 2015 is due to the increased profit in the Chemdex, Inc. subsidiary. The Canadian operations still have loss carryforwards available while Chemdex, Inc. does not.

The recovery for fiscal year 2013 was caused by the partial reversal of the fiscal 2012 over provision of income taxes payable by the Company's United States subsidiary, Chemdex, Inc.

Liquidity and Capital Resources

As of January 31, 2015, the Company had cash of $491,116 compared to cash of $359,664 at January 31, 2014. In fiscal year 2015, the Company generated cash of $746,343 in its operating activities, compared to generating cash of $725,932 for fiscal year 2014 and expending cash of $52,371 for fiscal year 2013. Depreciation and amortization continues to be a large non-cash expense of the Company, and is expected to increase as a result of further investments in plant and equipment continue in the future.

Working capital increased to $987,219 and the current ratio increased to 1.60 to 1 as of January 31, 2015, compared to $906,572 and 1.52 to 1 as of January 31, 2014 and $110,245 and 1.05 to 1 as of January 31, 2013.

As at January 31, 2015 the Company was committed to its agreement to supply raw materials to Sparhawk. Dextran Products Limited was also committed to purchase approximately $540,000 of partially finished product from a contract manufacturer.

At January 31, 2015, the Company had accounts receivable of $980,431 and inventory of $978,039 compared to $1,107,657 and $1,018,135 respectively, as at January 31, 2014. Accounts receivable were lower as at January 31, 2015 compared to January 31, 2014 as a result of the timing of customer payments while the decrease in inventory was primarily due to the decrease in the value of the Canadian dollar. Accounts payable of $531,095 (2014 - $496,150) at January 31, 2015 was higher than the prior fiscal year end as a result of the timing of supplier payments. During fiscal year 2015, capital expenditures totaled $367,707 as compared to $294,404 in fiscal year 2014. Equipment replacement and improvement expenditures are expected to continue but at a decreased amount from fiscal year 2015.

Liquidity and Capital Resources (cont'd)

As at January 31, 2015, the Company's investments consisted of a global fixed income bond fund and a 5 year global fixed income fund, both denominated in Canadian dollars. Unrealized gains and losses will occur as the market interest rates and investment valuations vary. Management does not expect significant gains or losses in the future due to the relatively short term to maturity of the nature of these funds. Management is able to convert a portion of these investments to cash if needed for working capital. As at January 31, 2015, the net income was increased by the amount of the amount of accrued gains that had previously been shown in Accumulated other comprehensive income.

The change in accumulated other comprehensive income of the Company is almost entirely attributable to the currency translation adjustment of Dextran Products and realized gain on investments available for sale. Dextran Products' functional currency is the Canadian dollar. This currency translation adjustment arises from the translation of Dextran Products' financial statements to United States dollars.

During April 2015 the Company arranged to renew its mortgage for a further two years, and is investigating alternative financial sources as it continues its cost reduction efforts.

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

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 fiscal 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 January 31, 2015 was $228,940, as compared to $218,340 at January 31, 2014, including accrued interest. The Company has taken a cumulative provision of $458,037 at January 31, 2015 (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.

Related Party Transactions (cont'd)

Thomas C. Usher also owed $250,000 to a subsidiary of the Company, Novadex International Limited, as of January 31, 2015, 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 January 31, 2015, 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 $175,149 at January 31, 2015, based on the closing price of the Company's common shares on the Pink Sheets quotation service on January 31, 2015. 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 January 31, 2015 is $7,764 (2014 – $8,721).

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 $446,608 at January 31, 2015 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.

PART E ISSUANCE HISTORY

Not applicable.

PART F EXHIBITS

Not applicable.

ISSUER'S CERTIFICATIONS

I, George G. Usher, certify that:

1. I have reviewed this annual disclosure of Polydex Pharmaceuticals Limited;
2. Based on my knowledge, this annual 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.

April 30, 2015

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

ISSUER'S CERTIFICATIONS (Continued)

I, John A. Luce, certify that:

1. I have reviewed this annual 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.

April 30, 2015

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