POLYDEX PHARMACEUTICALS LIMITED

ANNUAL REPORT

JANUARY 31, 2014

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, 2014
(ii) Authorized	100,000 shares at $0.10 each
(iii) Issued and outstanding	None
(iv) Freely tradable shares (public float)	None
(v) Number of shareholders of record	None

Preferred Stock – Class B

(i) Period end date	January 31, 2014
(ii) Authorized	899,400 shares at $0.0167 each
(iii) Issued and outstanding	899,400 shares
(iv) Freely tradable shares (public float)	None
(v) Number of shareholders of record	1

Common Stock

(i) Period end date	January 31, 2014
(ii) Authorized	10,000,000 shares
(iii) Issued and outstanding	3,225,478 shares
(iv) Freely tradable shares (public float)	2,394,837 shares
(v) Number of shareholders of record	240

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. 1296691 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 2014, 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 no long-term contracts with any of its suppliers.

Order Book and Seasonality

The Company's order book as at January 31, 2014 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.

It has come to the attention of management that some producers of Dextran in the world may have focused their attention on other products and may not be producing Dextran anymore. This has resulted in a significant increase in enquiries being received by the Company. All enquiries are actively being investigated and some orders have been booked.

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, 2014, the Company employed 21 employees, of whom 13 were engaged in production, 6 in quality control, 2 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, 2014, 2013 and 2012, the Company expended $2,932, $1,252, and $4,852 respectively. Research and development expenditures resulted primarily from legal fees related to patent acquisition and maintenance. During the fiscal years ended January 31, 2014, 2013 and 2012, 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. Currently, Mr. Buchman is a Financial Services Representative with Metlife Financial Services, where he has served in various capacities since 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	**74**	**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 two other public companies	**79**	**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.	**55**	**1988**

EXECUTIVE OFFICERS

Name	Age	Title
George G. Usher	55	Chairman of the Board, President and Chief Executive Officer
John A. Luce	67	Chief Financial Officer
Sharon L. Wardlaw	61	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)	(Audited)
	2014	2013	2012	2011	2010
Sales from continuing operations	**5,963,784**	5,192,969	6,165,754	4,483,105	4,481,174
Net income (loss) from continuing operations	**658,922**	(422,849)	231,668	(697,658)	(2,144,735)
Net income (loss) per common share	**0.21**	(0.13)	0.07	(0.23)	(0.70)
Total assets	**5,762,896**	5,555,977	5,531,211	5,601,591	5,747,689
Borrowings	**928,565**	731,217	811,802	872,899	934,322

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 2014. 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 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

Fiscal Year 2013

fiscal quarter ended:	**High**	**Low**
April 30, 2012	$ 0.45	0.26
July 31, 2012	0.40	0.25
October 31, 2012	0.35	0.10
January 31, 2013	0.51	0.25

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, 2014 there were approximately 240 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, 2014, the Company issued 52,632 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)

TABLE OF CONTENTS

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, 2014, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for the year then ended. 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the continuance of the Company is dependent on its future profitability and the ongoing support of its stockholders, affiliates and creditors. This raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
April 21, 2014

Chartered Accountants
Licensed Public Accountants

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
Fax: 416 785 5663

POLYDEX PHARMACEUTICALS LIMITED

Consolidated Balance Sheets

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

		January 31 2014		January 31 2013
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash	$	359,664	$	4,241
Investments available for sale (note 6)		50,883		56,062
Trade accounts receivable (note 19)		1,107,657		970,307
Due from shareholders (note 8(iii))		20,000		---
Inventories (note 3)		1,018,135		1,107,020
Income taxes recoverable (note 15)		---		2,780
Prepaid expenses and other current assets		83,157		105,332
Total current assets		2,639,496		2,245,742
Property, plant and equipment, net (note 4)		3,102,497		3,245,413
Patents and intangible assets, net (note 5)		---		5,311
Due from estate of former shareholder (note 8(i))		20,903		56,511
	$	5,762,896	$	5,552,977

See accompanying notes.

On behalf of the Board:

Derek Lederer, Director　　Joseph Buchman, Director

POLYDEX PHARMACEUTICALS LIMITED

Consolidated Balance Sheets (cont'd)

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

		January 31 2014		January 31 2013
		(Unaudited)		(Unaudited)

Liabilities and Shareholders' Equity

Current liabilities:				
Bank indebtedness (note 9)	$	---	$	229,741
Accounts payable		496,150		701,733
Accrued liabilities (note 11)		414,134		506,012
Income taxes payable (note 15)		883		-
Other loans and advances (note 7)		615,305		386,486
Customer deposits		161,811		92,886
Bank loan (note 10a)		---		195,498
Current portion of capital lease obligations (note 10b)		8,641		10,141
Current portion of due to shareholder (note 8(ii))		36,000		13,000
Total current liabilities		1,732,924		2,135,497
Long-term debt (note 10a)		433,515		---
Capital lease obligations (note 10b)		16,296		17,244
Due to shareholder (note 8(ii))		442,321		495,335
Total liabilities		2,625,056		2,648,076
Going concern (note 1)				
Related party transactions (note 8)				
Commitments and contingencies (note 21)				
Subsequent events (note 22)				
Shareholders' equity:				
Capital stock (note 12)				
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, 2013 - 899,400)		15,010		15,010
3,225,478 common shares (January 31, 2013 - 3,172,846)		53,734		52,855
Contributed surplus		23,643,466		23,592,545
Deficit		(21,745,366)		(22,404,288)
Accumulated other comprehensive income (note 20)		1,170,996		1,648,779
		3,137,840		2,904,901
	$	5,762,896	$	5,552,977

See accompanying notes.

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, 2011 (Unaudited)	15,010	51,185	23,552,536	(22,213,107)	1,612,967	3,018,591
Common shares issued		1,670	10,330			12,000
Common share options issued			17,807			17,807
Comprehensive income (loss):						
Net income for the year				231,668		231,668
Unrealized gain on investments available for sale					364	364
Currency translation adjustment					(4,907)	(4,907)
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 gain 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			31,800			31,800
Common share options exercised		879	19,121			20,000
Comprehensive income (loss):						
Net income for the year				658,922		658,922
Unrealized gain 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

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	2014	2013	2012
	$	$	$
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	5,963,784	5,192,969	6,165,754
Cost of goods sold	4,515,901	4,789,649	5,177,145
Gross profit	1,447,883	403,320	988,609
Expenses			
General and administrative (note 12b)	711,384	680,178	644,046
Selling and promotion	61,492	49,867	51,541
Interest expense, net (note 7, 8, 10a & 10b)	76,864	53,228	62,898
Depreciation	9,567	15,281	14,438
Research and development (note 14)	2,932	1,252	4,852
Foreign exchange loss (gain)	(73,543)	28,095	(10,222)
Gain on sale of assets	-	-	(14,041)
Interest and other income	(835)	(1,030)	(1,171)
Total expenses	787,861	826,871	752,341
Income (loss) before income taxes	660,022	(423,551)	236,268
Income taxes (recovery) (note 15)	1,100	(702)	4,600
Net Income (loss)	658,922	(422,849)	231,668
Unrealized gain (loss) on investments available for sale	(88)	(536)	364
Currency translation adjustment	(477,695)	40,891	(4,907)
Comprehensive income (loss) for the year	181,139	(382,494)	227,125
Per share information:			
Income (loss) per common share:			
Basic	0.21	(0.13)	0.07
Diluted	0.20	(0.13)	0.07
Weighted average number of common shares used in computing net income (loss) per share for the period:			
Basic	3,186,004	3,172,846	3,122,846
Diluted	3,372,369	3,172,846	3,487,768

See accompanying notes.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

(See Independent Accountant's Review Report)

Year ended January 31	2014 $ (Unaudited)	2013 $ (Unaudited)	2012 $ (Unaudited)
Cash provided by (used in):			
Operating activities:			
Net income (loss)	658,922	(422,849)	231,668
Add (deduct) items not affecting cash:			
Depreciation and amortization	100,749	169,861	268,203
Deferred loan acquisition costs	9,847		
Gain on disposal of equipment	-	-	(14,041)
Licence fee charged to due from shareholder (note 14)	35,608	43,896	32,837
Options issued in exchange for services (note 12b)	31,800	11,872	17,807
Net change in non-cash working capital balances related to operations (note 16)	(110,994)	144,849	(71,422)
Cash provided by (used in) in operating activities	725,932	(52,371)	465,052
Investing activities:			
Additions to property, plant and equipment	(294,404)	(115,437)	(158,597)
Increase in investments available for sale	(817)	(8,046)	(1,172)
Cash provided by (used in) investing activities	(295,221)	(123,483)	(159,769)
Financing activities:			
Repayment of bank loan	(186,628)	(57,668)	(57,243)
Repayment of capital lease obligations	(9,681)	(11,284)	(9,127)
Decrease in due to shareholder, net	(30,014)	(11,632)	(22,955)
Increase (decrease) in long-term bank indebtedness	(218,922)	210,179	(196,231)
Proceeds from long-term debt	452,621		
Private placement of common shares	-	-	12,000
Cash provided by (used in) financing activities	7,376	129,595	(273,556)
Effect of exchange rate changes	(82,664)	18,161	(1,550)
Net increase (decrease) in cash	355,423	(28,098)	30,177
Cash, beginning of year	4,241	32,339	2,162
Cash, end of year	359,664	4,241	32,339

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

GOING CONCERN

These consolidated financial statements have been prepared on going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. As can be seen from the table below, the Company's operating results and cash flow generation for the past 5 years have been inconsistent, resulting in an accumulated deficit of $21,745,366 as at January 31, 2014 (2013 – $22,404,288). As a result of the operations in fiscal years 2011 and 2010 and the inconsistent results for 2012, 2013 and 2014, the Company, through its wholly-owned subsidiary Dextran Products Limited, was in violation of its debt service loan covenant related to its long-term debt, which resulted in a restructuring and reclassification of this debt as a current liability as at January 31, 2013, January 31, 2012, January 31, 2011 and January 31, 2010. During the first quarter of fiscal year 2014, Dextran Products Limited finalized long term private financing in the amount of Cdn $500,000 to replace the operating loan and the equipment loan previously provided by its bank (see notes 9 and 10). The Company has positive working capital of $906,572 as at January 31, 2014 as compared to $110,245 as at January 31, 2013.

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

Over the past several years, management has undertaken various initiatives, including the following, in an effort to lead to more profitable operations:

- Development of new market areas, including a new application for dextran.
- Continued cost reductions relating to direct cost areas, including raw material pricing.

- Where possible, converting customer invoicing to Canadian dollars, resulting in reduced foreign exchange exposures for the Canadian operations.
- Continued emphasis on control of operational processes, combined with tighter criteria with respect to acceptance of returned goods for arbitrary inadequacies.
- Continued management of cost reductions relating to administrative and overhead expenses, including consulting fees, insurance, and reporting costs.
- Immediate follow up and continued aggressive pricing related to the increase in the volume of enquiries and orders.

These and other actions are starting to have an effect on the results of the Company's operations. Management will continue to aggressively pursue such effective initiatives.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The 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 obsolesce 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 year 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 3,186,004 for the year ended January 31, 2014, 3,172,846 for the year ended January 31, 2013, and 3,122,846 for the year ended January 31, 2012 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 2014 incremental shares of 186,365 were included in the calculation of income per common share. In 2012 incremental shares of 364,922 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.

3. INVENTORIES

Inventories consist of the following:

	2014	2013
	$	$
Finished goods	**729,705**	774,213
Work-in-process	**49,023**	56,087
Raw materials	**239,407**	276,720
	1,018,135	1,107,020

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2014			2013		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
	$	**$**	**$**	$	$	$
Land and buildings	**4,889,449**	**1,384,611**	**3,504,838**	5,246,198	1,524,652	3,721,546
Machinery and equipment	**9,366,291**	**8,332,108**	**1,034,183**	10,355,354	9,227,155	1,128,199
	14,255,740	**9,716,719**	**4,539,021**	15,601,552	10,751,807	4,849,745
Less: Impairment Adjustment	**(1,436,524)**		**(1,436,524)**	(1,604,332)		(1,604,332)
	12,819,216	**9,716,719**	**3,102,497**	13,997,220	10,751,807	3,245,413

As stated in the Going Concern note above, the Company's operations in prior years resulted in several negative financial indicators, including recurring net losses, negative cash flows, and violation of a covenant related to its bank term loan, which are indicators that the property, plant and equipment may be impaired. To assess this, the Company compared the carrying values of its building and production equipment to the value of estimated future cash flows to be expected from the utilization of these assets over their expected useful life, and has determined the assets were not further impaired as at January 31, 2014 and January 31, 2013.

Included in machinery and equipment are assets under capital lease with a total cost of $39,305 (2013 - $51,138) and accumulated depreciation of $16,394 (2013 - $18,696). Depreciation of $85,871 was charged to cost of sales in fiscal 2014 (2013- $146,547). Assets not available for use amounted to $3,140,123 (2013 - $3,189,079).

5. PATENTS AND INTANGIBLE ASSETS

Patents and intangible assets consist of the following:

	2014 **$**	2013 $
Cost	**80,341**	80,341
Less accumulated amortization	80,341	75,030
	--	5,311

These patents and intangible assets are now fully amortized.

6. INVESTMENTS AVAILABLE FOR SALE

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

	2014 **$**	2013 $
TD short term bond fund consisting of Canadian government and Corporate bonds maturing in the next 1-5 years, yielding 1.93%	**50,883**	56,062
	50,883	56,062

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 2015 and onwards. Accordingly the investments available for sale were classified as part of current assets as at January 31, 2014.

Subsequent to the year ended January 31, 2014, the Company invested an additional Cdn $51,000 into similar type of investments.

7. OTHER LOANS AND ADVANCES

Other loans payable consist of the following:

	2014 **$**	2013 $
Supply agreement advance	**250,000**	--
Term promissory note	**153,597**	163,191
Demand promissory note	**66,163**	70,295
Other loan	**145,545**	153,000
	615,305	**386,486**

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. Both notes are from the same customer, and no repayments have been made to April 30, 2014. Interest expense for the year was $11,403 (2013 - $16,295).

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.

8. RELATED PARTY TRANSACTIONS

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

	2014	2013
	$	$
Amounts due from estate of former shareholder *[i]*	**20,903**	56,511
Amounts due to shareholder *[ii]*	**(478,321)**	(508,335)
Amounts due from shareholders *[iii]*	**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% (2014 – 4.75%; 2013 – 4.75%), except for an amount of $250,000 (2013 – $250,000) which is non-interest bearing. In 2014, 2013 and 2012, 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 14]* as collateral for this loan. During 2014, $35,608 (2013 – $43,896; 2012 – $32,837) of license fee payments were utilized to reduce loan balances. The licence agreement expired as at January 31, 2014 and the Company has determined that no further reserve amount is 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, 2014, a balance of $8,721 is still to be paid to the Estate. See also "Iron Dextran Process" under Note 14.

[ii] Amounts due to shareholder are unsecured and bear interest at the United States bank prime lending rate plus 1.5% (2013 – 4.75%; 2012 – 4.75%). With the consent of the shareholder and at the request of the Company's bankers, the Company reduced its monthly payments, inclusive of accrued interest, to $3,000 from August 2011 through April 2013 when the repayment rate was reinstated to the required repayment of $5,000. Based on the current rate of interest, the principal repayment on this loan for fiscal 2014 will be approximately $36,000 (2013 - $13,000). This loan may not be called and has no fixed maturity date.

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

	$
2015	36,000
2016	36,000
2017	36,000
2018	36,000
2019	36,000
Thereafter	298,321
	478,321

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

	2014	2013	2012
	$	$	$
Interest expense	**23,478**	24,368	25,045

[iii] As at January 31, 2014 two shareholder/directors exercised their options and purchased 52,632 common shares of the Company (note 12). Subsequent to year end $20,000 has been received.

9. BANK INDEBTEDNESS

As at January 31, 2013 the Company had a Canadian operating line of credit of Cdn. $250,000 (U.S. $250,676) bearing interest at the Canadian banks' prime lending rate plus 3.00%. Subsequent to January 31, 2013, Dextran Products replaced this line of credit and the bank term loan as described in note 10 .

10. LONG TERM DEBT OBLIGATIONS

[a] Mortgage debt and bank loan payable consist of the following:

		January 31 2014		January 31 2013
Mortgage loan of Cdn $500,000 payable in monthly payments of Cdn $ 3,333 (U.S. $2,992) interest only with interest rate of 8%, maturing in April 2015	**$**	**448,914**	$	---
Less deferred acquisition costs		**(15,399)**		---
Bank term loan payable in monthly installments of Cdn $4,874 (U.S. $4,376) principal plus interest at the Canadian banks' prime lending rate plus 3% (2013-6%); replaced in April 2013		**---**		195,498
Less current portion		**---**		195,498
	$	**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. There are no financial covenants associated with this loan.

In the prior year, bank indebtedness consisted of a term loan of Cdn $194,970 (USD $195,498 as at January 31, 2013) and a line of credit of Cdn $229,121 (USD $229,741 as at January 31, 2013). Subsequent to the end of fiscal years 2011 and 2010, the Company was in default of one of the loan covenants, resulting in the reclassification of the equipment loan from long term liabilities to current liabilities for fiscal years ending 2013, 2012, and 2011. During April of 2013, the Company's subsidiary, Dextran Products Limited finalized private financing in the amount of Cdn $500,000 (USD $448,914) to replace the operating loan and the equipment loan previously provided by its bank. The loan is for a term of 2 years, expiring in April 2015, subject to lending fees of Cdn $18,750 (USD $16,834), with an interest rate of 8% and requiring monthly payments of interest only of Cdn $3,333 (USD $2,992). There are no financial covenants associated with this loan.

Interest expense for the year for long-term debt was $28,729 (2013 - $12,565).

[b] Capital lease obligations consist of the following:

	2014	2013
	$	$
Obligation (Cdn. $4,276) under a capital lease, repayable in monthly installments of Cdn. $545, bearing interest at 5.16% and matured in fiscal 2014.	**--**	4,288
Obligation (Cdn. $17,197) under a capital lease, repayable in quarterly installments of Cdn. $1,951 bearing interest at 9.42% and maturing in fiscal 2017.	**15,440**	23,097
Obligation (Cdn. $10,578) under a capital lease, repayable in monthly installments of Cdn. $336 bearing interest at 8.98% and maturing in fiscal 2017.	**9,497**	--
	24,937	27,385
Less current portion	**8,641**	10,141_
	16,296	17,244

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

	$
2015	10,629
2016	10,629
2017	7,121
Total minimum lease payments	28,379
Less amount representing imputed interest	3,442
	24,937

Interest expense for the year for capital lease obligations was $1,963 (2013 - $2,885)

11. ACCRUED LIABILITIES

	2014	2013
	$	$
Payroll and related taxes payable	**289,213**	381,485
Professional fees payable	**32,322**	33,591
Utilities and taxes	**24,178**	19,372
Death benefit payable	**8,721**	14,434
Others	**59,700**	57,130
	414,134	506,012

12. CAPITAL STOCK

[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.

[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, 2014, 52,632 common share options were exercised and 52,632 common shares were issued.

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

During the year ended January 31, 2012, no common share options were exercised, and 100,000 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, 2014, the Company had 354,000 options outstanding at exercise prices ranging from $0.12 to $0.82 and a weighted average exercise price of $0.35. The options, which are immediately exercisable and expire on dates between January 31, 2015 and January 31, 2019, entitle the holder of an option to acquire one common share of the Company.

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 1.50, and an expected life of five years.

On January 31, 2013, 53,000 common share options were issued to the independent directors and officers of the Company. These options were valued at $11,872 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.

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

	Share options			Weighted average exercise price per share		
	2014	2013	2012	**2014**	2013	2012
	#	#	#	$	$	$
Options outstanding, beginning of year	**379,948**	364,922	325,422	**0.29**	0.34	0.59
Granted	**53,000**	53,000	53,000	**0.82**	0.31	0.47
Exercised	**(52,632)**	—	—	**0.38**	—	—
Expired	**(26,316)**	(37,974)	(13,500)	**0.38**	0.79	6.89
Options outstanding, end of year	**354,000**	379,948	364,922	**0.35**	0.29	0.34

Weighted average fair value of options granted during the year	**$0.82**	$0.28	$0.47

The following table summarizes information relating to the options outstanding at January 31, 2014:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (months)
0.82	53,000	60
0.31	53,000	48
0.47	53,000	36
0.12	75,000	24
0.25	120,000	12
	354,000	31

13. 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.

14. 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:

	2014	2013	2012
	$	$	$
Research and development expenditures	**2,932**	1,252	4,852
Less: Investment tax credits	—	—	—
Research and development expense	**2,932**	1,252	4,852

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. The total license fee incurred during the year was $35,608 [2013 – $43,896; 2012 – $32,837]. These payments were applied to the balance owing by the Estate *[note 8[i]]* and no further fees are required in the future.

15. 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:

	2014	2013	2012
	$	$	$
Bahamas	**(2,439)**	-	(708)
Canada	**661,580**	(417,889)	220,033
United States	**881**	(5,662)	16,943
	660,022	(423,551)	236,268

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:

	2014	2013	2012
	$	$	$
Provision for (recovery of) income taxes based on Canadian statutory income tax rates (2014 – 25%, 2013 – 25%, 2012 – 25%))	**165,395**	(104,472)	55,008
Increase (decrease) in valuation allowance	**(225,360)**	98,660	(82,064)
Tax and exchange rate changes on deferred tax items	**59,636**	878	5,222
Expired tax losses and other	**(11,422)**	(1,624)	13,642
Items not deductible for tax	**11,751**	6,558	8,192
	—	—	—
Provision for (recovery of) income taxes based on United States income tax rates (2014 – 22%, 2013 – 22%, 2012 – 17%)	**194**	(1,245)	2,880
Utilization of previously unrecognized tax losses	**906**	(2,318)	(783)
Items not deductible for tax and other	—	2,861	2,503
	1,100	(702)	4,600
Provision for (recovery of) income taxes	**1,100**	(702)	4,600

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

	2014 $	2013 $	2012 $
US current tax expense (recovery)	**1,100**	(702)	4,600
Canadian current tax expense (recovery)	—	—	—
	1,100	(702)	4,600

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

	2014 $	2013 $	2012 $
Deferred tax assets			
Canadian			
Non-capital losses	**1,114,126**	1,335,345	1,182,559
Unclaimed research and development expenses	**270,042**	301,587	299,932
Excess of tax value over carrying value of depreciable assets	**316,509**	421,364	472,271
Net capital losses *[note 15[c]]*	**137,241**	153,272	152,432
Other items	**34,004**	40,155	44,787
United States			
Net operating loss carryforwards	**2,139**	2,572	783
	1,874,061	2,254,295	2,152,764
Less valuation allowance	**1,874,061**	2,254,295	2,152,764
	—	—	—

[c] The Canadian subsidiaries have non-capital loss carryforwards available to reduce future years' income for tax purposes totaling approximately $4,486,000. These non-capital losses expire from 2015 to 2034 and are stated below.

Year of expiry	$
2015	541,000
2026	427,000
2027	461,000
2028	323,000
2029	814,000
2030	967,000
2031	187,000
2032	67,000
2033	550,000
2034	149,000
Total	4,486,000

The Canadian subsidiaries also have deductions relating to scientific research and experimental development credits amounting to approximately $1,080,000. Certain Canadian subsidiaries also have net capital losses available for carryforward of approximately $549,000 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.

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	2013	2012
	$	$	$
Decrease (increase) in assets			
Trade accounts receivable	**(266,021)**	64,285	(483,808)
Inventories	**(29,967)**	(166,447)	483,551
Due from shareholders/directors	**(20,000)**	--	--
Prepaid expenses and other current assets	**13,472**	(6,024)	(3,729)
	(302,516)	(108,186)	(3,986)
Increase (decrease) in liabilities			
Accounts payable	**(147,227)**	246,912	(273,162)
Accrued liabilities	**(51,111)**	2,665	(26,925)
Other loan payable	**298,607**	11,350	227,787
Customer deposits	**87,590**	(512)	264
Income taxes	**3,663**	(7,380)	4600
	(110,994)	144,849	(71,422)

Cash paid during the year for interest was $67,017 (2013 – $41,878; 2012 – $53,463). Cash paid during the year for income taxes was $NIL (2013 – NIL; 2012 – NIL).

During the fiscal year ended January 31, 2014, the Company acquired a telephone system in an amount of $9,497 under capital lease arrangements.

17. 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 13*.

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

	2014	2013	2012
	$	$	$
Total revenue by significant customer:			
Customer A	**1,322,825**	1,080,980	1,422,237
Customer B	**594,703**	496,637	621,578
Customer C	**576,200**	670,014	695,997
Customer D	**528,502**	510,807	255,968
Customer E	**277,610**	3,080	280,990
	3,299,840	2,761,518	3,276,770

	2014	2013	2012
	$	$	$
Sales by geographic destination:			
Europe	**2,544,935**	1,983,754	1,945,452
United States	**1,722,078**	1,324,912	2,001,514
Other	**726,125**	833,618	696,477
Canada	**642,831**	812,555	1,264,725
Pacific Rim	**327,814**	238,130	257,586
	5,963,784	5,192,969	6,165,754

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

18. 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, 2014 and 2013 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, 2014 and 2013. 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.

19. OTHER DISCLOSURES

[a] Concentration of accounts receivable

As at January 31, 2014, three (2013 – five) customers of the Company comprised 62% (2013 - 85%) 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.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of other accumulated comprehensive income are as follows:	**2014** $	2013 $
Unrealized gains on investments available for sale	**20,759**	20,847
Currency translation	**1,150,237**	1,627,932
Accumulated other comprehensive income	**1,170,996**	1,648,779

21. COMMITMENTS AND CONTINGENCIES

A subsidiary of the Company, Chemdex Inc., renewed its supply agreement with an existing customer and signed an agreement to supply raw materials for an additional product. The agreement is for a period of ten years, renewable for another ten years, and provides the customer with exclusive rights to these raw materials in the Unites States (see notes 7 and 13).

The Company's subsidiary, Dextran Products Limited has committed to the upgrade of portions of its plant roofing in the amount of Cdn $53,216 (USD $47,800), and to the purchase of a new process reactor in the amount of $49,500. Dextran Products Limited has also committed to the replacement of a dextran purification system in the amount of Cdn. $250,000 (USD $224,500).

22. SUBSEQUENT EVENTS

The Company's subsidiary, Dextran Products Limited increased its investments by an additional Cdn. $51,000 subsequent to January 31, 2014.

23. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, *"Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income."* ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about those amounts. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU No. 2013-02 did not have a material impact on the Company's results of operations or the Company's financial position.

In March 2013, the FASB issued ASU No. 2013-05, *"Foreign Currency Matters."* ASU No. 2013-05 indicates that a cumulative translation adjustment ("CTA") is attached to the parent's investment in a foreign entity and should be released in a manner consistent with the derecognition guidance on investments in entities. Thus, the entire amount of the CTA associated with the foreign entity would be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated), or step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU No. 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU No. 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU No. 2013-05 is not expected to have a material impact on the Company's results of operations or the Company's financial position.

In July 2013, the FASB issued ASU No. 2013-11, *"Income Taxes (Topic 740): Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists."* Under the amendments of this update an entity is required to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The provisions of this update will be effective prospectively for the Company in fiscal years beginning after December 15, 2013, and for the interim periods within fiscal years with early adoption and retrospective application permitted. The adoption of ASU No. 2013-11 is not expected to have a material impact on the Company's results of operations or the Company's financial position.

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	Alan Gelband Gelband & Co. Inc. 750Third Avenue, 21st Floor New York, NY 10017	375,000	11.1%
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	8.5%
Common Shares	Estate of Thomas C. Usher Peter T. Higgs, Trustee c/o Polydex Pharmaceuticals Limited	243,263	7.7%
Common Shares	Joseph Buchman Director c/o Polydex Pharmaceuticals Limited 421 Comstock Road Toronto, Ontario, Canada M1L 2H5	206,495	6.5%

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's fiscal year ends on January 31st of each year. In this report, fiscal year 2014 refers to the Company's fiscal year ended January 31, 2014. 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 2014:

During fiscal year 2014 the Company experienced high demand from customers resulting in increased sales as compared to fiscal year 2013 in spite of equipment problems in the third and fourth quarters, including the failure of essential production equipment that resulted in reduced production and sales. Management is addressing the need for new or upgraded equipment with the investment of $294,404 for fiscal year 2014 and scheduled expenditures of approximately an additional $300,000 in early 2015. Management's goal is to implement further upgrades and replacements over time as additional funds become available, eventually reducing or even eliminating the types of problems that have occurred in the past. Management is encouraged by the patience and support of our customers both new and longer term, as evidenced by their willingness to invest in assuring the long term availability of the high quality products the Company has consistently delivered. The Company continues to enjoy a strong order book, and is working diligently to fulfill its commitments, though equipment problems may continue to remain an issue for the immediate future.

While the economy appears to be stabilizing, management of the company plans to continue with a strict fiscal constraints 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 has increased dramatically.

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.

Results of Operations

Fiscal year ended January 31, 2014 compared to Fiscal Year ended January 31, 2013 compared to Fiscal Year ended January 31, 2012:

	FY 2014	**FY 2013**	**FY 2012**	**14 v 13**	**13 v 12**
				(% increase(decrease))	
Income (Loss) before taxes	**$660,022**	$(423,551)	$236,268	**256%**	(279)%
Net Income (Loss)	**658,922**	(422,849)	231,668	**256%**	(283)%
Income (Loss) per share	**0.21**	(0.13)	0.07		

The increase in net profit for the fiscal year 2014 is a result of increased sales and gross margins compared to fiscal year 2013. Management initiated an aggressive production management system with weekly meetings involving production, sales and quality control to ensure any irregularities in production were caught and corrections implemented in a timely manner.

The decrease in net profit for fiscal year 2013 was a result of decreased sales and gross margins that were due to production equipment issues, as well as increased expenses compared to the year to date of fiscal year 2012.

	FY 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase (decrease))	
Sales	**$5,963,784**	$5,192,969	$6,165,754	**15%**	(16)%

Sales increased significantly for fiscal year 2014 compared to fiscal year 2013 due to continued customer demand, and the order book at year end continues to be very strong.

Sales decreased significantly for fiscal year 2013 compared to fiscal year 2012 primarily due to failures in production equipment.

	FY 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase(decrease))	
Gross profit (loss)	**$1,447,883**	$403,320	$988,609	**259%**	(59)%

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.

Gross profit decreased significantly in the fiscal year ended January 31, 2013 compared to the prior fiscal year. This was due to significantly decreased sales resulting from production equipment failures which in turn depressed the ability to ship product. Margins were decreased by modified production procedures necessitated by the equipment failures, but unfortunately also resulted in the increased use of raw materials and prolonged production cycles. Fixed overheads also continued to be incurred while production output was diminished.

	FY 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase(decrease))	
Selling, promotion, general and administrative expenses	**$772,876**	$730,045	$695,587	**6%**	5%

Expenses increased slightly in fiscal year 2014. 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.

These expenses increased in fiscal year 2013 primarily due to the addition of one partime administrative assistant as well as fiscal 2013 did not have the benefit of as large a refund of non-resident withholding taxes as was received in fiscal 2012.

	FY 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase(decrease))	
Research and development	**$2,932**	$1,252	$4,852	**134%**	(74)%

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 2014, 2013 and 2012, research and development was limited to fees related 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 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase(decrease))	
Depreciation and amortization	**$100,749**	$169,861	$268,203	**(41)%**	(36)%

Depreciation continued its decline as more assets become fully depreciated, and is expected to continue to decrease in future years. Included in depreciation and amortization expense are allocations to cost of goods sold in the amount of $85,871 for fiscal year 2014 (2013 - $154,581; 2012 - $268,203).

	FY 2014	**FY 2013**	**FY 2012**	**14 v 13**	**13 v 12**
				(% increase(decrease))	
Interest expense	**$76,864**	$53,228	$62,898	**44%**	(15)%

The increase in interest expense in fiscal year 2014 is primarily due to the larger mortgage and related interest rate as compared to the bank term loan and operating loan that were in effect for fiscal year 2013 (see note 10 above).

The decrease in interest expense in fiscal year 2013 compared to fiscal year 2012 was due to the decrease in bank borrowings throughout most of fiscal year 2013, except for the fourth quarter when production problems significantly impacted sales and related cash collections. Long term debt also declined throughout that fiscal year as the Company continued to meet its debt repayment commitments.

	FY 2014	**FY 2013**	**FY 2012**	**14 v 13**	**13 v 12**
				(% increase(decrease))	
Foreign Exchange loss (gain)	**$(73,543)**	$28,095	$(10,222)	**362%**	(375)%

Throughout fiscal year 2014 the Company benefitted from the decreasing value of the Canadian dollar, as the Company has a net asset exposure to the United States dollar due primarily to the increase in USD cash and receivables.

Though the Company had a net asset exposure to the United States dollar, the fluctuations in value of the Canadian dollar during certain periods of the fiscal year 2013 compared to fiscal year 2012 resulted in the loss noted above.

	FY 2014	**FY 2013**	**FY 2012**	**14 v 13**	**13 v 12**
				(% increase(decrease))	
Interest and other income	**$835**	$1,030	$1,171	**(19)%**	(12)%

The decrease in interest income is due primarily to the decrease in value of the Canadian dollar throughout fiscal year 2014. Subsequent to year end the Company invested an additional Cdn. $51,000 in order to maintain a required minimum balance (see note 6 above).

During fiscal year 2013, and at the request of the bank, the Company added Cdn $7,000 to the investments held by the bank. Because of the low investment returns available, interest and other income continued at the minimal levels of the prior fiscal year.

	FY 2014	FY 2013	FY 2012	14 v 13	13 v 12
				(% increase(decrease))	
Income tax expense (recovery)	**$1,100**	$(702)	$4,600	**257%**	(115)%

The expense for fiscal year 2014 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 is 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, 2014, the Company had cash of $359,664 compared to cash of $4,241 at January 31, 2013. In fiscal year 2014, the Company generated cash of $725,932 in its operating activities, compared to expending cash of $52,371 for fiscal year 2013 and generating cash $465,052 for fiscal year 2012. Depreciation and amortization continues to be a large non-cash expense of the Company, though the actual amount of depreciation continues to decrease due to the impairment provisions that occurred in fiscal years 2009 and 2010, and as assets become fully depreciated.

Working capital increased to $906,572 and the current ratio increased to 1.52 to 1 as of January 31, 2014, compared to $110,245 and 1.05 to 1 as of January 31, 2013 and $421,881 and 1.25 to 1 as of January 31, 2012.

As at January 31, 2014 the Company was committed to its agreement to supply raw materials to Sparhawk and to various improvements at its subsidiary Dextran Products Limited totaling $283,300. These replacements and improvements are necessary to sustain and improve the Company's ability to keep pace with the increasing demand for delivery of its high quality products.

At January 31, 2014, the Company had accounts receivable of $1,107,657 and inventory of $1,018,135 compared to $970,307 and $1,107,020 respectively, as at January 31, 2013. Accounts receivable were higher as at January 31, 2014 compared to January 31, 2013 primarily as a result of increased sales and the timing of payments. Inventory of $1,018,135 (2013 - $1,107,020) and accounts payable of $496,150 (2013 - $701,733) at January 31, 2014 were lower than the prior fiscal year end as the Company did not have the large amount of a specific liquid product that had not been shipped by the fiscal 2013 year end, and the timing of supplier payments. During fiscal year 2014, capital expenditures totaled $294,404 as compared to $115,437 in fiscal year 2013.

As at January 31, 2014, the Company's investments consisted of a global fixed income bond fund, 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 plans to convert a portion of these investments to cash as needed for working capital.

The change in accumulated other comprehensive income of the Company is almost entirely 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 United States dollars.

During April 2013 the Company refinanced its outstanding bank loan and line of credit from its bank to a private lender. In addition to utilizing this loan in operations, the Company has planned major improvements to its production equipment at its plant located at Dextran Products Limited in Toronto, Canada, as mentioned above.

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, 2014 was $218,340, as compared to $242,259 at January 31, 2013, including accrued interest. The Company has taken a cumulative provision of $447,437 at January 31, 2014 (January 31, 2013 - $435,748) 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 January 31, 2014, pursuant to a non-interest bearing loan with no specific repayment terms. The outstanding amount of this loan has not changed from January 31, 2013. The amounts continue to remain owing from the estate of Thomas C. Usher.

As of January 31, 2014, Thomas C. Usher, now through his estate, had pledged 243,263 common shares of the Company as security for these amounts owing to the Company. These common shares had a market value of $199,476 at January 31, 2014, based on the closing price of the Company's common shares on the Pink Sheets quotation service on January 31, 2014. The Company intends to continue to hold the pledged assets as collateral until the amounts owing discussed above are repaid.

The Company had a commitment to pay an amount equal to one year's salary, $110,000, to Thomas C. Usher's estate. The amount owing on this commitment as at January 31, 2014 is $8,721 (2013 – $14,434).

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 $478,321 at January 31, 2014 from $508,335 at January 31, 2013 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, 2014

/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, 2014

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