POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

APRIL 30, 2015

UNAUDITED

POLYDEX PHARMACEUTICALS LIMITED
QUARTERLY REPORT
APRIL 30, 2015
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POLYDEX PHARMACEUTICALS LIMITED
QUARTERLY REPORT
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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, 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	April 30, 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	April 30, 2015
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,305,478 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, 2015
UNAUDITED

(Expressed in United States dollars)

		April 30 2015		January 31 2015
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash		$553,660		$491,116
Investments available for sale (note 3)		91,426		87,277
Trade accounts receivable		1,252,680		980,431
Due from shareholders		221		10,218
Inventories				
Finished goods	747,234		643,963	
Work in progress	145,922		79,778	
Raw materials	238,648	1,131,804	254,298	978,039
Prepaid expenses and other current assets		46,144		74,270
Total current assets		3,075,935		2,621,351
Property, plant and equipment, net		3,190,632		3,036,030
Due from estate of former shareholder		20,903		20,903
		$6,287,470		$5,678,284

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2015
UNAUDITED

(Expressed in United States dollars)

	April 30 2015	January 31 2015
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$535,161	$531,095
Accrued liabilities	390,005	365,793
Income taxes payable	3,552	4,275
Other loans payable (note 4)	606,957	595,982
Customer deposits	67,664	67,664
Current portion of capital lease obligations	35,110	33,323
Current portion of due to shareholder	36,000	36,000
Total current liabilities	1,674,449	1,634,132
Long-term debt (note 5)	402,022	390,658
Capital lease obligations	68,732	73,175
Due to shareholder	403,640	410,608
	874,394	874,441
Total liabilities	2,548,843	2,508,573
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, 2015 - 899,400)	15,010	15,010
3,305,478 common shares (January 31, 2015 - 3,225,478)	55,070	55,070
Contributed surplus	23,708,452	23,708,452
Deficit	(20,847,427)	(21,167,154)
Accumulated other comprehensive income	807,522	558,333
	3,738,627	3,169,711
	$6,287,470	$5,678,284

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 30, 2015
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2015	Three Months Ended April 30 2014
	(Unaudited)	(Unaudited)
Sales	$1,561,177	$1,412,982
Cost of goods sold	1,004,809	1,119,715
Gross profit	556,368	293,267
Expenses		
General and administrative	139,655	146,406
Interest expense,net	19,260	22,774
Selling and promotion	11,061	11,402
Depreciation	2,085	2,846
Research and development	600	-
Foreign exchange loss	62,238	33,982
Interest and other income	(158)	(138)
Total expenses	234,741	217,272
Income before income taxes	321,627	75,995
Provision for income taxes	1,900	1,400
Net income for the period	319,727	74,595
Unrealized gain (loss) on investments available for sale	(675)	(170)
Currency translation adjustment	249,864	77,923
Comprehensive income for the period	$568,916	$152,348
Per share information:		
Earnings per common share:		
Basic	0.10	0.02
Diluted	0.09	0.02
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,305,478	3,225,478
Diluted	3,509,683	3,420,321

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
APRIL 30, 2015
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2015	Three Months Ended April 30 2014
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	$15,010	$15,010
Common Shares:		
Balance, beginning and end of period	$55,070	$53,734
Contributed Surplus:		
Balance, beginning and end of period	$23,708,452	$23,643,466
Deficit:		
Balance, beginning of period	($21,167,154)	($21,745,366)
Net profit for the period	319,727	74,595
Balance, end of period	($20,847,427)	($21,670,771)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	$558,333	$1,170,996
Unrealized gain on investments available for sale	(675)	(170)
Currency translation adjustment for the period	249,864	77,923
Balance, end of period	$807,522	$1,248,749

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
APRIL 30, 2015
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2015	Three Months Ended April 30 2014
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	$319,727	$74,595
Add (deduct) items not affecting cash:		
Depreciation and amortization	27,618	22,106
Deferred loan acquisition costs (net)	(12,153)	3,109
Net change in non-cash working capital balances related to operations	(313,600)	222,458
Cash provided by operating activities	21,592	322,268
Investing activities:		
Additions to property, plant and equipment	(19,626)	(93,708)
Proceeds (Acquisition) of investments available for sale	(159)	(46,287)
Cash used in investing activities	(19,785)	(139,995)
Financing activities:		
Proceeds (Repayment) of capital lease obligations, net	(8,133)	(1,402)
Decrease in due to shareholder	(6,968)	(8,119)
Cash used in financing activities	(15,101)	(9,521)
Effect of exchange rate changes	75,838	26,748
Net increase in cash and cash equivalents	62,544	199,500
Cash, beginning of year	491,116	359,664
Cash, end of period	$553,660	$559,164

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, 2015 as found on the Polydex Pharmaceuticals Limited (the "Company") website, www.polydex.com. The unaudited interim consolidated financial statements as of April 30, 2015 and 2014 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, 2015 that would require recognition or note disclosures in these financial statements.

2. **Significant Accounting Policies:**

Basis of consolidation
The interim consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated on consolidation.

Cash and cash equivalents
Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase.

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, 2015 the Company has not entered into any derivative financial instruments.

Stock options

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

Income taxes

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

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

Income per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding of 3,305,478 for the three months ended April 30, 2015 (2014 - 3,225,478). Diluted earnings per common share is computed using the weighted average number of common shares outstanding adjusted for the incremental shares, using the treasury stock method, attributed to outstanding options to purchase common stock. 204,205 incremental shares were used in the calculation of diluted earnings per common share for the period ending April 30, 2015 (2014 – 204,843).

3. Investments Available For Sale:

Investments available for sale consist of the following:

	April 30 2015	January 31 2015
Investments available for sale	**$ 91,426**	$ 87,277

The investments consist of a Canadian short-term bond fund with maturity dates extending from one to five years and a yield rate of 1.3%, and an international bond fund with a yield rate of 2.00%. Investments available for sale are stated at fair market value, based on quoted market prices. An unrealized loss of $675 has been included in accumulated other comprehensive income.

4. Other Loans Payable:

	April 30 2015	January 31 2015
Supply agreement advance	$ **250,000**	$ 250,000
Term promissory note	**149,063**	141,476
Demand promissory note	**66,569**	63,181
Other loan	**141,325**	145,325
	$ 606,957	$ 595,982

The term promissory note includes accrued interest to January 31, 2015 and was due June 1, 2015. Interest was payable monthly at an annual rate of 5%. The demand promissory note is payable on demand, and includes accrued interest to January 31, 2015 at an annual rate of 6%. Both of 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, 2015. No interest has been accrued since January 31, 2015 as the Company is currently negotiating revised repayment terms.

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 to the Company 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 and Capital Lease Obligations:

(a) Long term debt consists of the following:

		April 30 2015		January 31 2015
Mortgage loan of Cdn $500,000 payable in monthly payments of Cdn $ 3,333. (U.S. $3,041) interest only with interest rate of 8%, maturing in April 2017	**$**	**414,456**	$	363,360
Less deferred acquisition costs		**(12,434)**		(2,702)
	$	**402,022**	$	390,658

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 change in value of the Canadian dollar compared to its value at January 31, 2015. No payments have been made against the loan balance principal, and the loan, which matured in April 2015, was renewed for a two year term maturing in April 2017. Interest expense for the 3 months ended April 30, 2015 for the mortgage loan was $10,824 (2014 - $12,174)

[b] Capital lease obligations consist of the following:

		April 30 2015		January 31 2015
Obligation (Cdn. $9,092) under a capital lease, repayable in quarterly installments of $1,617 bearing interest at 9.42% and maturing in fiscal 2017	**$**	**7,536**	$	8,488
Obligation (Cdn. $116,184) under a capital lease, repayable in monthly installments of $3,400 bearing interest at 12.67% and maturing in fiscal 2018		**96,306**		98,010
Less current portion		**(35,110)**		(33,323)
	$	**68,732**	$	73,175

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

	$
2016	47,103
2017	42,250
2018	33,861
Total minimum lease payments	123,214
Less amount representing imputed interest	19,372
	103,842

Interest expense for the 3 months ended April 30, 2015 for capital lease obligations was $3,314 (2014 - $2,583)

6. Commitments and Contingencies:

A subsidiary of the Company, Chemdex, Inc, has a supply agreement with an existing customer to supply raw materials for an additional product (Note 4 above).

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

7. Stock-based Employee Compensation:

The Company maintains an incentive share option plan for management personnel for options to purchase up to 824,168 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, 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 after one year from the grant date 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.

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, 2015 to April 30, 2015, because there were no options granted during this period.

Similarly, 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 that period.

8. Segmented Information:

Total revenue by significant customer:

		Three Months Ended April 30 2015		Three Months Ended April 30 2014
Customer A	$	**275,136**	$	276,497
Customer B		**230,540**		141,735
Customer C		**185,750**		63,600
Customer D		**150,834**		102,992
	$	**594,824**	$	584,824

Sales by geographic destination:

		Three Months Ended April 30 2015		Three Months Ended April 30 2014
United States	$	**630,890**	$	314,027
Europe		**513,533**		633,855
Canada		**219,459**		102,995
Other		**197,295**		120,900
Pacific Rim		**--**		241,205
	$	**1,561,177**	$	1,412,982

ITEM IV MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st of each year. In this report, fiscal year 2016 refers to the Company's fiscal year ending January 31, 2016. The following discussion should be read in conjunction with the April 30, 2015 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2016. 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 2016:

Management is pleased with the strong earnings results for the first quarter of fiscal year 2016 as the Company begins to realize the benefits of upgraded equipment installed previously especially to ensure sufficient water pressure and stabilize production. In addition, cost of sales and overall expenses were lessened as a result of the low value of the Canadian dollar throughout the quarter. Management is also encouraged by the robust sales of higher margin powdered product during the quarter. Currently, plans are being developed to invest further in equipment that will increase production of one of our raw materials that in turn should allow for increased production overall.

Though these results may not reoccur in every future quarter, a year over year improvement can be expected if the trend continues and no further unplanned production interruptions occur. The Company continues to enjoy a strong order book, and is working diligently to fulfill its customer commitments.

Results of Operations

Three months ended April 30, 2015 compared to three months ended April 30, 2014:

	Three Months Ended April 30 2015	Three Months Ended April 30 2014	Variance
Net Profit	**$319,727**	$74,595	329%
Income per Share:			
Basic	**$0.10**	$0.02	
Diluted	**$0.09**	$0.02	

The increase in net profit for the first quarter of fiscal year 2016 is a result of increased sales and gross margins compared to the first quarter of fiscal year 2015.

	Three Months Ended April 30 2015	Three Months Ended April 30 2014	Variance
Sales	**$1,561,177**	$1,412,982	10%

Sales increased slightly for the first quarter of fiscal year 2016 from the comparable period for the first quarter of fiscal year 2015 despite the impact of the decreased value of the Canadian dollar sales. Sales for the first quarter of fiscal 2016 also were not impacted by the production issues that reduced the ability to produce sufficient product to meet customer demand in the first quarter of fiscal year 2015.

	Three Months Ended April 30 2015	Three Months Ended April 30 2014	Variance
Gross profit	**$570,822**	$293,267	95%
Percentage of sales	**36%**	**21%**	

The increase in gross profit in the first quarter of fiscal year 2016 was due to the product mix which favored higher margin powder products. The cost of goods sold for first quarter of 2016 also benefitted from the decreased value of the Canadian dollar compared to the first quarter of fiscal 2015.

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Selling, promotion, general and administrative expenses	**$150,716**	$157,808	(4)%

The slight decrease during the first quarter of fiscal year 2016 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 2015, as well as management's continued attention to cost control.

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Research and development expenditures	600	--	100%

During fiscal year 2010 all of the Company's research into Ushercell was halted, with only some patent expenses being incurred and paid, as occurred in the first quarter of fiscal 2016. Since that time further patent fees have been curtailed, with only smaller patent maintenance fees being expensed as incurred.

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Depreciation and amortization expense	**$27,618**	$22,106	25%

The increase in depreciation and amortization resulted from Company's continued investment in plant and equipment that occurred primarily in fiscal 2015. This is partially offset by assets becoming fully depreciated, as well as the decrease in value of the Canadian dollar compared to the first quarter of fiscal 2015. Included in depreciation and amortization expense are allocations to cost of goods sold in the amount of $25,533 for the first quarter of fiscal year 2016 (2015 - $19,260).

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Interest expense	**$19,260**	$22,774	(15)%

The decrease in interest expense in the first quarter of fiscal year 2016 is primarily due to ceasing to accrue interest on the term and promissory notes from a customer while repayment terms are being negotiated (Note 4 above), as well as the decreased value of the Canadian dollar compared to the same period of fiscal 2015.

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Foreign exchange loss	**$62,238**	$33,982	183%

The substantial increase in the foreign exchange loss for the first quarter of fiscal year 2016 compared to the first quarter of fiscal year 2015 was due to the decreased value of the Canadian dollar as at April 30, 2015 versus the fiscal year end value of the United States dollar.

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014	Variance
Interest and other income	**$158**	$138	14%

Interest and other income increased slightly compared to the prior year due to the timing of investment receipts.

Liquidity and Capital Resources

As of April 30, 2015, the Company had cash of $553,660, compared to cash of $491,116 at January 31, 2015. In the first quarter of fiscal year 2016, the Company generated cash of $36,593 in its operating activities, compared to $322,268 for the first quarter of fiscal year 2014. The decrease in the generation of cash for operations during the first quarter of fiscal year 2016 is primarily due to the increase in receivables collections and inventory during the period. Depreciation continues to be a non-cash expense of the Company.

The Company's working capital increased to $1,401,487 and a working capital ratio of 1.84 to 1 as of April 30, 2015, compared to $990,612 and 1.61 to 1 as of January 31, 2015.

As of April 30, 2015, the Company had accounts receivable of $1,252,680 and inventory of $1,131,804 compared to $980,431 and $978,039 respectively at January 31, 2015 and $1,056,737 and $876,827 respectively at April 30, 2014. Accounts receivable increased due to increased sales during the period, while inventory increased due to increased production intended to meet customer demand.

Accounts payable of $535,161 at April 30, 2015, remained consistent compared to $531,094 at January 31, 2015, and the increase from $476,250 at April 30, 2014 is due to increased production.

During the first quarter of fiscal year 2016, capital expenditures totaled $19,626 as compared to $93,708 in the first quarter of fiscal year 2015. The decrease was due primarily to the significant plant roofing improvements and installation of water pressure equipment that occurred in the first quarter of fiscal 2015. Additional expenditures on capital equipment are planned for the remainder of fiscal 2016.

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 long term debt is related to the mortgage loan renewed in the first quarter of fiscal 2016. Its principal did not change except for a decrease due to the lessening in value of the Canadian dollar, combined with unamortizated acquisition costs. Capital lease obligations decreased from January 31, 2015 due to loan repayments during the period and the decreased value of the Canadian dollar as at April 31, 2015.

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 had occurred primarily through offsets by the Company against royalty payments due Thomas C. Usher pursuant to an intellectual property license agreement that expired January 31, 2014. The amount outstanding under the Loan as of April 30, 2015 was $231,602 as compared to $228,940 at January 31, 2015, including accrued interest. The Company has taken a cumulative provision of $460,699 at April 30, 2015 (January 31, 2015 - $458,037) 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, 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, 2015. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of April 30, 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 $233,532 at April 30, 2015, based on the closing price of the Company's common shares on the Pink Sheets quotation service on April 30, 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 April 30, 2015 is $7,764 (January 31, 2015 – $7,764).

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 $439,640 at April 30, 2015 from $446,608 at January 31, 2015 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, 2015

/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, 2015

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