POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

APRIL 30, 2018

UNAUDITED

INDEX

POLYDEX PHARMACEUTICALS LIMITED
QUARTERLY REPORT
APRIL 30, 2018
UNAUDITED

ITEM I NAME OF ISSUER

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ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	April 30, 2018
(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, 2018
(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, 2018
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,399,978 shares
(iv)	Freely tradable shares (public float)	2,541,666
(v)	Number of shareholders of record	222

ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2018
UNAUDITED

(Expressed in United States dollars)

		April 30 2018		January 31 2018
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash		$1,555,527		$632,502
Investments available for sale (note 3)		622,665		651,299
Trade accounts receivable		914,106		1,539,891
Due from shareholders		-		6,045
Inventories				
Finished goods	487,167		519,279	
Work in progress	101,056		175,661	
Raw materials	253,002	841,225	343,013	1,037,953
Prepaid expenses and other current assets		39,469		71,835
Total current assets		3,972,992		3,939,525
Property, plant and equipment, net		3,195,517		3,368,511
Deferred taxes (note 9)		--		-
Due from estate of former shareholder		20,903		20,903
		$7,189,412		$7,328,939

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2018
UNAUDITED

(Expressed in United States dollars)

	April 30 2018	January 31 2018
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$437,691	$424,813
Accrued liabilities	327,575	279,612
Income taxes payable	656	880
Other loans and advances (note 4)	101,025	113,625
Current portion of long-term debt	63,233	62,016
Current portion of capital lease obligations	3,949	3,382
Current portion of due to shareholder	36,000	36,000
Total current liabilities	970,129	920,328
Long-term debt (note 5a)	261,066	292,461
Capital lease obligations (note 5b)	9,090	11,344
Due to shareholder	330,076	336,336
	600,232	640,141
Total liabilities	1,570,361	1,560,469
Commitments and contingencies (note 6)		
Susequent events (note 7)		
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, 2018 - 899,400)	15,010	15,010
3,419,478 common shares (January 31, 2018 - 3,419,478)	56,974	56,974
Contributed surplus	23,807,078	23,807,078
Deficit	(18,667,441)	(18,772,390)
Accumulated other comprehensive income	407,430	661,798
	5,619,051	5,768,470
	$7,189,412	$7,328,939

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 30, 2018
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2018	Three Months Ended April 30 2017
	(Unaudited)	(Unaudited)
Sales	$1,480,305	$1,260,085
Cost of goods sold	1,239,168	981,841
Gross profit	241,137	278,244
Expenses		
General and administrative	147,096	146,198
Interest expense,net	9,500	8,494
Selling and promotion	22,108	13,214
Depreciation	2,524	1,829
Research and development	--	-
Foreign exchange (gain) loss	(44,162)	(71,802)
Interest and other income	(877)	(1,355)
Total expenses	136,189	96,578
Income before income taxes	104,948	181,666
Provision for income taxes (note 9)		
Current	-	11,182
Deferred	-	21,325
	-	32,507
Net income for the period	**104,948**	**149,159**
Unrealized gain (loss) on investments available for sale	(1,958)	3,037
Currency translation adjustment	(252,409)	(311,975)
Comprehensive income for the period	($149,419)	($159,779)
Per share information:		
Earnings per common share:		
Basic	0.03	0.04
Diluted	0.03	0.04
Weighted average number of common shares used in computing net income per share for the period:		
Basic	3,419,478	3,399,978
Diluted	3,476,970	3,512,178

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
APRIL 30, 2018
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2018	Three Months Ended April 30 2017
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	$15,010	$15,010
Common Shares:		
Balance, beginning and end of period	56,975	56,649
Contributed Surplus:		
Balance, beginning and end of period	23,807,078	$23,801,359
Deficit:		
Balance, beginning of period	($18,772,389)	($19,220,396)
Net profit for the period	104,948	149,159
Balance, end of period	($18,667,441)	($19,071,237)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	$661,798	$388,094
Unrealized gain on investments available for sale	(1,959)	3,037
Currency translation adjustment for the period	(252,409)	(311,975)
Balance, end of period	$407,430	$79,156

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
APRIL 30, 2018
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended April 30 2018	Three Months Ended April 30 2017
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	$104,948	$149,159
Add (deduct) items not affecting cash:		
Depreciation and amortization	73,570	58,618
Deferred income taxes (note 9)	-	21,325
Net change in non-cash working capital balances related to operations	827,988	334,019
Cash provided by operating activities	1,006,506	563,121
Investing activities:		
Additions to property, plant and equipment	(43,099)	(27,256)
Proceeds (Acquisition) of investments available for sale	(877)	(1,355)
Cash used in investing activities	(43,976)	(28,611)
Financing activities:		
Repayment of long-term debt	(15,173)	(10,541)
Proceeds (Repayment) of capital lease obligations, net	(1,392)	(8,642)
Decrease in due to shareholder	(6,260)	(5,625)
Cash used in financing activities	(22,825)	(24,808)
Effect of exchange rate changes	(16,680)	(88,930)
Net increase in cash and cash equivalents	923,025	420,772
Cash, beginning of year	632,502	653,214
Cash, end of period	$1,555,527	$1,073,986

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, 2018 as found on the Polydex Pharmaceuticals Limited (the "Company") website, www.polydex.com. The unaudited interim consolidated financial statements as of April 30, 2018 and 2017 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 15, 2018 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.

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 period. 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, 2018 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 3,399,978 for the three months ended April 30, 2018 (2017 – 3,399,978). 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. 57,492 incremental shares were used in the calculation of diluted earnings per common share for the period ending April 30, 2018 (2017 – 112,200).

3. Investments Available For Sale:

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

	April 30 2018 $	January 31 2018 $
TD short term bond fund consisting of Canadian government and Corporate bonds maturing in the next 1-5 years, currently yielding 2.41%	**308,032**	321,868
5 year global fixed income fund class A, with an average maturity of 3.57 years and a yield to maturity of 2.25%	**314,633**	329,431
	622,665	651,299

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 2019 and onwards. Accordingly the investments available for sale were classified as part of current assets as at April 30, 2018.

4. Other loans and advances:

Other loans and advances consist of the following:

	April 30 2018 $	January 31 2018 $
Customer advance	**101,025**	113,625

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

5. Long term debt obligations:

[a] Bank term loans consist of the following:

	April 30 2018 $	January 31 2018 $
Bank term loan #1 payable in monthly installments of Cdn $5,547 (U.S. $4,321) principal and interest at the Canadian bank's fixed rate of 4.20%	**134,847**	152,480
Bank term loan #2 payable in monthly installments of Cdn $2,527 (U.S. $1,969) principal and interest at the Canadian bank's fixed rate of 3.97%	**189,452**	201,997
	324,299	354,477
Less: current portion	**63,233**	62,016
	261,066	292,461

Bank term loan #1 was arranged in January 2016 for 60 months at a fixed rate of prime plus 1.50% (2018 - 4.20%).

Bank term loan #2 was arranged in December 2017 for 120 months at a fixed rate of prime plus 1.50% (2018 - 3.97%). This loan was acquired in order to finance the replacement of an existing boiler that failed in fiscal 2018.

The Company also obtained an operating loan facility of Cdn $300,000 (USD – $233,718) for working capital purposes, of which none was utilized at January 31, 2018 and April 30, 2018.

This Canadian operating facility bears interest at the Canadian bank's prime lending rate plus 2.15%.

Bank indebtedness is collateralized by a general security agreement over the Company's assets and a collateral mortgage of Cdn $500,000 (USD – $389,529) on the Company's building located in Toronto, Canada.

Interest expense for the quarter on the loans was $4,734 (2018 - $1,864).

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

	$
2020	**63,232**
2021	**66,053**
2022	**55,916**
2023	**18,478**
2024	**19,225**
Thereafter	**131,573**
	354,477

[b] Capital lease obligations consist of the following:

	April 30 2018	January 31 2018
	$	$
Obligation (Cdn. $171) under a capital lease, repayable in monthly installments of $3,323 bearing interest at 12.67% and has matured	**--**	139
Obligation (Cdn. $16,737) under a capital lease, repayable in quarterly installments of $1,260 bearing interest at 9.42% and maturing in 2021	**13,039**	14,587
Less current portion	**(3,949)**	(3,382)
	9,090	11,344

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

	$
2019	**5,040**
2020	**5,040**
2021	**5,040**
Total minimum lease payments	**15,120**
Less amount representing imputed interest	**2,081**
	13,039

Interest expense for the 3 months ended April 30, 2018 for capital lease obligations was $329 (2017 - $1,475).

6. Commitments and Contingencies:

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

The Company has committed to purchase approximately $300,000 of partially finished product from a contract manufacturer.

7. Stock-based Employee Compensation:

The Company uses the fair value method to account for awards of stock-based employee compensation. No stock-based employee compensation expense was recorded during the period from February 1, 2018 to April 30, 2018, because there were no options granted during this period. Similarly, no stock-based employee compensation expense was recorded during the period from February 1, 2017 to April 30, 2017, because there were no options granted during that period.

8. Provision for Income Taxes

The Company's current income tax provision relates to income taxes owing at its subsidiary Chemdex, Inc.

9. Segmented Information:

Total revenue by significant customer:

	Three Months Ended April 30 2018	Three Months Ended April 30 2017
	$	$
Customer A	**304,000**	261 ,050
Customer B	**228,465**	--
Customer C	**124,825**	102,497
Customer D	**100,887**	219,158
Customer E	**91,237**	124,800
Customer F	**67,350**	183,000
	916,764	890,505

Sales by geographic destination:

	Three Months Ended April 30 2018	Three Months Ended April 30 2017
	$	$
Europe	**712,048**	659,286
United States	**522,992**	279,930
Other	**143,080**	66,611
Canada	**100,885**	219,158
Pacific Rim	**1,300**	35,100
	1,480,305	1,260,085

ITEM IV MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st of each year. In this report, fiscal year 2019 refers to the Company's fiscal year ending January 31, 2019. The following discussion should be read in conjunction with the April 30, 2018 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three months ended April 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2019. 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. On May 1, 2017 The Company's Canadian subsidiaries, Dextran Products Limited and Polydex Chemicals Canada Limited were amalgamated into the parent company Polydex Pharmaceuticals Limited.

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

Management Objectives for Fiscal 2019:

The results of the first quarter of fiscal 2019 were impacted by a number of factors some of which are beyond the Company's control. Foreign exchange rates resulted in increased costs as the Canadian dollar gained strength compared to the prior year. This was especially noted with respect to various items within cost of sales which are predominantly denominated in Canadian dollars. Cost of sales was additionally impacted by increased depreciation due mostly to additions in the prior year, especially related to the new boiler. Though impactful in the short term, continued investment and upgrading of our production facilities remains a longer term priority and along with outsourcing of specific product is essential to maintaining capacity and quality. Of equal note in this first quarter is the overall financial position of the Company with a strong balance sheet including cash that nearly equals the Company's entire liabilities. Management continues to seek new opportunities through sales efforts including research potentially leading to registration of new and innovative products in conjunction with new possible customers and its long established customer base.

Results of Operations

Three months ended April 30, 2018 compared to three months ended April 30, 2017:

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Net Profit	**$104,948**	$149,159	(30)%
Income per Share:			
Basic	**$0.03**	$0.04	
Diluted	**$0.03**	$0.04	

The decrease in net profit for the first quarter of fiscal year 2019 is primarily a result of decreased sales margins, and lower exchange gains due to the increase in value of the Canadian dollar compared to the first quarter of fiscal 2018.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Sales	**$1,480,305**	$1,260,085	(14)%

Sales increased for the first quarter of fiscal year 2019 from the comparable period for the first quarter of fiscal year 2018 due to increased sales in the United States and Europe where the Company's high quality and competitive pricing have had an impact.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Gross profit	**$241,137**	**$278,244**	(13)%
Percentage of sales	**16%**	**22%**	

The decrease in gross profit in the first quarter of fiscal year 2019 was due to sales of lower margin liquid product, and the increase in value of the Canadian dollar during the period (cost of sales is primarily denominated in Canadian dollars). Cost of goods sold was also impacted by increased depreciation compared to the first quarter of fiscal 2018.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Selling, promotion, general and administrative expenses	**$169,204**	$159,412	6%

The increase during the first quarter of fiscal year 2019 in selling, promotion, general and administrative expenses compared to the comparable period of fiscal 2018 is primarily due to the increased value of the Canadian dollar.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Research and development expenditures	$ ---	$ --	(0)%

During fiscal year 2010 all of the Company's research into Ushercell was halted, with only some patent expenses being incurred. Since that time further patent fees have been curtailed, with no patent maintenance fees occurring in the first quarter of fiscal 2019 and fiscal 2018..

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Depreciation and amortization expense	**$73,570**	$58,618	26%

The increase in depreciation and amortization resulted from the significant capital investments made during the later quarters of fiscal 2018 especially related to the acquisition of the new boiler. Depreciation was also impacted by the increased value of the Canadian dollar.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Interest expense	**$9,500**	$8,494	12%

The increase in interest expense in the first quarter of fiscal year 2019 is due the additional term bank loan obtained in the fourth quarter of fiscal 2018, partially offset by continuing loan repayments.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Foreign exchange (gain) loss	**$(44,162)**	$(71,802)	38%

The decrease in the foreign exchange gain for the first quarter of fiscal year 2019 was due to the increased value of the Canadian dollar compared to the United States dollar throughout the period. This results from the reduction in value of United States denominated transactions from their value in Canadian dollars compared to their January 31, 2018 values. This compares to the decreased value of the Canadian dollar in the first quarter of fiscal year 2018 The volatility of these exchange rates increase or decrease the value of exchange affected amounts in the Company's Canadian divison, Dextran Products, especially US denominated sales.

	Three Months Ended April 30 2018	Three Months Ended April 30 2017	Variance
Interest and other income	**$877**	$1,355	(35)%

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

Liquidity and Capital Resources

As of April 30, 2018, the Company had cash of $1,555,527, compared to cash of $632,502 at January 31, 2018. In the first quarter of fiscal year 2019, the Company generated cash of $1,006,506 in its operating activities, compared to $563,121 for the first quarter of fiscal year 2018. The increase in the generation of cash for operations during the first quarter of fiscal year 2018 is primarily due to the timing of receivables collections and the slight increase in amounts payable to suppliers. Depreciation continues to be a non-cash expense of the Company.

The Company's actual working capital decreased to $3,002,863 from $3,016,086 as at January 31, 2018, and the working capital ratio declined to 4.10 to 1 as of April 30, 2018, compared to and 4.27 to 1 as of January 31, 2018.

As of April 30, 2018, the Company had accounts receivable of $914,106 and inventory of $841,225 compared to $1,539,891 and $1,037,953 respectively at January 31, 2018 and $910,565 and $1,103,759 respectively at April 30, 2017. Accounts receivable decreased due to the timing of collections while inventory decreased due to significantly higher sales the end of the quarter.

Accounts payable remained consistent at $437,691 at April 30, 2018, compared to $424,813 at January 31, 2018 and $646,656 at April 30, 2017.

During the first quarter of fiscal year 2019, capital expenditures totaled $43,099 as compared to $27,256 in the first quarter of fiscal year 2018. The increase was due to plant equipment upgrades as well as the increase in value of the Canadian dollar. Additional expenditures on capital equipment are planned for the remainder of fiscal 2019.

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 increase in long term debt is due to the obtaining of an additional term loan from the Company's Canadian bank and the and the impact of the increased value of the Canadian dollar, partially offset by continued loan repayments.

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

The amount outstanding under the due from shareholder as of April 30, 2018 was $271,212 as compared to $267,210 at January 31, 2018, including accrued interest. The Company has taken a cumulative provision of $500,309 at April 30, 2018 (January 31, 2018 $496,307) 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, 2018, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2018. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of April 30, 2018, 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 $304,078 at April 30, 2018 based on the closing price of the Company's common shares on the Pink Sheets quotation service on April 30, 2018. 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, 2018 is $6,962 (January 31, 2018 – $6,962).

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 $366,054 as at April 30, 2018 from $372,314 at January 31, 2018 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. The Company has incurred capital losses, which are only deductible against capital gains. It is not certain that the Company will realize capital gains in the future to use these Canadian capital loss deductions.

Changes in Accounting Policies

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

ITEM V LEGAL PROCEEDINGS

Not applicable.
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ITEM VI DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM VII OTHER INFORMATION

Not applicable.

ITEM VIII EXHIBITS

Not applicable

ITEM IX CERTIFICATIONS

I, George G. Usher, certify that:

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

June 15, 2018

/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 15, 2018

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