POLYDEX PHARMACEUTICALS LIMITED

QUARTERLY DISCLOSURE REPORT

JULY 31, 2018

UNAUDITED

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ITEM I NAME OF ISSUER

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ITEM II SHARES OUTSTANDING

Preferred Stock – Class A

(i)	Period end date	July 31, 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	July 31, 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	July 31, 2018
(ii)	Authorized	10,000,000 shares
(iii)	Issued and outstanding	3,419,478 shares
(iv)	Freely tradable shares (public float)	2,386,525
(v)	Number of shareholders of record	220

ITEM III INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
JULY 31, 2018
UNAUDITED

(Expressed in United States dollars)

		July 31 2018		January 31 2018
		(Unaudited)		(Unaudited)
Assets				
Current assets:				
Cash		$1,378,121		$632,502
Investments available for sale (note 3)		614,948		651,299
Trade accounts receivable		965,408		1,539,891
Inventories				
Finished goods	424,820		519,279	
Work in progress	289,961		175,661	
Raw materials	302,541	1,017,322	343,013	1,037,953
Prepaid expenses and other current assets		37,018		71,835
Total current assets		4,012,817		3,939,525
Property, plant and equipment, net		3,192,530		3,368,511
Due from estate of former shareholder		20,903		20,903
		$7,226,250		$7,328,939

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEETS
JULY 31, 2018
UNAUDITED

(Expressed in United States dollars)

	July 31 2018	January 31 2018
	(Unaudited)	(Unaudited)
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$598,796	$424,813
Accrued liabilities	211,554	279,612
Income taxes payable	1,241	880
Other loans and advances (note 4)	101,025	113,625
Current portion of long-term debt	63,028	62,016
Current portion of capital lease obligations	3,986	3,382
Current portion of due to shareholder	36,000	36,000
Total current liabilities	1,015,630	920,328
Long-term debt (note 5a)	241,342	292,461
Capital lease obligations (note 5b)	7,932	11,344
Due to shareholder	324,401	336,336
	573,675	640,141
Total liabilities	1,589,305	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	(18,607,292)	(18,772,390)
Accumulated other comprehensive income	365,175	661,798
	5,636,945	5,768,470
	$7,226,250	$7,328,939

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
JULY 31, 2018
UNAUDITED

(Expressed in United States dollars)

	Three Months Ended July 31 2018	Three Months Ended July 31 2017	Six Months Ended July 31 2018	Six Months Ended July 31 2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Sales	$1,267,481	$1,274,622	2,747,786	2,534,707
Cost of goods sold	996,644	967,335	2,235,812	1,949,176
Gross profit	270,837	307,287	511,974	585,531
Expenses				
General and administrative	154,664	149,931	301,760	296,129
Interest expense,net	9,309	8,414	18,809	16,908
Selling and promotion	11,963	12,529	34,071	25,743
Depreciation	2,303	1,903	4,827	3,732
Research and development	--	--	--	--
Foreign exchange (gain) loss	33,434	155,729	(10,728)	83,927
Interest and other income	(1,585)	(1,431)	(2,462)	(2,786)
Total expenses	210,088	327,075	346,277	423,653
Income before income taxes	60,749	(19,788)	165,697	161,878
Provision for income taxes (note 9)				
Current	600	105	600	11,287
Deferred	---	202	---	21,527
	600	307	600	32,814
Net income (loss) for the period	**60,149**	**(20,095)**	**165,097**	**129,064**
Unrealized gain (loss) on investments	(631)	(5,567)	(2,589)	(2,530)
Currency translation adjustment	(41,616)	477,806	(294,034)	165,831
Comprehensive income for the period	$17,902	$452,144	($131,526)	$292,365
Per share information:				
Earnings per common share:				
Basic	0.02	(0.01)	0.05	0.04
Diluted	0.02	(0.01)	0.05	0.04
Weighted average number of common shares used compute net income per share for the period:				
Basic	3,419,478	3,399,978	3,419,478	3,399,978
Diluted	3,459,969	3,399,978	3,469,261	3,507,275

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
JULY 31, 2018
UNAUDITED

(Expressed in United States dollars)

	Six Months Ended July 31 2018	Six Months Ended July 31 2017
	(Unaudited)	(Unaudited)
Preferred Shares:		
Balance, beginning and end of period	$15,010	$15,010
Common Shares:		
Balance, beginning and end of period	$56,974	$56,649
Contributed Surplus:		
Balance, beginning and end of period	$23,807,078	$23,801,359
Deficit:		
Balance, beginning of period	($18,772,389)	($19,220,395)
Net profit for the period	165,097	129,064
Balance, end of period	($18,607,292)	($19,091,331)
Accumulated Other Comprehensive Income:		
Balance, beginning of period	$661,798	$388,094
Unrealized gain on investments available for sale	(2,589)	(2,530)
Currency translation adjustment for the period	(294,034)	165,831
Balance, end of period	$365,175	$551,395

See accompanying notes.

POLYDEX PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
JULY 31, 2018
UNAUDITED

(Expressed in United States dollars)

	Six Months Ended July 31 2018	Six Months Ended July 31 2017
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating activities:		
Net profit for the period	$165,097	$129,064
Add (deduct) items not affecting cash:		
Depreciation and amortization	145,888	117,428
Deferred income taxes (note 9)	---	21,527
Net change in non-cash working capital balances related to operations	628,419	(56,435)
Cash provided by operating activities	939,404	211,584
Investing activities:		
Additions to property, plant and equipment	(157,327)	(109,968)
Proceeds (Acquisition) of investments available for sale	(2,462)	(2,786)
Cash used in investing activities	(159,789)	(112,754)
Financing activities:		
Repayment of long-term debt	(30,561)	(21,394)
Proceeds (Repayment) of capital lease obligations, net	(2,000)	(18,267)
Decrease in due to shareholder	(11,935)	(5,625)
Cash used in financing activities	(44,496)	(45,286)
Effect of exchange rate changes	10,500	34,939
Net increase in cash and cash equivalents	745,619	88,483
Cash, beginning of year	632,502	653,214
Cash, end of period	$1,378,121	$741,697

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 July 31, 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 except as noted in note 7 there were no other material subsequent events since July 31, 2018 that would require recognition.

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 operations 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 fiscal period ended July 31, 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.

Earnings per common share
Basic earnings per common share is computed using the weighted average number of common shares outstanding of 3,419,478 for the three months and six months ended July 31, 2018 (2017 - 3,399,9478). 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. Options to purchase common shares of 49,803 were included in the computation of year to date diluted earnings per share as at July 31, 2018, and 107,297 incremental shares were included for the six months ended July 31, 2017. Options to purchase common shares of 40,491 were included in the computation of diluted earnings per share for the three months ended July 31, 2018. No options to purchase common shares were included in the computation of diluted earnings per share for the three months ended July 31, 2017 as the effect would be antidilutive.

3. Investments Available For Sale:

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

	July 31 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 - 0.01%	**304,024**	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%	**310,924**	329,431
	614,948	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 July 31, 2018.

4. Other loans and advances:

Other loans and advances consist of the following:

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

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

5. Long term debt obligations:

[a] Bank term loans consist of the following:

	July 31 2018 $	January 31 2018 $
Bank term loan #1 payable in monthly installments of Cdn $5,547 (U.S. $4,261) principal and interest at the Canadian bank's fixed rate of 4.20%	**121,529**	152,480
Bank term loan #2 payable in monthly installments of Cdn $2,527 (U.S. $1,941) principal and interest at the Canadian bank's fixed rate of 3.97%	**182,841**	201,997
	304,370	354,477
Less: current portion	**63,028**	62,016
	241,342	292,461

Bank term loan #1 was arranged in January 2016 for 60 months at a fixed rate of prime plus 1.50% (2018 – 6.50%).

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 – $230,468) for working capital purposes, of which none was utilized at January 31, 2018 and July 31, 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 – $382,555) on the Company's building located in Toronto, Canada.

Interest expense for the six months on the loans was $7,050 (2018 - $2,826).

Principal repayments on the bank loan are as follows:

	$
2019	**63,028**
2020	**65,801**
2021	**42,603**
2022	**18,403**
2023	**19,146**
Thereafter	**95,389**
	304,370

[b] Capital lease obligations consist of the following:

	July 31 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 $1,243 bearing interest at 9.42% and maturing in 2021	**11,918**	14,587
Less current portion	**(3,986)**	(3,382)
	7,932	11,344

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

	$
2020	**4,972**
2021	**4,972**
2022	**3,729**
Total minimum lease payments	**13,673**
Less amount representing imputed interest	**1,755**
	11,918

Interest expense for the 6 months ended July 31, 2018 for capital lease obligations was $448 (2018 - $329).

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 $160,000 of partially finished product from a contract manufacturer.

7. Subsequent Events

In August 2018 during the Company's annual maintenance shutdown damage was sustained to the feeder line to one of its materials holding tanks. A preliminary assessment of the damage is currently underway. The cost of necessary repairs is not determinable at this time. This has resulted in a short extension to the normal shutdown period and may impact sales in the next quarter.

8. 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 July 31, 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 July 31, 2017, because there were no options granted during that period.

9. Provision for Income Taxes

The Company's income tax provision for July 31, 2018 relates to income taxes owing at its United State's subsidiary Chemdex, Inc.

10. Segmented Information:

Total revenue by significant customer:

	Six Months Ended July 31 2018	Six Months Ended July 31 2017
	$	$
Customer A	**608,000**	561,850
Customer B	**325,678**	253,462
Customer C	**324,997**	--
Customer D	**253,291**	--
Customer E	**192,531**	249,350
Customer F	**100,116**	494,912
	1,804,613	1,549,574

Sales by geographic destination:

	Six Months Ended July 31 2018	Six Months Ended July 31 2017
	$	$
Europe	**1,479,051**	1,253,735
United States	**958,626**	513,270
Other	**204,610**	242,291
Canada	**102,999**	487,711
Pacific Rim	**2,500**	37,700
	2,747,786	2,534,707

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 July 31, 2018 interim consolidated financial statements and notes thereto included elsewhere in this report. Operating results for the three and six months ended July 31, 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 substantial 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 subsidiary Chemdex, Inc. and its corporate division operating as Dextran Products. (On May 1, 2017 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 Company's operating division, Dextran Products in Canada. Chemdex, Inc. in the United States provides ferric hydroxide and hydrogenated dextran to a customer pursuant to a definitive supply agreement.

Management Objectives for Fiscal 2019:

Results for the second quarter of fiscal 2019 are comparable to the prior year though for different reasons as noted in the results of operations below. Results were again impacted by currency exchange variability and increasing depreciation. The latter continues to be a significant non-cash item due to our commitment to improving our plant equipment. Depreciation is also likely to increase further for fiscal 2019 with improvements to our water system which should assist in cost efficiencies as well as improved product and product registrations.

In spite of these factors EBITDA remains strong at $330,394 for the year to date and especially $142,376 for the second quarter of fiscal 2019 (six months of fiscal 2018 -$296,214; second quarter of fiscal 2018 - $47,436). And the Company's balance sheet also remains strong with cash of $1,378,121 comfortably exceeding current liabilities of $1,015,630.

Research into a new production process that could significantly reduce the use of expensive solvents has successfully passed initial testing. Research into a new iron product is also starting to generate promising results, though neither of these items allows us to predict the impact on market sales nor production cost savings at this time.

Results of Operations

Three and six months ended July 31, 2018 compared to three and six months ended July 31, 2017:

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Net Income (loss)	$60,149	$(20,095)	400%	$165,097	$129,064	29%
Income per Share:						
Basic	$0.02	$(0.01)		$0.08	$0.04	
Diluted	$0.02	$(0.01)		$0.08	$0.04	

The increase in net income for the first quarter and the year to date of fiscal 2019 compared to the year to date net income of fiscal 2018 is due primarily to the decrease in the foreign exchange loss. The loss for the second quarter and year to date of fiscal 2018 resulted from the premature recognition of the effects of the amalgamation.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Sales	$1,267,481	$1,274,622	(0.01)%	$2,747,786	$2,534,707	8%

Sales in the first quarter of fiscal 2019 were comparable to the first quarter of fiscal 2018. The increase in sales for the year to date of fiscal 2019 compared to fiscal 2018 is primarily due to increased demand for liquid product in the United States.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Gross Profit	**$270,837**	**$307,287**	**(12)%**	**$511,974**	**$585,531**	**(13)%**
Percentage of sales	**21%**	**24%**		**19%**	**23%**	

The decrease in gross margin percentage and dollar amounts in the second quarter and year to date of fiscal year 2019 were primarily related to the increased depreciation expense and the increased value of the Canadian dollar compared to comparable periods in fiscal 2018.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Selling, promotion, general and administrative expenses	**$166,627**	**$162,460**	**3%**	**$335,841**	**$321,872**	**4%**

These expenses increased in the second quarter and year to date of fiscal 2019 compared to comparable periods in fiscal 2018 due primarily to increased commissions and the increased value of the Canadian dollar.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Research and Development expenditures	**---**	**---**	**---**	**---**	**---**	**---**

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

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Depreciation and amortization expense	**$72,318**	**$58,810**	**23%**	**$145,888**	**$117,428**	**24%**

Depreciation and amortization continued to increase for the three months and six months ending July 31 2018 compared to the three and six months ended July 31, 2017. This was primarily due to the significant fixed asset additions that occurred in third and fourth quarters of fiscal 2018 and has continued into fiscal 2019. Included in depreciation and amortization expense are allocations to cost of goods sold in the amount of $141,062 for fiscal year to date 2019 (2018 - $113,696).

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Interest expense	**$9,309**	**$8,414**	**11%**	**$18,809**	**$16,908**	**11%**

Interest expense increased in the second quarter and year to date of fiscal year 2019 compared to 2018 due to the increase in long term debts due primarily to the second bank term loan acquired in the fourth quarter of fiscal 2018.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Foreign exchange (gain) loss	**$33,434**	**$155,729**	**(79)%**	**$(10,728)**	**$83,927**	**(113)%**

The foreign exchange loss during the second quarter of fiscal year 2019 offset to some extent the exchange gains that occurred during the first quarter of fiscal 2019, resulting in the net gain for the six months ended July 31, 2018. The Company's operating division, Dextran Products, had a net asset position with the United States dollar versus the Canadian dollar causing the increase in the value of the Canadian dollar to result in the loss noted above in the second quarter of fiscal 2019. A similar result occurred in fiscal 2018 when the Canadian dollar also increased in the second quarter and resulted in that year to date loss.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Interest and investment income	**$1,585**	**$ 1,431**	**11%**	**$2,4,62**	**$2,786**	**(12)%**

The variance in interest and other income in the second quarter and year to date of fiscal year 2019 compared to the second quarter and year to date of fiscal year 2018 is due to the timing of dividends reinvested and adjustments to market values during these periods.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Variance	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Variance
Income tax expense						
Current	**$600**	**$105**		**$600**	**$11,287**	
Deferred	**---**	**$202**		**---**	**$21,527**	
Income taxes	**$600**	**$307**	**95%**	**$600**	**$32,814**	**(98)%**

The current tax provision for the three months and year to date ended July 31, 2018 relates to income taxes in the Company's United States subsidiary, Chemdex, Inc. This compares to the current provision of $11,287 in the year to date of fiscal 2018 which was primarily due to the timing of the amalgamation which had resulted in the taxability of the Canadian subsidiary. The deferred tax provision consisted of expensing the remaining deferred tax asset since it was fully utilized during the 6 months ended July 31, 2017.

Liquidity and Capital Resources

As of July 31, 2018, the Company had cash of $1,378,121, compared to cash of $632,502 at January 31, 2018. In the first six months of fiscal year 2019, the Company generated cash of $939,404 in its operating activities, compared to $211,584 for the six months of fiscal year 2018. The increase in the generation of cash from operations during the first six months of fiscal year 2019 is primarily due to the increase in sales, and the significant foreign exchange loss that had resulted in the net income during the first six months of fiscal 2018. Depreciation continues to be a significant non-cash expense of the Company.

The Company's working capital decreased slightly to $2,997,187 and a working capital ratio of 3.95 to 1 as of July 31, 2018 compared to $3,019,197 and 4.28 to 1 as of January 31, 2018.

As of July 31, 2018, the Company had accounts receivable of $965,408 and inventory of $1,017,322 compared to $632,502 and $1,539,891 respectively at January 31, 2018 and $741,697 and $1,170,899 respectively at July 31, 2017. Accounts receivable decreased due to the timing of receipts, while inventory decreased only slightly.

At July 31, 2018, the Company had accounts payable of $598,796 compared to $424,813 at January 31, 2018 and $350,302 at July 31, 2017. The increase in accounts payable from January 31, 2018 was due to the timing of supplier payments.

During the second quarter of fiscal year 2019, capital expenditures totaled $114,228 as compared to $82,712 in the second of fiscal year 2018. Expenditures in the second quarter of fiscal 2019 related to plant equipment and automotive. Additional expenditures on capital equipment are possible 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 decrease in capital lease obligations from January 31, 2018 is due to continued repayments of principal and interest throughout the period, as is the decrease in long term debt.

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 due from shareholder as of July 31, 2018 was $275,597 as compared to $267,210 at January 31, 2018, including accrued interest. The Company has taken a cumulative provision of $504,694 at July 31, 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 July 31, 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 July 31, 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 $272,455 at July 31, 2018, based on the closing price of the Company's common shares on the Pink Sheets quotation service on July 31, 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 July 31, 2018 remained at $6,962 (January 31, 2018 – $6,962).

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 $360,379 as at July 31, 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 substantial 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 Dextran Products will realize capital gains in the future to use these Canadian capital loss deductions.

Changes in Accounting Policies

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

ITEM V LEGAL PROCEEDINGS

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.

September 14, 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.

September 14, 2018

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