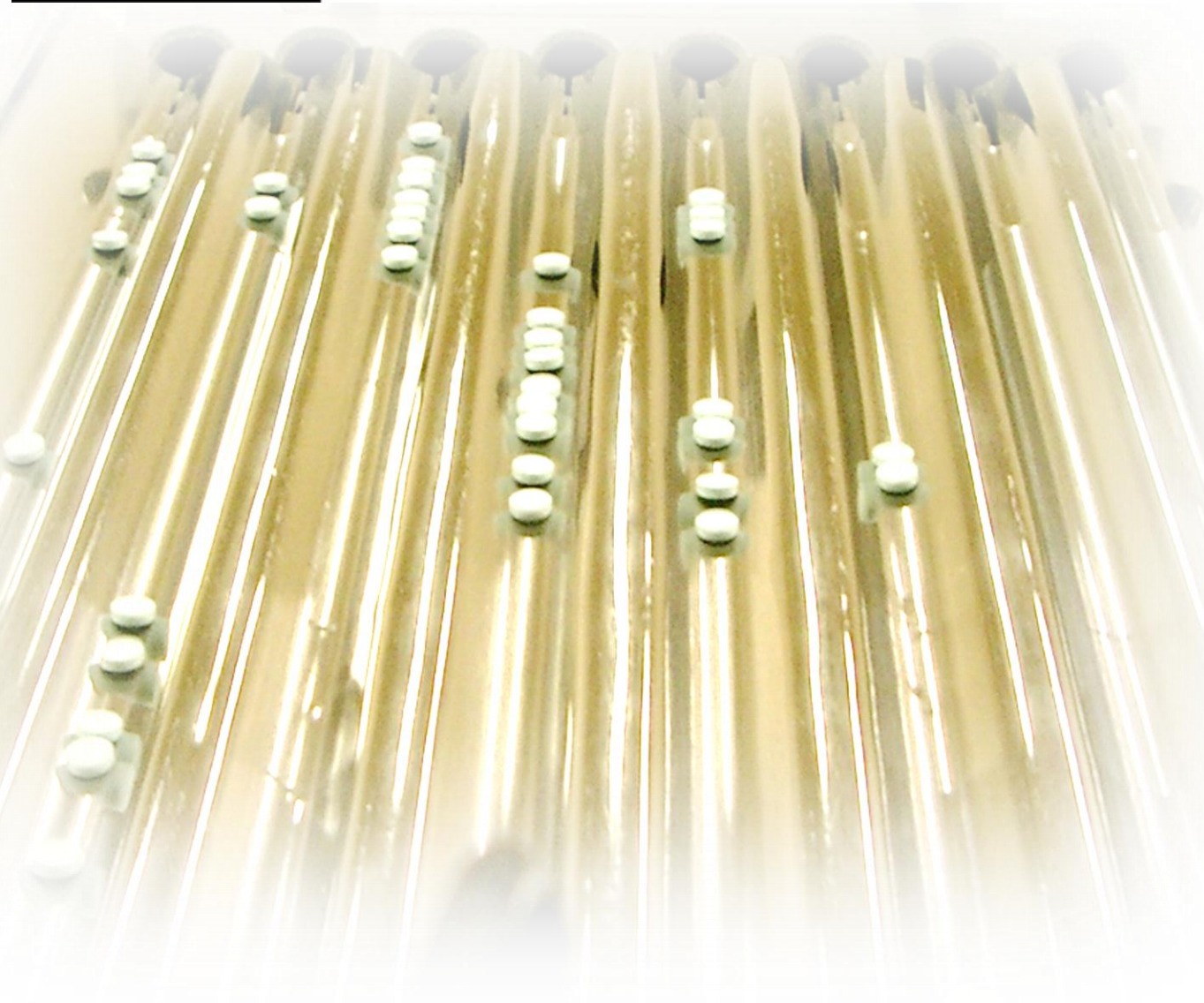




PD-Rx
PHARMACEUTICALS
I N C O R P O R A T E D[®]



2010 Annual Report



March 29, 2011

To Our Shareholders,

I am writing today to give you an update on our business. Last year's shareholder letter referenced the global economic recession and how PD-Rx Pharmaceuticals had managed, to that date, to escape the ill effects of a "sick" economy. This year we are reporting a significant loss of sales due in part to the poor economic conditions our nation is going through and specifically due to the loss of sales to customer pharmacies as a result of contract changes excluding repackaged pharmaceutical purchases. This was a cost cutting move by the insurance companies in response to the economy. The effect to PD-Rx was a loss of sales to a significant portion of our customer base. The global economic recession that created the most difficult business environment since the late 1920's made fiscal 2010 a most challenging year for PD-Rx Pharmaceuticals. Despite a fall in sales by over \$7.5 million, a 28% drop, we remained profitable. And, as a result, we are leaner, stronger, more innovative and positioned to take advantage of profitable growth opportunities as the industry and the economy recovers. Fiscal 2010 was also a year in which the company continued to make important progress in key areas of product development and technology innovation which should bring added revenue in future years.

We continue to hone our vision and define what it will take to achieve it. Technology advancement remains at the forefront of our initiatives. Our pedigree system (a system that shows a drugs ownership from manufacture to wholesaler, to repackager, to physician or pharmacist) continues to evolve with e-pedigrees in pdf format sent via email to the customer and further development toward track and trace technology of every drug we purchase shows our commitment to meet the ever growing regulatory demands in a technologically eco-friendly cost efficient way. Acquiring and developing new and varied streams of earnings both in the pharmaceutical marketplace as well as medical related technology are primary objectives for the future.

Our "cloud" software offering has now become a great success. Both the dispensing software and the electronic medical record are offered in that manner. We continue to work toward meaningful use criteria for the Acuity Health EMR and SureScripts certification for the e-prescribing software.

TriMarc Laboratories division continues to grow in both sales and product offerings. The Right Step[™] Prenatal vitamin has become a top seller with most wholesalers and Osteo-Poretical[™], a calcium supplement aimed at the growing demand for osteoporosis prevention and treatment has been our top dollar sales item.

In closing, although 2011 production forecasts are improving, they still remain below historical levels. We're only in the early stages of an industry recovery and a certain level of fragility still remains in the global economy. With that said, we remain optimistic that economies will continue to recover, and confident in our revenue growth and ability to leverage this growth with the cost structure changes and operational improvements we made over the last year. We have improved our ability to quickly adjust our operations based on market demand and have the financial flexibility to take advantage of an upswing in production.

I would like to express my sincere appreciation for your support, as we both look to the future with continued growth in mind.

Sincerely,

Robert D. Holsey, D.Ph., D.O.
President and Chief Executive Officer

Corporate Overview



PD-Rx/TriMarc is a publicly traded corporation (Symbol: PDRX.PK) that is audited each year by one of the top-auditing firms in the country. The company maintains its own accounting and controller staff, along with Regulatory Affairs experts, Chief Pharmacist of Operations, Staffed Physician, FDA & DEA Compliance Officers, Quality Assurance Teams and Quality Control Production Teams. We maintain over 173 checks and balances in each production run, to make sure we provide the best quality products on the

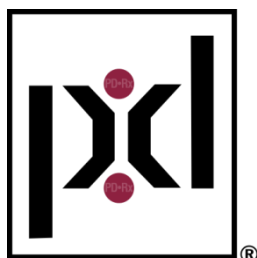
market. Representing PD-Rx/TriMarc is team of over 25 sales experts throughout the United States, where PD-Rx maintains all 50 state boards of pharmacy and controlled substance distribution licenses. PD-Rx/TriMarc maintains a liability insurance policy of 1 Million in general coverage and a 2 Million-Dollar Umbrella Policy as additional insurance over and above the original manufacturer's liability coverage. The Board of Directors brings with them over 100 years of experience in pharmaceuticals practice and/or business relations. PD-Rx was originally incorporated on September 1986 in the State of Oklahoma, and on February 5th, 1988, PD-Rx merged with Buckingham Venture Corp and re-incorporated in the State of Colorado, where they raised additional funds through a public offering and continued to raise additional capital for the next several years. PD-Rx Pharmaceuticals re-incorporated back into the State of Oklahoma on December 26th, 1990.

State of the Art Facility

PD-Rx/TriMarc owns and operates a production and warehouse facility consisting of 27,600 square feet. The production facility has 4 separate clean rooms each with their own controlled environment. We provide 24 hour monitoring of relative humidity and temperature in our storage areas. Each production room is equipped with a Class 1 Micron Filtration Systems that can filter down to 3.0 Microns. The facility is equipped with a freestanding generator system that is capable of producing over 430 AMP of electricity, enough to power the whole plant without additional electricity from outside sources. The plant has been outfitted with the best security system available, consisting of motion detectors, glass break sensors, keypad entry, roll down steel doors, and internet networked cameras for 24 hours surveillance and security cages and vaults throughout the building. PD-Rx maintains it own staff of computer programmers and IT support personnel necessary to computerized our account on a national scale with a web base system. We maintain our own websites and internet portal systems for ordering and reporting requirements in the pharmaceutical industry. In 2009 PD-Rx completed the requirements to be VAWD certified.

Quality Production

The packaging operations at PD-Rx are completely automated with state of the art pharmaceutical packaging and manufacturing equipment. Our automated production lines start with a bottle orientator and ends with the finished product bar coded and shrunk wrapped into 10 bottle tray packs. FDA guidelines require that a retention sample of each production run be kept on-site and made available to the FDA for inspection. PD-Rx photographs each product from each production run and stores that photo with each lot number so assigned for future clarifications. Every production run is given a new lot number that is linked to the retention sample and the original manufacturer and its pedigrees. Of the 4 production rooms, and 4 automated lines, each line is capable of manufacturing 1500-2000 bottles per hour. In addition to the automated lines, PD-Rx maintains 4 semi-automated tablet counting machine and production areas to handle smaller production runs.



PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF EARNINGS

Year ended June 30,

	<u>2010</u>	<u>2009</u>
Net sales	\$19,358,270	\$26,919,498
Cost of sales	<u>13,752,311</u>	<u>20,963,961</u>
Gross profit	5,605,959	5,955,537
Selling, general and administrative expenses	<u>5,215,719</u>	<u>4,481,066</u>
Operating income	390,240	1,474,471
Other income (expense)		
Interest income and other	28,350	36,409
Interest expense	<u>(15,480)</u>	<u>(39,159)</u>
Other income (expense), net	<u>12,870</u>	<u>(2,750)</u>
Earnings before income taxes	403,110	1,471,721
Income tax expense	<u>160,638</u>	<u>558,769</u>
NET EARNINGS	<u>\$ 242,472</u>	<u>\$ 912,952</u>
EARNINGS PER COMMON SHARE - BASIC	<u>\$.14</u>	<u>\$.53</u>
EARNINGS PER COMMON SHARE - DILUTED	<u>\$.14</u>	<u>\$.52</u>

PD-Rx Pharmaceuticals, Inc.

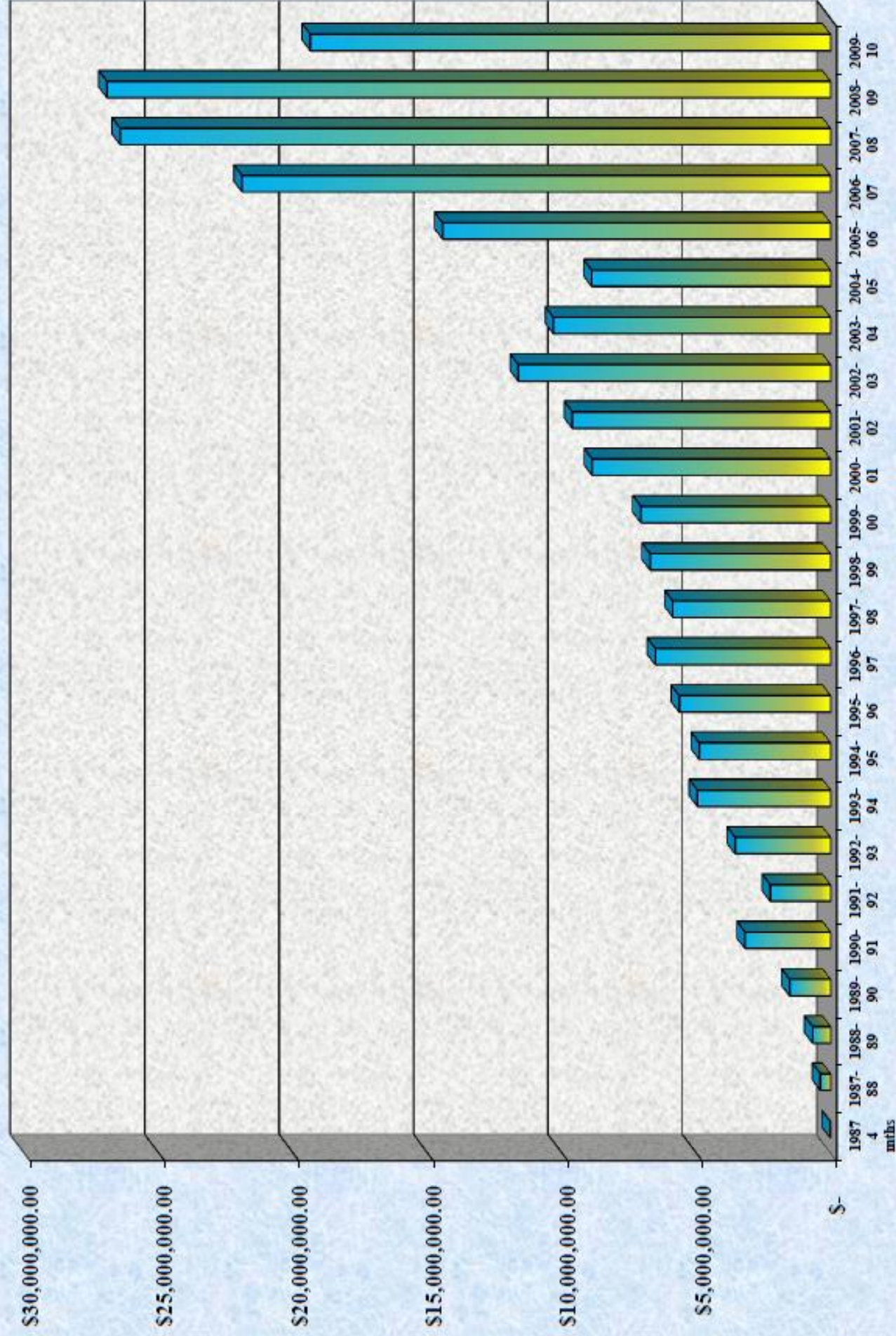
BALANCE SHEETS

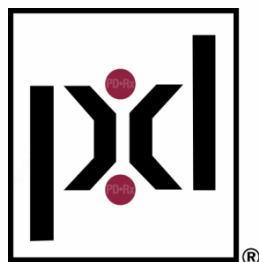
June 30,

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$1,818,320	\$2,144,120
Accounts receivable (net of allowance for doubtful accounts of \$40,000 in 2010 and \$60,080 in 2009)	1,603,028	1,862,260
Inventories	1,673,621	1,282,776
Deferred income taxes	71,600	73,339
Income taxes receivable	999	-
Other	163,299	50,146
Total current assets	5,330,867	5,412,641
PROPERTY AND EQUIPMENT, net	966,404	967,249
	<u>\$6,297,271</u>	<u>\$6,379,890</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 272,719	\$ 612,980
Accrued and other current liabilities	488,295	384,959
Current portion of notes payable	93,681	87,563
Income taxes payable	-	5,592
Total current liabilities	854,695	1,091,094
DEFERRED INCOME TAXES	61,106	66,118
LONG-TERM NOTES PAYABLE, less current portion	98,755	192,435
Total liabilities	1,014,556	1,349,647
COMMITMENTS AND CONTINGENCIES (Note E)		
STOCKHOLDERS' EQUITY		
Preferred stock - \$.10 par value; authorized, 10,000,000 shares; issued and outstanding, none	-	-
Common stock - \$.01 par value; 3,000,000 authorized; and 2,094,804 issued and outstanding in 2010 and 2,054,804 shares in 2009	20,948	20,548
Additional paid-in capital	1,344,461	1,334,861
Retained earnings	3,993,087	3,750,615
	5,358,496	5,106,024
Less common stock in treasury - at cost; 319,906 shares	75,781	75,781
	<u>5,282,715</u>	<u>5,030,243</u>
	<u>\$6,297,271</u>	<u>\$6,379,890</u>



PD-Rx Annual Sales 2010





PD-Rx Pharmaceuticals, Inc.

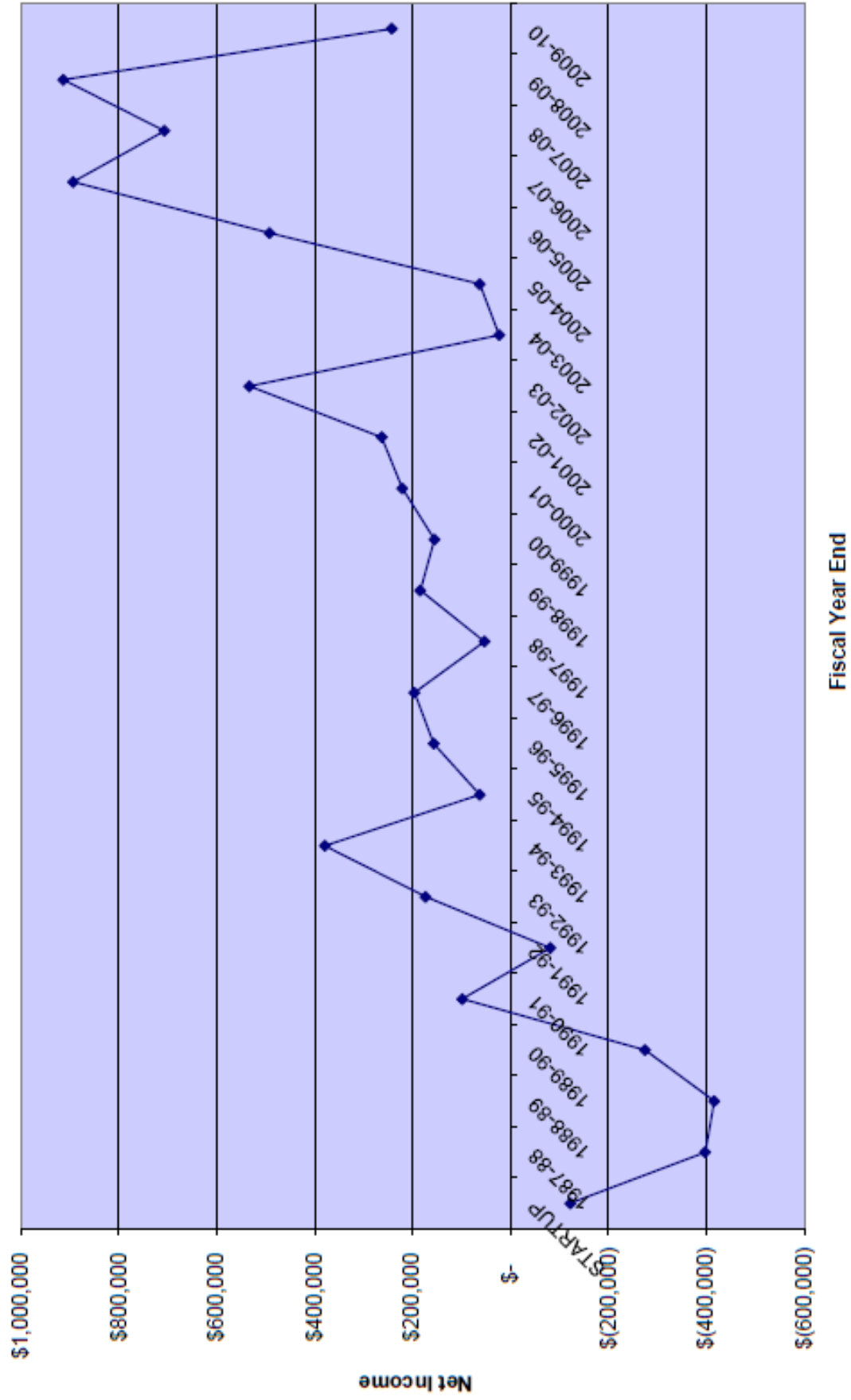
STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2010</u>	<u>2009</u>
Increase (Decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net earnings	\$ 242,472	\$ 912,952
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities		
Amortization of note payable discount	9,768	13,961
Provision for deferred income taxes	(3,273)	11,174
Depreciation and amortization	115,830	111,863
(Gain) loss on disposition of property and equipment	(10,204)	3,822
Changes in assets and liabilities		
Accounts receivable, net	259,232	(329,648)
Inventories	(390,845)	(265,405)
Income taxes receivable	(999)	200,001
Other assets	(113,153)	2,880
Accounts payable	(340,261)	(67,994)
Accrued and other current liabilities	103,336	(29,531)
Income taxes payable	(5,592)	5,592
Net cash (used in) provided by operating activities	(133,689)	569,667
Cash flows from investing activities		
Purchases of property and equipment	(110,686)	(289,679)
Proceeds from sale of property and equipment	5,905	6,500
Net cash used in investing activities	(104,781)	(283,179)
Cash flows from financing activities		
Principal payments on note payable	(97,330)	(95,213)
Exercised stock options	10,000	-
Net cash used in financing activities	(87,330)	(95,213)
NET (DECREASE) INCREASE IN CASH AND CASH CASH EQUIVALENTS	(325,800)	191,275
Cash and cash equivalents at beginning of year	2,144,120	1,952,845
Cash and cash equivalents at end of year	\$1,818,320	\$2,144,120
Cash paid during the year for interest	\$ 5,712	\$ 25,198
Cash paid during the year for income taxes, net	\$ 170,500	\$ 342,000



Net Income Yearly Review





PD-Rx Pharmaceuticals, Inc.

STATEMENT OF STOCKHOLDERS' EQUITY

Years ended June 30, 2010 and 2009

	Common stock		Additional paid-in-capital	Retained earnings	Common stock in treasury	Total stockholders' equity
	Shares	Amount				
Balance at July 1, 2008	2,054,804	20,548	\$1,334,861	\$2,837,663	\$ (75,781)	\$4,117,291
Net earnings	-	-	-	912,952	-	912,952
Balance at June 30, 2009	2,054,804	20,548	1,334,861	3,750,615	(75,781)	5,030,243
Exercised stock options	40,000	400	9,600	-	-	10,000
Net earnings	-	-	-	242,472	-	242,472
Balance at June 30, 2010	2,094,804	\$ 20,948	\$1,344,461	\$3,993,087	\$ (75,781)	\$5,282,715



PD-Rx Pharmaceuticals, Inc. - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Building and components	\$ 770,599	\$ 755,820
Equipment	659,124	697,060
Computer software costs	402,120	389,246
Furniture and fixtures	74,160	74,160
Automobiles	<u>115,981</u>	<u>94,964</u>
	2,021,984	2,011,250
Less accumulated depreciation and amortization	<u>(1,211,340)</u>	<u>(1,199,761)</u>
	810,644	811,489
Land	<u>155,760</u>	<u>155,760</u>
	<u>\$ 966,404</u>	<u>\$ 967,249</u>



PD-Rx Pharmaceuticals, Inc. – Notes Payable

Notes Payable consist of the following at June 30, 2010

<u>Revolving Line of Credit:</u>	\$ -	\$ -
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Note Payable to Bank:

	<u>2010</u>	<u>2009</u>
Note payable to bank, maturing April 2013, as amended, payable in monthly installments of \$3,546, including interest at bank prime (effective rate of 4.00% at June 30, 2010); collateralized by real estate	\$108,378	\$145,707
Note payable to former stockholder, maturing December 2011, non-interest bearing, payable in monthly installments of \$5,000 (principal balance of \$90,000 less unamortized discount of \$5,943 at June 30, 2010, based on imputed interest rate of 8.75%)	84,058	134,291
	192,436	279,998
Less current portion	<u>93,681</u>	<u>87,563</u>
	<u>\$ 98,755</u>	<u>\$192,435</u>

Aggregate future maturities of notes payable at June 30, 2010 are as follows:

Year ending June 30	
2011	\$ 93,681
2012	69,723
2013	<u>29,032</u>
	<u>\$192,436</u>



Notes Payable – Continued

The \$750,000 revolving line of credit with a bank matures February 2011. The line of credit is payable in monthly installments of interest only at BOK Financial Corporation National prime (effective rate of 4.00% at June 30, 2010), and is collateralized by inventories, property and equipment, accounts receivable, and general intangibles.

Borrowings under the line are limited to established ratios of accounts receivables and inventories as specified by the terms of the agreement. The revolving line of credit and the note payable to bank are subject to related loan agreements that require the Company, among other things, to maintain a minimum current ratio of 1.4-to-1 and a maximum debt to worth ratio of 2.0-to-1.

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Acuity Health Management Systems is a new division of PD-Rx Pharmaceuticals, an avenue that will support our growing sales force and improve our business relationship with our current customer base that has developed over the last 24 years.



*"A New Vision
in Healthcare
Information
Solutions"*



MEDICAL BILLING SYSTEM



ELECTRONIC MEDICAL RECORDS



PRACTICE MANAGEMENT SYSTEM

Acuity Health MBS (Medical Billing Service) provides each practice with professional, knowledgeable and experienced full-cycle billing services. We have perfected the steps needed to increase their revenues and get every collectible dollar. Our professional billing staff reviews all procedure and diagnostic codes, and will supply you with experts in the medical billing industry who will quickly and accurately file your claims for speedy payment.

Acuity Health EMR (Electronic Medical Record) is the premier quality, low-cost tool for physicians to maintain patient charts electronically.

The intuitive interface allows the physician and assistants to rapidly record visit notes and generate prescriptions. Acuity Health EMR computerizes patient records through the use of standard templates that can be edited on the fly.

The design philosophy streamlines the most important features—those that are used constantly during the day helping the physician with time management, documentation, and patient care. The software also allows you to eliminate time-consuming back office processes, such as transcription, chart pulling, and filing.

Acuity Health PMS (Practice Management System) Provides a simple office scheduler, stores patient demographic, and general billing information. This software platform will be interfaced with Acuity Health EMR.

Corporate Information

Corporate Headquarters

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Oklahoma City, Oklahoma 73127
T - 1-405-942-3040
F – 1-405-942-5471

Common Stock

Stock Symbol: PDRX.PK
OTC Bulletin Board

Stock Transfer Agent

Computershare
350 Indiana Street
Suite 750
Golden, CO 80401
T - 1-303-262-0678
www.computershare.com

News and Press Information

Please visit our website at
www.pdrx.com

Independent Accountants

Grant Thornton
Oklahoma City, OK

