UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 7, 2019

Edesa Biotech, Inc.
(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada	**001-37619**	**N/A**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 Spy Court
Markham, Ontario, Canada L3R 5H6
(Address of Principal Executive Offices)

(905) 475-1234
Registrant's telephone number, including area code

Stellar Biotechnologies, Inc.
332 E. Scott Street
Port Hueneme, California 93041
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Shares	EDSA	The Nasdaq Capital Market

Explanatory Note

On June 10, 2019, Edesa Biotech, Inc., formerly known as “Stellar Biotechnologies, Inc.” (the “Company”), filed a Current Report on Form 8-K with the Securities and Exchange Commission (the “Original Form 8-K”) reporting, among other items, that on June 7, 2019, the Company completed its business combination with Edesa Biotech Inc. (“Edesa”). On June 20, 2019, the Company filed Amendment No. 1 on Form 8-K/A (“Amendment No. 1”) to amend the Original Form 8-K to disclose under Item 5.02 the Company’s entry into employment agreements with each of Dr. Pardeep Nijhawan, the Company’s Chief Executive Officer, and Michael Brooks, the Company’s President and the Company’s entry into indemnification agreements with each of its executive officers and directors. Amendment No. 1 also amended Item 9.01(d) of the Original Form 8-K to include the employment agreements and form of indemnification agreement as exhibits to this Current Report on Form 8-K.

This Amendment No. 2 on Form 8-K/A (“Amendment No. 2”) amends the Original Form 8-K, as amended by Amendment No. 1, to provide (i) the audited financial statements of Edesa as of and for the years ended December 31, 2018 and 2017, (ii) the unaudited condensed interim financial statements of Edesa as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 (iii) the unaudited Pro Forma Condensed Combined Financial Statements for the year ended December 31, 2018 and (iv) the unaudited Pro Forma Condensed Combined Financial Statements for the three months ended March 31, 2019. Such financial information was excluded from the Original Form 8-K in reliance on the instructions to such Item.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

ExhibitNo.	**Description of Exhibit**
2.1+	Share Exchange Agreement, dated as of March 7, 2019, by and between Stellar Biotechnologies Inc., Edesa Biotech Inc. and the Edesa Shareholders (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 8, 2019).
3.1+	Certificate of Amendment to the Restated Certificate of Incorporation of the Company, dated June 7, 2019.
10.1*+	Employment Agreement, dated as of June 7, 2019, by and between the Registrant and Kathi Niffenegger.
10.2*+	Employment Agreement, dated as of June 14, 2019, by and between the Registrant and Dr. Pardeep Nijhawan.
10.3*+	Employment Agreement, dated as of June 14, 2019, by and between the Registrant and Michael Brooks.
10.4*+	Form of Indemnification Agreement, by and between the Company and each of its directors and executive officers.
16.1+	Letter from Moss Adams, LLP dated June 7, 2019.
23.1	Consent of MNP LLP, independent registered public accounting firm, regarding the audited financial statements of Edesa Biotech, Inc.
99.1+	Press Release dated June 7, 2019.
99.2	Audited financial statements of Edesa Biotech Inc. as of and for the years ended December 31, 2018 and 2017.
99.3	Unaudited condensed interim financial statements of Edesa Biotech Inc. as of March 31, 2019 and for the three months ended March 31, 2019 and 2018.
99.4	Unaudited Pro Forma Condensed Combined Financial Statements for the year ended December 31, 2018 (incorporated by reference to the Company's Definitive Proxy Statement on Schedule DEFM14A filed with the Securities and Exchange Commission on April 18, 2019).
99.5	Unaudited Pro Forma Condensed Combined Financial Statements for the three months ended March 31, 2019.

* Management contract or compensatory plan or arrangement.
\+ Previously filed as an exhibit to the Original Form 8-K or Amendment No. 1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	EDESA BIOTECH, INC.	
Date: August 14, 2019	By:	/s/ Kathi Niffenegger
	Name:	Kathi Niffenegger
	Title:	Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-217480) pertaining to the Stellar Biotechnologies, Inc. 2017 Incentive Compensation Plan of our report dated March 26, 2019, with respect to the financial statements of Edesa Biotech Inc. for the years ended December 31, 2018 and 2017, which appears in this Current Report on Form 8-K/A.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada

August 14, 2019

Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Edesa Biotech Inc.:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Edesa Biotech Inc. (the "Company"), as of December 31, 2018 and 2017, and the related statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 26, 2019

We have served as the Company's auditor since 2019.

Edesa Biotech Inc.
Balance sheets
As at December 31, 2018 and 2017
(Stated in United States dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents		**$ 3,367,098**	$ 5,000,122
Prepaid expenses and deposits	5	**16,487**	102,266
Other receivable		**7,339**	12,142
		3,390,924	5,114,530
Property and equipment	6	**7,386**	2,272
		$ 3,398,310	$ 5,116,802
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	11(d)	**$ 183,820**	$ 118,262
		183,820	118,262
Shareholders' equity:			
Capital stock			
Authorized			
Unlimited common shares without par value			
Issued and outstanding			
1,000,000 common shares (2017 - 1,000,000)	7	**1,111,253**	1,111,253
1,007,143 Class A preferred shares (2017 - 1,007,143)	7	**6,064,013**	5,616,801
Additional paid-in capital		**230,792**	149,448
Accumulated other comprehensive loss		**(429,973)**	(101,135)
Accumulated deficit		**(3,761,595)**	(1,777,827)
		3,214,490	4,998,540
		$ 3,398,310	$ 5,116,802

Signed on behalf of the Board:

" Pardeep Nijhawan "
Director

" Sean MacDonald "
Director

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.
Statements of operations and comprehensive loss
For the years ended December 31, 2018 and 2017
(Stated in United States dollars)

	Note	December 31, 2018	December 31, 2017
Expenses:			
Research and development	13	$ 1,048,352	$ 301,776
General and administrative	13	487,295	451,029
Stock-based compensation	8	81,344	149,448
Depreciation	6	1,655	595
Loss from operations		1,618,646	902,848
Interest income		(64,307)	(16,569)
Foreign exchange gain		(17,783)	(10,572)
Loss before income taxes		1,536,556	875,707
Income tax expense	9	-	-
Net loss		1,536,556	875,707
Exchange differences on translation		328,838	101,135
Net loss and comprehensive loss		$ 1,865,394	$ 976,842
Weighted average number of common shares		1,000,000	342,531
Loss per share - basic and diluted	15	$ (1.54)	$ (2.56)

Nature of operations (Note 1)
Commitments and contingencies (Note 10)

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.
Statements of changes in shareholders' equity
For the years ended December 31, 2018 and 2017
(Stated in United States dollars)

	Note	Number of common stock	Capital stock	Class A preferred shares	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
		#	$	$	$	$	$	$
Balance at December 31, 2016	7	100	79	-	-	(753,382)	-	(753,303)
Common stock issued for settlement of debt	7	999,900	1,111,174	-	-	-	-	1,111,174
Share issuance of Class A preferred shares, net of share issuance costs	7	-	-	5,468,063	-	-	-	5,468,063
Preferred return for Class A preferred shares	7	-	-	148,738	-	(148,738)	-	-
Stock-based compensation	8	-	-	-	149,448	-	-	149,448
Net loss and comprehensive loss		-	-	-	-	(875,707)	(101,135)	(976,842)
Balance at December 31, 2017		**1,000,000**	**$ 1,111,253**	**$ 5,616,801**	**$ 149,448**	**$ (1,777,827)**	**$ (101,135)**	**$ 4,998,540**
Preferred return for Class A preferred shares	7	-	-	447,212	-	(447,212)	-	-
Stock-based compensation	8	-	-	-	81,344	-	-	81,344
Net loss and comprehensive loss		-	-	-	-	(1,536,556)	(328,838)	(1,865,394)
Balance at December 31, 2018		**1,000,000**	**$ 1,111,253**	**$ 6,064,013**	**$ 230,792**	**$ (3,761,595)**	**$ (429,973)**	**$ 3,214,490**

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.
Statements of cash flows
For the years ended December 31, 2018 and 2017
(Stated in United States dollars)

	Note	2018	2017
Cash flows used in operating activities:			
Net loss		$ (1,536,556)	$ (875,707)
Adjustments for			
Depreciation	6	1,655	595
Stock-based compensation	8	81,344	149,448
Change in non-cash operating working capital			
Other receivable		4,029	8,568
Prepaid expenses		81,658	(89,731)
Accounts payable and accrued liabilities		79,040	(75,863)
		(1,288,830)	(882,690)
Cash flows from financing activities:			
Cash proceeds from issuance of preferred shares, net of share issuance costs	7	-	5,468,063
Advances from related party		-	325,794
Advances of shareholder loan		-	117,049
		-	5,910,906
Cash flows used in investing activities:			
Purchases of property and equipment	6	(6,869)	(958)
		(6,869)	(958)
Effect of cash held in foreign currency		(337,325)	(43,429)
Increase (decrease) in cash and cash equivalents during the year		(1,633,024)	4,983,829
Cash and cash equivalents, beginning of year		5,000,122	16,293
Cash and cash equivalents, end of year		$ 3,367,098	$ 5,000,122

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Edesa Biotech Inc. (the “Company”) was incorporated on July 9, 2015 under the *Business Corporations Act* (Ontario). The Company is a biopharmaceutical company engaged in the business of developing, manufacturing and commercializing innovative pharmaceutical products. The Company’s registered office is located at 100 Spy Court, Markham, Ontario, Canada.

2. Basis of preparation

The accounting policies set out below have been applied consistently in the financial statements.

3. Significant accounting policies

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Areas where significant judgment is involved in making estimates are: the classification of Class A preferred shares as liability or equity; deferred income taxes; the determination of fair value of stock-based compensation; the useful lives of property and equipment; and forecasting future cash flows for assessing the going concern assumption.

Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise noted.

Functional and reporting currencies

The Company’s functional currency, as determined by management, is Canadian dollars. The Company’s reporting currency is U.S. dollars.

Cash and cash equivalents

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents comprise of cash on hand and cash held in trust related to share issuances. Any cash held in trust is readily available to the Company and is classified as current.

The financial risks associated with these instruments are minimal and the Company has not experienced any losses from investments in these securities. The carrying amount of cash and cash equivalents approximates its fair value due to its short-term nature.

3. Significant accounting policies (continued)

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Maintenance and repair expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the declining balance. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The depreciation policy for the principal asset categories are calculated as follows:

Computer equipment	30% declining method
Furniture and equipment	20% declining method

Impairment of long-lived assets

Long-lived assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income (loss).

Research and development

Research and development costs related to continued research and development programs are expensed as incurred in accordance with Accounting Standard Codification (“ASC”) topic 730.

Investment tax credits

The investment tax credits (“ITC") receivable are amounts considered recoverable from the Canadian federal and provincial governments under the Scientific Research & Experimental Development (“SR&ED”) incentive program. The amounts claimed under the program represent the amounts based on management estimates of eligible research and development costs incurred during the year. Realization is subject to government approval. Any adjustment to the amounts claimed will be recognized in the year in which the adjustment occurs. Refundable ITCs claimed relating to capital expenditures are credited to property and equipment. Refundable ITCs claimed relating to current expenditures are netted against research and development expenditures.

3. Significant accounting policies (continued)

Share issue costs

Share issue costs are recorded as a reduction of the proceeds from the issuance of capital stock.

Translation of foreign currency transactions

The financial statements of the Company are measured using the Canadian dollar as the functional currency. The Company's reporting currency is the U.S. dollar. Assets and liabilities of the Canadian operations have been translated at year end exchange rates and related revenue and expenses have been translated at average exchange rates for the year. Accumulated gains and losses resulting from the translation of the financial statements of the Canadian operations are included as part of accumulated other comprehensive loss, a separate component of shareholders' equity.

In respect of other transactions denominated in currencies other than the Company's functional currency, the monetary assets and liabilities are translated at the year-end rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Non-monetary balance sheet and related income statement accounts are remeasured into U.S. dollar using historical exchange rates. All of the exchange gains or losses resulting from these other transactions are recognized in the statement of operations and comprehensive loss.

Stock-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated.

The Company calculates stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option. The provisions of the Company's stock-based compensation plans do not require the Company to settle any options by transferring cash or other assets, and therefore the Company classifies the awards as equity. Stock-based compensation expense recognized during the year is based on the value of stock-based payment awards that are ultimately expected to vest.

The Company estimates forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Comprehensive loss

The Company follows ASC topic 220. This statement establishes standards for reporting and display of comprehensive income (loss) and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity. Other than foreign exchange gains and losses arising from cumulative translation adjustments, the Company has no other comprehensive income (loss) items.

3. Significant accounting policies (continued)

Fair value measurement

Under ASC topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). ASC topic 820 establishes a hierarchy for inputs to valuation techniques used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. There are three levels to the hierarchy based on the reliability of inputs, as follows:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets and liabilities in markets that are not active.

- Level 3 - Unobservable inputs for the asset or liability.

The degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, on a tax jurisdictional basis. The Company files income tax returns in Canada and the Province of Ontario.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax bases of assets and liabilities and their financial statement reported amounts using enacted tax rates and laws in effect in the year in which the differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is determined to be more likely than not that the deferred tax asset will not be realized.

The Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. The Company is subject to examination by taxing authorities in Canada. Management does not believe that there are any uncertain tax positions that would result in an asset or liability for taxes being recognized in the accompanying financial statements. The Company recognizes tax-related interest and penalties, if any, as a component of income tax expense.

ASC 740 prescribes recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in periods, disclosure and transition. At December 31, 2018 and 2017, the Company has not taken any tax positions that would require disclosure under ASC 740.

3. Significant accounting policies (continued)

Recently adopted accounting pronouncements

In January 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-01, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The Company has evaluated the amendments and determined that the new standard did not have a material impact on the Company's financial position, results of operations, cash flows.

In May 2017, the FASB issued ASU 2017-09 in relation to Compensation —Stock Compensation (Topic 718), Modification Accounting. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments should be applied prospectively to an award modified on or after the adoption date. The Company has evaluated the amendments and determined that the new standard did not have a material impact on the Company's financial position, results of operations or cash flow.

In July 2017, the FASB has issued ASU No. 2017-11 related to Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (ASU 2017-11). Part I of ASU 2017-11 simplifies the accounting for certain financial instruments with down round features, a provision in an equity-linked financial instrument (or embedded feature) that provides a downward adjustment of the current exercise price based on the price of future equity offerings. Current accounting guidance creates cost and complexity for organizations that issue financial instruments with down round features by requiring, on an ongoing basis, fair value measurement of the entire instrument or conversion option. ASU 2017-11 requires companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. Companies that provide earnings per share ("EPS") data will adjust their basic EPS calculation for the effect of the feature when triggered (i.e. when the exercise price of the related equity-linked financial instrument is adjusted downward because of the down round feature) and will also recognize the effect of the trigger within equity.

The provisions of the new ASU related to down rounds are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (fiscal 2019 for the Company). Early adoption is permitted for all entities and the Company has early adopted this standard for the year ended December 31, 2017. The Company has therefore not evaluated any down round provisions of the preferred share agreement as disclosed in Note 7.

3. Significant accounting policies (continued)

Future accounting pronouncements

In February 2016, the FASB issued new guidance, ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Additional qualitative and quantitative disclosures are also required by the new guidance. Topic 842 is effective for annual reporting periods (including interim reporting periods) beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company will adopt the new standard on January 1, 2019 and use the effective date as its date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company expects to elect the 'package of practical expedients', which permits the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs.

The Company expects that this standard will have a material effect on the financial statements. While the Company continues to assess all of the effects of adoption, the Company has assessed that the most significant effects relate to (1) the recognition of new ROU assets and lease liabilities on the balance sheet for the Company's operating leases; and (2) providing significant new disclosures about the Company's leasing activities. The Company does not expect a significant change in leasing activities between now and adoption. Currently, the Company estimates that the discounted value of operating lease commitments as at December 31, 2018 (total commitments of $321,186 as disclosed in Note 10) will be recognized as a right-of-use asset and corresponding lease liability at the transition date, with no impact to opening retained earnings as at that date.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical areas of estimation and judgements in applying accounting policies include the following:

Going concern

These financial statements have been prepared in accordance with U.S. GAAP on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Useful lives and recoverability of property and equipment

As described in Note 3 above, the Company reviews the estimated useful lives of property and equipment with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the years ended December 31, 2018 and 2017, the Company was not required to adjust the useful lives of any assets based on the factors described above. Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable. During the years ended December 31, 2018 and 2017, the Company did not identify any events or circumstances to indicate that the carrying value of property and equipment was not recoverable.

Deferred income taxes

The calculation of deferred income taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Stock-based payments

The Company estimates the fair value of stock options using the Black-Scholes Option Pricing Model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected dividends.

Accounting for convertible preferred shares

The Company exercises judgment in determining whether the conversion feature embedded within the preferred share instrument needs to be bifurcated from the host instrument and whether the preferred shares should be recorded as liability or equity in the balance sheet.

5. Prepaid expenses and deposits

As at December 31, 2018, the Company has classified $16,487 as a current asset in the balance sheet (December 31, 2017 - $102,266) as all prepaids are expected to be utilized within one year.

(Stated in United States dollars)

6. Property and equipment

	Computer equipment	Furniture and equipment	Total
Cost			
Balance at December 31, 2016	$ 2,840	$ -	$ 2,840
Additions	958	-	958
Exchange adjustment	49	-	49
Balance at December 31, 2017	3,847	-	3,847
Additions	1,291	5,578	6,869
Exchange adjustment	(309)	-	(309)
Balance at December 31, 2018	4,829	5,578	10,407
Accumulated depreciation			
Balance at December 31, 2016	1,037	-	1,037
Depreciation	595	-	595
Exchange adjustment	(57)	-	(57)
Balance at December 31, 2017	1,575	-	1,575
Depreciation	1,097	558	1,655
Exchange adjustment	(209)	-	(209)
Balance at December 31, 2018	2,463	558	3,021
Net book value as at:			
December 31, 2017	$ 2,272	$ -	$ 2,272
December 31, 2018	$ 2,366	$ 5,020	$ 7,386

7. Capital stock

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Class A preferred shares, all without par value.

Issued and outstanding common shares:

	Number of common shares (#)	Capital stock
Balance at December 31, 2016	100	$ 79
Stock issuance to settle amounts due with shareholder and related parties	999,900	1,111,174
Balance at December 31, 2017 and 2018	1,000,000	$ 1,111,253

During the year ended December 31, 2017, the Company settled its due to shareholder and amounts owing to related parties totalling $1,111,174 ($1,386,888 CAD) in exchange for 999,900 common shares. The Company has recorded the transaction directly in equity as a transfer between the Company and its shareholder acting in that capacity.

(Stated in United States dollars)

7. Capital stock (continued)

Issued and outstanding preferred shares:

	Number of Class A Preferred shares (#)	Class A Preferred shares
Balance at December 31, 2016	-	$ -
Issuance of Class A preferred shares	1,007,143	5,648,460
Preferred return on Class A preferred shares - 2017	-	148,738
Stock issuance costs	-	(180,397)
Balance at December 31, 2017	1,007,143	5,616,801
Preferred return on Class A preferred shares - 2018	-	447,212
Balance at December 31, 2018	1,007,143	$ 6,064,013

On August 28, 2017, the Company issued 1,007,143 Class A preferred shares for gross proceeds of $5,648,460 ($7,050,000 CAD) ("Class A Preferred Shares Issuance"). The Company recorded $180,397 ($225,159 CAD) of share issuance costs as an offset to Class A preferred shares.

The Class A preferred shares are voting and convertible into common shares at the option of the holder at any time. Upon the occurrence of a liquidation event, as defined in the resolutions of the shareholders dated August 28, 2017, the Class A preferred shares have a liquidation amount preference over the rights of holders of common shares or any class of shares ranking junior to Class A preferred shares. The liquidation amount is equal to the original issue price of each Class A preferred shares plus 8% of the Class A preferred share price of $7 CAD per share, accruing daily and compounding annually, on each Class A preferred share.

All Class A preferred shares can be converted automatically, without the payment of any additional consideration, into such number of common shares on a 1:1 basis at the election of the holders of not less than 66 2/3% of the then outstanding Class A preferred shares.

All Class A preferred shares can be converted automatically, without the payment of any additional consideration, into such number of common shares:

- upon the closing of an offering pursuant to a receipted prospectus under the Securities Act (Ontario), as amended, or similar document filed under other applicable securities laws in Canada or the United States, covering the offer and sale of common shares for the account of the Company to the public in which:
  - o the common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange or The NASDAQ Global Market or another exchange; and
  - o the aggregate net proceeds from such offering to the Company total not less than $20 million CAD; and
  - o the offering is completed at a price per common share which is not less than three times the Class A Original Issue Price, subject to appropriate adjustment for any recapitalization event; or
- upon a liquidation event where the price per stock is at least three times the Class A Original Issue Price of $7.00 CAD

The Company has evaluated the convertible preferred shares and the embedded conversion option. The embedded conversion option does not meet the criteria for bifurcation and has therefore been classified to equity under ASC 815.

The Class A preferred shares also contain an 8% preferred return that accrues daily and compounds annually and is payable in shares upon conversion. The Company recognized a preferred return of $447,212 (2017- $148,738) related to the Class A preferred shares in the statement of changes in shareholders' equity.

(Stated in United States dollars)

8. Stock-based compensation

The Company's stock option plan allows options to be granted to directors, officers, employees and certain external consultants and advisers. Under the stock option plan, the option term is not to exceed 10 years and the exercise price of each option is determined by the Board of Directors.

During the year ended December 31, 2018, the Company issued 8,000 stock options, each option entitling the holder to purchase one common share of the Company. During the year ended December 31, 2018, an aggregate of $nil options were exercised.

During the year ended December 31, 2017, the Company issued 89,263 stock options, each option entitling the holder to purchase one common share of the Company. During the year ended December 31, 2017, an aggregate of $nil options were exercised.

The continuity of stock options is as follows:

	December 31, 2018			December 31, 2017		
	Number of options	Weighted average exercise price per share	Weighted average grant date fair value	Number of options	Weighted average exercise price per share	Weighted average grant date fair value
		$ CAD	$ CAD		$ CAD	$ CAD
Outstanding at beginning of year	89,263	7.00	7.00	-	-	-
Granted	8,000	7.00	7.00	89,263	7.00	7.00
Expired	-	-	-	-	-	-
Balance at the end of year	97,263	7.00	7.00	89,263	7.00	7.00
Options exercisable at the end of the year	61,726	7.00	7.00	42,105	7.00	7.00

As of December 31, 2017, the exercise prices, weighted average remaining contractual life of outstanding options and weighted average grant date fair values were as follows:

	Options outstanding				Options exercisable		
Exercise price	Number outstanding	Weighted average exercise price per share	Weighted average remaining contract life (years)	Weighted average grant date fair value	Number exercisable	Weighted average exercise price per share	Weighted average grant date fair value
$ CAD		$ CAD		$ CAD		$ CAD	$ CAD
7.00	89,263	7.00	9.70	7.00	42,105	7.00	7.00
	89,263	7.00			42,105	7.00	7.00

As of December 31, 2018, the exercise prices, weighted average remaining contractual life of outstanding options and weighted average grant date fair values were as follows:

(Stated in United States dollars)

8. Stock-based compensation (continued)

	Options outstanding				Options exercisable		
Exercise price $ CAD	Number outstanding	Weighted average exercise price per share $ CAD	Weighted average remaining contract life (years)	Weighted average grant date fair value $ CAD	Number exercisable	Weighted average exercise price per share $ CAD	Weighted average grant date fair value $ CAD
7.00	97,263	7.00	8.81	7.00	61,726	7.00	7.00
	97,263	7.00			61,726	7.00	7.00

The fair value of options granted during the years ended December 31, 2018 and 2017 was estimated using the Black-Scholes Option Pricing Model to determine the fair value of options granted using the following assumptions:

	August 28, 2017	September 26, 2017	October 16, 2017
Volatility	72.39%	71.88%	71.90%
Risk-free interest rate	1.99%	2.00%	2.03%
Expected life	4 years	4 years	4 years
Dividend yield	0%	0%	0%
Common share price	CAD $7.00	CAD $7.00	CAD $7.00
Strike price	CAD $7.00	CAD $7.00	CAD $7.00
Forfeiture rate	nil	nil	nil

	December 28, 2018
Volatility	79.46%
Risk-free interest rate	1.98%
Expected life	4 years
Dividend yield	0%
Common share price	CAD $7.00
Strike price	CAD $7.00
Forfeiture rate	nil

The Company recorded $81,344 of stock-based compensation for the year ended December 31, 2018 and $149,448 of stock-based compensation for the year ended December 31, 2017.

Volatility is determined based on volatilities of comparable companies since the Company does not have sufficient trading history of its own. The expected term, which represents the period that options granted are expected to be outstanding, is estimated based on an average of the term of the options.

The risk-free rate assumed in valuing the options is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is Nil as the Company is not expected to pay dividends in the foreseeable future. The Company has estimated its stock option forfeitures to be Nil for the years ended December 31, 2018 and 2017.

(Stated in United States dollars)

9. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

	2018	2017
Net loss before recovery of income taxes	**$ (1,536,556)**	$ (875,707)
Expected income tax recovery	**$ (407,188)**	$ (232,062)
Permanent differences	**41,132**	40,297
Change in tax benefits not recognized	**366,056**	191,765
Income tax (recovery) expense	**$ -**	$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the difference between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
Straight line rent	**4,101**	2,230
Share issuance costs - 20(1)(e)	**99,025**	143,579
Non-capital losses carried forward - Canada	**2,483,069**	1,318,477
Investment tax credits from schedule 31	**34,525**	37,544
SR&ED Pool from T661	**157,056**	170,791
Other temporary differences	**127,062**	59,589

The Canadian non-capital loss carry-forwards expires as noted in the table below. Share issuance costs will be fully amortized in 2021. The Company's Canadian non-capital income tax losses expire as follows:

2035	$ 116,202
2036	364,320
2037	731,928
2038	1,270,619
Total	$ 2,483,069

(Stated in United States dollars)

10. Commitments and contingencies

The minimum rent, exclusive of occupancy charges, payable to a related company under an operating lease for the Company's premise, is approximately as follows:

2019	$	79,216
2020		79,216
2021		81,377
2022		81,377
Total	$	321,186

In 2016, the Company entered into an exclusive license agreement with a third party to obtain exclusive rights to certain know-how, patents and data relating to a pharmaceutical product. The Company will use the exclusive rights to develop the product for therapeutic, prophylactic and diagnostic uses in topical dermal applications and anorectal applications.

No intangible assets have been recognized under the license agreement with the third party as of December 31, 2018 and 2017. Payments to the third party are included in the statement of operations and comprehensive loss as research and development expenditures.

Under the license agreement, the Company is committed to payments of various amounts to the third party upon meeting certain milestones outlined in the license agreement, up to an aggregate amount of $18,600,000.

Upon divestiture of substantially all of the assets of the Company, the Company shall pay the third party a percentage of the valuation of the licensed technology sold as determined by an external objective expert.

The Company also has a commitment to pay the third party a royalty based on net sales of the product in countries where the Company, or an affiliate, directly commercializes the product and a percentage of sublicensing revenue received by the Company and its affiliates in the countries where it does not directly commercialize the product.

In 2016, the Company also entered into an exclusive license agreement with another third party to obtain exclusive rights to certain know-how, patents and data relating to a pharmaceutical product. No intangible assets have been recognized under the license agreement as of December 31, 2018 and 2017. No fees were paid as of December 31, 2018 and December 31, 2017.

Under the license agreement, the Company is committed to payments of up to a total of $18,500,000 upon meeting certain milestones outlined in the license agreement.

The Company also has a commitment to pay a royalty based on net sales of the product in the countries where the Company directly commercializes the product and a percentage of sublicensing revenue received by the Company and its affiliates in the countries where it does not directly commercialize the product.

11. Financial instruments

(a) Fair values

The Company follows ASC topic 820, “Fair Value Measurements” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC topic 820 apply to other accounting pronouncements that require or permit fair value measurements. ASC topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date; and establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the hierarchy are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for assets or liabilities.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(i) The Company calculates expected volatility based on historical volatility of the Company’s peer group that is publicly traded for options.

An increase/decrease in the volatility would have resulted in an increase/decrease in the fair value of the options.

The carrying values of cash, other receivable, accounts payable and accrued liabilities approximates their fair values because of the short-term nature of these instruments.

(b) Interest rate and credit risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates, relative to interest rates on cash and cash equivalents due to the short-term nature of these balances.

11. Financial instruments (continued)

The Company is also exposed to credit risk at period end from the carrying value of its cash. The Company manages this risk by maintaining bank accounts with a Canadian Chartered Bank. The Company's cash is not subject to any external restrictions.

(c) Foreign exchange risk

The Company has balances in Canadian dollars that give rise to exposure to foreign exchange ("FX") risk relating to the impact of translating certain non-U.S. dollar balance sheet accounts as these statements are presented in U.S. dollars. A strengthening U.S. dollar will lead to a FX loss while a weakening U.S. dollar will lead to a FX gain. For each Canadian dollar balance of $1.0 million, a +/- 10% movement in the Canadian currency held by the Company versus the U.S. dollar would affect the Company's loss and other comprehensive loss by $0.1 million. The Company had assets of $4.6 million CAD as at December 31, 2018 (2017- $6.4 million CAD).

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at December 31, 2018 and 2017:

	December 31, 2018					
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**Greater than 1 year**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	183,820	-	-	-	-	183,820
	183,820	-	-	-	-	183,820

	December 31, 2017					
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**Greater than 1 year**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	118,262	-	-	-	-	118,262
	118,262	-	-	-	-	118,262

12. Segmented information

The Company's operations comprise of a single reportable segment engaged in the research and development, manufacturing and commercializing innovative pharmaceutical products. As the operations comprise a single reportable segment, amounts disclosed in the financial statements for loss for the period, depreciation and total assets also represent segmented amounts.

(Stated in United States dollars)

13. Schedule of expenses

	For the year ended December 31, 2018	
	Research and Development	General and Administrative
Clinical research	$ 691,271	$ -
Salaries, bonus and benefits	297,758	269,277
Rent	-	79,214
Patent fees	59,323	-
Travel and conferences	-	56,303
Office supplies	-	45,499
Professional fees	-	21,988
Insurance	-	15,014
Total	$ 1,048,352	$ 487,295

	For the year ended December 31, 2017	
	Research and Development	General and Administrative
Clinical research	$ 102,516	$ -
Salaries, bonus and benefits	166,312	227,015
Rent	-	68,872
Patent fees	32,948	-
Travel and conferences	-	49,861
Office supplies	-	51,945
Professional fees	-	39,574
Insurance	-	13,762
Total	$ 301,776	$ 451,029

14. Capital risk management

The capital of the Company includes equity, which is comprised of issued common capital stock, Class A preferred shares, additional paid-in capital, and accumulated deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities.

(Stated in United States dollars)

15. Loss per share

	For the year ended December 31, 2018	For the year ended December 31, 2017
Numerator		
Net loss for the year	$ 1,536,556	$ 875,707
Denominator		
Weighted average common shares - basic	1,000,000	342,531
Stock options	-	-
Denominator for diluted loss per share	1,000,000	342,531
Loss per share - basic and diluted	$ (1.54)	$ (2.56)

For the above-mentioned years, the Company had securities outstanding which could potentially dilute basic EPS in the future, but were excluded from the computation of diluted loss per share in the periods presented, as their effect would have been anti-dilutive.

16. Related party transactions

During the years ended December 31, 2018 and 2017, the Company incurred the following related party transactions:

- Included in accounts payable and accrued liabilities are balances owed to related companies owned by a shareholder of $17,247 (2017 - $17,755) relating to reimbursement of payment by the related parties for the Company's operating expenses. The balances are non-interest bearing, unsecured, and have no specific repayment terms.

- During the year, the Company incurred rent expense in the amount of $79,214 (2017 - $68,872) from a company owned by an individual related to the shareholder of which $13,953 (2017 - $nil) is included in accounts payable and accrued liabilities. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

- During the year ended December 31, 2017, funds of $294,162 were received from related companies under common control and the entire amount advanced as at the date of Class A Preferred Shares Issuance was settled with issuance of 834,158 common shares.

- During the year ended December 31, 2017, funds of $117,049 were received from a shareholder of the Company and the entire loan balance as at the date of Class A Preferred Shares Issuance was exchanged for 165,742 common shares.

17. Subsequent events

On March 7, 2019, under the terms of the share exchange agreement, the Company's shareholders agreed to exchange their shares of the Company for newly-issued common shares of Stellar Biotechnologies, Inc. ("Stellar"). At the closing, the Company will become a wholly-owned subsidiary of Stellar. Following the closing, current Stellar shareholders are expected to own approximately 10%, and the current shareholders of the Company are expected to own approximately 90%, of the combined company on a fully-diluted basis, subject to a 2% upward or downward adjustment based upon the amount of Stellar's working capital balance immediately prior to the closing.

Financial Statements (Unaudited)

Edesa Biotech Inc.
Condensed Interim Balance Sheets
(Unaudited)

	Note	March 31, 2019	December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents		**$ 3,042,141**	$ 3,367,098
Prepaid expenses and deposits	3	**31,392**	16,487
Other receivable		**26,811**	7,339
		3,100,344	3,390,924
Property and equipment	4	**8,551**	7,386
		$ 3,108,895	$ 3,398,310
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	8(d)	**$ 336,536**	$ 183,820
		336,536	183,820
Shareholders' equity:			
Capital shares			
Authorized unlimited common shares and preferred shares without par value issued and outstanding			
1,000,000 common shares (2018 - 1,000,000)	5	**1,111,253**	1,111,253
1,007,143 Class A preferred shares (2018 - 1,007,143)	5	**6,176,993**	6,064,013
Additional paid-in capital		**244,238**	230,792
Accumulated other comprehensive loss		**(356,720)**	(429,973)
Accumulated deficit		**(4,403,405)**	(3,761,595)
		2,772,359	3,214,490
		$ 3,108,895	$ 3,398,310

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.
Condensed Interim Statements of Operations and Comprehensive Loss
(Unaudited)

		Three Months Ended	
	Note	March 31 2019	March 31 2018
Expenses:			
Research and development	10	$ 111,702	$ 280,045
General and administrative	10	429,076	151,250
Loss from operations		540,778	431,295
Interest income		(15,920)	(16,658)
Foreign exchange loss		3,972	619
Loss before income taxes		528,830	415,256
Income tax expense		-	-
Net loss		528,830	415,256
Exchange differences on translation		(73,253)	382,265
Net loss and comprehensive loss		$ 455,577	$ 797,521
Weighted average number of common shares		1,000,000	1,000,000
Loss per share - basic and diluted	12	$ 0.53	$ 0.42

Nature of operations (Note 1)
Commitments and contingencies (Note 7)

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited)

	Note	Number of common shares #	Capital shares	Class A preferred shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2017	5	$ 1,000,000	$ 1,111,253	$ 5,616,801	$ 149,448	$ (101,135)	$ (1,777,827)	$ 4,998,540
Preferred return for Class A preferred shares	5	-	-	107,331	-	-	(107,331)	-
Stock-based compensation	6	-	-	-	23,211	-	-	23,211
Net loss and comprehensive loss		-	-	-	-	(382,265)	(415,256)	(797,521)
Balance at March 31, 2018		**1,000,000**	**$ 1,111,253**	**$ 5,724,132**	**$ 172,659**	**$ (483,400)**	**$ (2,300,414)**	**$ 4,224,230**
Balance at December 31, 2018	5	1,000,000	$ 1,111,253	$ 6,064,013	$ 230,792	$ (429,973)	$ (3,761,595)	$ 3,214,490
Preferred return for Class A preferred shares	5	-	-	112,980	-	-	(112,980)	-
Stock-based compensation	6	-	-	-	13,446	-	-	13,446
Net loss and comprehensive loss		-	-	-	-	73,253	(528,830)	(455,577)
Balance at March 31, 2019		**1,000,000**	**$ 1,111,253**	**$ 6,176,993**	**$ 244,238**	**$ (356,720)**	**$ (4,403,405)**	**$ 2,772,359**

The accompanying notes are an integral part of these financial statements.

Edesa Biotech Inc.

Condensed Interim Statements of Cash Flows
(Unaudited)

	Note	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows used in operating activities:			
Net loss		$ (528,830)	$ (415,256)
Adjustments for			
Depreciation	4	505	379
Stock-based compensation	6	13,446	23,211
Change in working capital items			
Prepaid expenses and deposits		(14,905)	88,475
Other receivable		(19,472)	9,243
Accounts payable and accrued liabilities		152,716	59,684
		(396,540)	(234,264)
Cash flows used in investing activities:			
Purchases of property and equipment		(1,505)	(6,869)
		(1,505)	(6,869)
Effect of exchange rate changes on cash and cash equivalents		73,088	(382,101)
Decrease in cash and cash equivalents during the period		(324,957)	(623,234)
Cash and cash equivalents, beginning of period		3,367,098	5,000,122
Cash and cash equivalents, end of period		$ 3,042,141	$ 4,376,888

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Edesa Biotech Inc. (the "Company") was incorporated on July 9, 2015 under the *Business Corporations Act* (Ontario). The Company is a biopharmaceutical company engaged in the business of developing, manufacturing and commercializing innovative pharmaceutical products. The Company's registered office is located at 100 Spy Court, Markham, Ontario, Canada.

2. Basis of preparation

The accompanying condensed unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These condensed interim financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2018.

The accounting policies set out below have been applied consistently in the condensed unaudited interim financial statements.

Use of estimates

The preparation of the condensed unaudited interim financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 condensed unaudited interim financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Areas where significant judgment is involved in making estimates are: the fair values of financial assets and liabilities; the determination of fair value of share-based compensation; and the useful lives of property and equipment.

Basis of measurement

The condensed unaudited interim financial statements have been prepared on the historical cost basis except as otherwise noted.

Functional and reporting currencies

The Company's functional currency, as determined by management, is Canadian dollars. The Company's reporting currency is U.S. dollars.

The accounting policies set out below have been applied consistently to all periods presented in the condensed unaudited interim financial statements.

Research and development

Research and development costs related to continued research and development programs are expensed as incurred in accordance with ASC topic 730.

2. Basis of preparation (continued)

Share issue costs

Share issue costs are recorded as a reduction of the proceeds from the issuance of capital shares.

Translation of foreign currencies

The financial statements of the Company are measured using the Canadian dollar as the functional currency. The Company's reporting currency is in the U.S. dollar. Assets and liabilities are translated at the period end rates. Revenue and expenses are translated at average exchange rates for the period. Accumulated gains and losses resulting from the translation of the condensed unaudited interim statements are included as part of accumulated other comprehensive loss, a separate component of shareholders' equity.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated.

The Company calculates share-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option. The provisions of the Company's share-based compensation plans do not require the Company to settle any options by transferring cash or other assets, and therefore the Company classifies the awards as equity. Share-based compensation expense recognized during the period is based on the value of share-based payment awards that are ultimately expected to vest.

The Company estimates forfeitures at the time of grant and revises, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Loss per share

Basic loss per share ("EPS") is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of share options and preferred shares. In certain circumstances, the conversion of options is excluded from diluted EPS if the effect of such inclusion would be anti-dilutive.

The dilutive effect of share options is determined using the treasury stock method. Share options to purchase common shares of the Company during the period were not included in the computation of diluted EPS because the Company has incurred a loss for the three months ended March 31, 2019 as the effect would be anti-dilutive.

Comprehensive loss

The Company follows ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity.

2. Basis of preparation (continued)

Future accounting pronouncements

In February 2016, the FASB issued new guidance, ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Additional qualitative and quantitative disclosures are also required by the new guidance. Topic 842 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. As a result of the change of fiscal year end as disclosed in note 14, the Company will adopt the new standard on October 1, 2019 and use the effective date as its date of initial application.

A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company is in the process of determining the impact of the new standard.

3. Prepaid expenses and deposits

As at March 31, 2019, the Company has classified $31,392 as a current asset in the balance sheet (December 31, 2018 - $16,487) as all prepaids are expected to be utilized within one year.

4. Property and equipment

	March 31, 2019	December 31, 2018
Computer equipment	$ 6,439	$ 4,829
Furniture and equipment	5,701	5,578
	12,140	10,407
Less: accumulated depreciation	(3,589)	(3,021)
Depreciable assets, net	**$ 8,551**	**$ 7,386**

Depreciation expense amounted to $505 and $379 for the three months ended March 31, 2019 and 2018, respectively.

5. Capital shares

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Class A preferred shares, all without par value.

Issued and outstanding common shares:

	Number of common shares (#)	Capital shares
Balance at December 31, 2018 and March 31, 2019	1,000,000	$ 1,111,253

5. Capital shares (continued)

Issued and outstanding preferred shares:

	Class A Preferred shares (#)	Class A Preferred shares
Balance at December 31, 2017	1,007,143	$ 5,616,801
Preferred return on Class A preferred shares - 2018	-	447,212
Balance at December 31, 2018	1,007,143	$ 6,064,013
Preferred return on Class A preferred shares - 2019	-	112,980
Balance at March 31, 2019	1,007,143	$ 6,176,993

The Class A preferred shares are voting and convertible into common shares at the option of the holder at any time. Upon the occurrence of a liquidation event, as defined in the resolutions of the shareholders dated August 28, 2017, the Class A preferred shares have a liquidation amount preference over the rights of holders of common shares or any class of shares ranking junior to Class A preferred shares. The liquidation amount is equal to the original issue price of each Class A preferred shares plus 8% of the Class A preferred share price of $7 CAD per share, accruing daily and compounding annually, on each Class A preferred share.

All Class A preferred shares can be converted automatically, without the payment of any additional consideration, into such number of common shares on a 1:1 basis at the election of the holders of not less than 66 2/3% of the then outstanding Class A preferred shares.

All Class A preferred shares can be converted automatically, without the payment of any additional consideration, into such number of common shares:

- upon the closing of an offering pursuant to a receipted prospectus under the Securities Act (Ontario), as amended, or similar document filed under other applicable securities laws in Canada or the United States, covering the offer and sale of common shares for the account of the Company to the public in which:
  - the common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange or The NASDAQ Global Market or another exchange; and
  - the aggregate net proceeds from such offering to the Company total not less than $20 million CAD; and
  - the offering is completed at a price per common share which is not less than three times the Class A Original Issue Price, subject to appropriate adjustment for any recapitalization event; or
- upon a liquidation event where the price per share is at least three times the Class A Original Issue Price of $7.00 CAD

The Company has evaluated the convertible preferred shares and the embedded conversion option. The embedded conversion option does not meet the criteria for bifurcation and has therefore been classified to equity under ASC 815.

The Class A preferred shares also contain an 8% preferred return that accrues daily and compounds annually and is payable in shares upon conversion.

6. Share-based compensation

The Company's share option plan allows options to be granted to directors, officers, employees and certain external consultants and advisers. Under the share option plan, the option term is not to exceed 10 years and the exercise price of each option is determined by the Board of Directors.

During the three months ended March 31, 2019 and 2018, the Company did not issue any share options, and no options were exercised.

During the year ended December 31, 2018, the Company issued 8,000 share options, each option entitling the holder to purchase one common share of the Company. During the year ended December 31, 2018, no options were exercised.

As of March 31, 2019, the exercise prices, weighted average remaining contractual life of outstanding options and weighted average grant date fair values were as follows:

	Options outstanding				Options exercisable		
Exercise price $ CAD	Number outstanding	Weighted average exercise price per share $ CAD	Weighted average remaining contract life (years)	Weighted average grant date fair value $ CAD	Number exercisable	Weighted average exercise price per share $ CAD	Weighted average grant date fair value $ CAD
7.00	97,263	7.00	8.56	7.00	65,656	7.00	7.00
	97,263	7.00			65,656	7.00	7.00

As of December 31, 2018, the exercise prices, weighted average remaining contractual life of outstanding options and weighted average grant date fair values were as follows:

	Options outstanding				Options exercisable		
Exercise price $ CAD	Number outstanding	Weighted average exercise price per share $ CAD	Weighted average remaining contract life (years)	Weighted average grant date fair value $ CAD	Number exercisable	Weighted average exercise price per share $ CAD	Weighted average grant date fair value $ CAD
7.00	97,263	7.00	8.81	7.00	61,726	7.00	7.00
	97,263	7.00			61,726	7.00	7.00

The Company recorded $13,446 and $23,211 of share-based compensation for the three months ended March 31, 2019 and 2018.

7. Commitments and contingencies

The minimum rent, exclusive of occupancy charges, payable to a related company under an operating lease for the Company's premise, is approximately as follows:

Year Ending		
September 30, 2019	$	38,000
September 30, 2020		77,000
September 30, 2021		78,000
September 30, 2022		79,000
September 30, 2023		20,000
Total	$	292,000

In 2016, the Company entered into an exclusive license agreement with a third party to obtain exclusive rights to certain know-how, patents and data relating to a pharmaceutical product. The Company will use the exclusive rights to develop the product for therapeutic, prophylactic and diagnostic uses in topical dermal applications and anorectal applications.

No intangible assets have been recognized under the license agreement with the third party as of March 31, 2019 and December 31, 2018. Payments to the third party are included in the statement of operations and comprehensive loss as research and development expenditures.

Under the license agreement, the Company is committed to payments of various amounts to the third party upon meeting certain milestones outlined in the license agreement, up to an aggregate amount of $18.6 million.

Upon divestiture of substantially all of the assets of the Company, the Company shall pay the third party a percentage of the valuation of the licensed technology sold as determined by an external objective expert.

The Company also has a commitment to pay the third party a royalty based on net sales of the product in countries where the Company, or an affiliate, directly commercializes the product and a percentage of sublicensing revenue received by the Company and its affiliates in the countries where it does not directly commercialize the product.

In 2016, the Company also entered into an exclusive license agreement with another third party to obtain exclusive rights to certain know-how, patents and data relating to a pharmaceutical product. No intangible assets have been recognized under the license agreement as of March 31, 2019 and December 31, 2018. No fees were paid as of March 31, 2019 and December 31, 2018.

Under the license agreement, the Company is committed to payments of up to a total of $18.5 million upon meeting certain milestones outlined in the license agreement.

The Company also has a commitment to pay a royalty based on net sales of the product in the countries where the Company directly commercializes the product and a percentage of sublicensing revenue received by the Company and its affiliates in the countries where it does not directly commercialize the product.

8. Financial instruments

(a) Fair values

The Company follows ASC topic 820, "Fair Value Measurements" which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC topic 820 apply to other accounting pronouncements that require or permit fair value measurements. ASC topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date; and establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the hierarchy are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for assets or liabilities.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(i) The Company calculates expected volatility based on historical volatility of the Company's peer group that is publicly traded for options.

An increase/decrease in the volatility would have resulted in an increase/decrease in the fair value of the options.

The carrying values of cash, other receivable, accounts payable and accrued liabilities approximates their fair values because of the short-term nature of these instruments.

(b) Interest rate and credit risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a significant change in market interest rates, relative to interest rates on cash and cash equivalents due to the short-term nature of these balances.

The Company is also exposed to credit risk at period end from the carrying value of its cash. The Company manages this risk by maintaining bank accounts with a Canadian Chartered Bank. The Company's cash is not subject to any external restrictions.

(c) Foreign exchange risk

The Company has balances in Canadian dollars that give rise to exposure to foreign exchange ("FX") risk relating to the impact of translating certain non-U.S. dollar balance sheet accounts as these statements are presented in U.S. dollars. A strengthening U.S. dollar will lead to a FX loss while a weakening U.S. dollar will lead to a FX gain. For each Canadian dollar balance of $1.0 million, a +/- 10% movement in the Canadian currency held by the Company versus the U.S. dollar would affect the Company's loss and other comprehensive loss by $0.1 million. The Company had assets of $4.1 million CAD as at March 31, 2019 (December 31, 2018 - $4.6 million CAD).

8. Financial instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at March 31, 2019 and December 31, 2018:

					March 31, 2019	
	Less than 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Greater than 1 year	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	336,536	-	-	-	-	336,536
	336,536	-	-	-	-	336,536

					December 31, 2018	
	Less than 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Greater than 1 year	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	183,820	-	-	-	-	183,820
	183,820	-	-	-	-	183,820

9. Segmented information

The Company's operations comprise a single reportable segment engaged in the research and development, manufacturing and commercializing innovative pharmaceutical products. As the operations comprise a single reportable segment, amounts disclosed in the financial statements for loss for the period, depreciation and total assets also represent segmented amounts.

10. Schedule of expenses

	Three Months Ended March 31, 2019	
	Research and Development	General and Administrative
Clinical research	$ 19,267	$ -
Salaries, bonus and benefits	84,939	65,333
Share based compensation	5,575	7,871
Rent	-	19,302
Patent fees	1,921	-
Travel and conferences	-	23,289
Office supplies	-	14,549
Professional fees	-	293,667
Insurance	-	4,560
Depreciation	-	505
Total	$ 111,702	$ 429,076

	Three Months Ended March 31, 2018	
	Research and Development	General and Administrative
Clinical research	$ 175,013	$ -
Salaries, bonus and benefits	56,381	67,378
Share based compensation	7,731	15,480
Rent	-	19,804
Patent fees	40,920	-
Travel and conferences	-	22,872
Office supplies	-	20,410
Professional fees	-	924
Insurance	-	4,003
Depreciation	-	379
Total	$ 280,045	$ 151,250

11. Capital risk management

The capital of the Company includes equity, which comprises issued common shares, Class A preferred shares, additional paid-in capital, and accumulated deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities.

12. Loss per share

	Three Months Ended	
	March 31, 2019	March 31, 2018
Numerator		
Net loss for the period	$ 528,830	$ 415,256
Denominator		
Weighted average common shares - basic	1,000,000	1,000,000
Stock options	-	-
Denominator for diluted loss per share	1,000,000	1,000,000
Loss per share - basic and diluted	$ 0.53	$ 0.42

For the above-mentioned periods, the Company had securities outstanding which could potentially dilute basic EPS in the future but were excluded from the computation of diluted loss per share in the periods presented, as their effect would have been anti-dilutive.

13. Related party transactions

During the periods presented, the Company incurred the following related party transactions:

- Included in accounts payable and accrued liabilities as at December 31, 2018 were balances owed to related companies owned by a shareholder of $17,247 relating to reimbursement of payment by the related parties for the Company's operating expenses. As at March 31, 2019, the Company recorded receivables of $1,457 from those related companies. Those balances are non-interest bearing, unsecured, and have no specific repayment terms.

- During the three months ended March 31, 2019, the Company incurred rent expense in the amount of $19,302 (three months ended March 31, 2018 - $19,804) from a company owned by an individual related to the shareholder. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

14. Subsequent events

On March 7, 2019, under the terms of the share exchange agreement, the Company’s shareholders agreed to exchange their shares of the Company for newly-issued common shares of Stellar Biotechnologies, Inc. (“Stellar”) (“The Transaction”).

The Transaction was completed on June 7, 2019, and the Company became a wholly-owned subsidiary of Stellar. Current Stellar shareholders own approximately 12%, and the current shareholders of the Company own approximately 88%, of the combined company on a fully-diluted basis. Following the closing, Stellar was renamed to Edesa Biotech, Inc. and commenced trading on the Nasdaq Capital Market on June 10, 2019 under the symbol "EDSA." Upon completion of the Transaction, the Company changed its fiscal year end from December 31 to September 30.

15. Comparative figures

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements.

Exhibit 99.5

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
MARCH 31, 2019

Introduction

Stellar Biotechnologies, Inc. (“Stellar”), Edesa Biotech Inc. (“Edesa”) and the shareholders of Edesa (the “Edesa Shareholders”) entered into a Share Exchange Agreement on March 7, 2019 (the “Exchange Agreement”). Under the Exchange Agreement, Stellar will acquire the entire issued share capital of Edesa in exchange for newly issued common shares of Stellar, no par value (the “Stellar Common Shares”) with Edesa becoming a wholly-owned subsidiary of Stellar. This transaction is referred to as the “Exchange.” Immediately following the completion of the Exchange, the Edesa Shareholders and option holders are expected to own 90% of the aggregate number of the shares of the combined company on a fully diluted basis, and the Stellar shareholders are expected to own 10% of the aggregate number of shares of the combined company, on a fully diluted basis. This exchange ratio of 90% (Edesa)/10% (Stellar) (the “Base Ratio”) is subject to adjustment if Stellar’s working capital, calculated on the day before the completion of the Exchange, is more than $3 million or less than $2 million, resulting in a maximum exchange ratio of 88% (Edesa)/12% (Stellar) if working capital is $3.5 million or more, and a minimum exchange ratio of 92% (Edesa)/8% (Stellar) if working capital is less than $1,750,000 (the “Adjusted Ratio”).

The Exchange was subject to approval of the Stellar shareholders of the issuance of Stellar Common Shares in the Exchange and other customary closing conditions.

The Exchange will be accounted for as a reverse acquisition under the acquisition method of accounting for business combinations. For accounting purposes, Edesa is considered to be the accounting acquirer due to the following:

- Edesa’s former equity owners will collectively own a majority voting interest in Stellar and will therefore control Stellar and Edesa and its direct and indirect wholly owned subsidiaries (collectively, the combined organization); and

- Edesa will appoint a majority of the board of directors of Stellar, which will be renamed Edesa Biotech, Inc.

Because Edesa is considered the accounting acquirer, Edesa will allocate the total purchase consideration to the fair value of Stellar’s assets and liabilities as of the assumed acquisition date, with any excess purchase consideration being recorded as goodwill.

The Unaudited Pro Forma Condensed Combined Balance Sheet is presented as of March 31, 2019, giving effect to the Exchange as if it occurred on March 31, 2019. The Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 31, 2019 gives effect to the Exchange as if it occurred on January 1, 2019, the beginning of the earliest period presented.

The Unaudited Pro Forma Condensed Combined Financial Statements have been derived from, and should be read in conjunction with, the following:

- The historical unaudited financial statements of Edesa as of and for the three months ended March 31, 2019 included in this Form 8-K/A; and

- The historical unaudited financial statements of Stellar as of and for the three months and six months ended March 31, 2019 included in Stellar’s Quarterly Report on Form 10-Q filed on May 8, 2019 with the SEC.

The Unaudited Pro Forma Condensed Combined Statement of Operations is based upon the year end of Edesa, as the accounting acquirer.

All references to common shares, warrants and share options have been adjusted to reflect the effect of the 1 for 6 reverse split, effected at the close of market on June 7, 2019.

The Unaudited Pro Forma Condensed Combined Financial Statements were prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited pro forma adjustments reflecting the acquisition have been prepared in accordance with the business combination accounting guidance and reflect the preliminary allocation of the purchase price to the acquired assets and liabilities based upon the preliminary estimate of fair values, using the assumptions set forth in the notes to the Unaudited Pro Forma Condensed Combined Financial Statements. The detailed adjustments and underlying assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Statements are contained in the notes hereto and should be reviewed in their entirety.

The historical financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the Exchange, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results.

The Unaudited Pro Forma Condensed Combined Financial Statements are provided for illustrative purposes only and are not necessarily indicative of what the operating results or financial position of the combined organization would have been had the Exchange occurred on the respective dates indicated above, nor are they indicative of the future results or financial position of the combined organization. In connection with the Unaudited Pro Forma Condensed Combined Financial Statements, the total purchase consideration was allocated based on the best estimates of fair value of the assets acquired and liabilities assumed. The allocation is dependent upon certain valuation and other analyses that are not yet final. Accordingly, the pro forma acquisition price adjustments are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to the preliminary estimated purchase price allocation.

The Unaudited Pro Forma Condensed Combined Financial Statements also do not give effect to the potential impact of current financial conditions, regulatory matters, any anticipated synergies, operating efficiencies or cost savings that may result from the Exchange or any integration costs. Furthermore, the Unaudited Pro Forma Condensed Combined Statement of Operations do not include certain nonrecurring charges resulting directly from the acquisition as described in the accompanying notes.

As contemplated by the Exchange Agreement, the holders of outstanding options to purchase common shares of Edesa will be offered, effective as of the Closing, replacement options, subject to vesting, exercisable for Stellar Common Shares. Based on the assumed Base Ratio, which is subject to adjustment in accordance with the Exchange Agreement, an aggregate of 97,263 options are expected to be replaced with share options to purchase an aggregate of 343,215 Common Shares at an exercise price of C$1.82 per share, with the vesting terms of the replacement share options continuing from the original awards (3 years from the grant date of the original awards) and no change in expiration dates. Share based compensation expense will be recorded based on the Black-Scholes value of the replacement share options over the remaining vesting period.

Stellar Biotechnologies, Inc. and Edesa Biotech Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2019

	Edesa March 31, 2019	Stellar March 31, 2019	Pro forma Adjustments	Combined March 31, 2019
Assets:				
Current assets:				
Cash and cash equivalents	$ 3,042,141	$ 7,684,120	$ (1,200,000)A	$ 8,156,261
			(1,370,000)B	
Other current assets	58,203	454,810		513,013
Total current assets	3,100,344	8,138,930		8,669,274
Noncurrent assets:				
Property, plant and equipment, net	8,551	996,745		1,005,296
Other noncurent assets		15,340		15,340
Total noncurrent assets	8,551	1,012,085		1,020,636
Total Assets	$ 3,108,895	$ 9,151,015		$ 9,689,910
Liabilities and Shareholders' Equity:				
Current liabilities:				
Accounts payable and accrued liabilities	$ 336,536	$ 801,407		1,137,943
Other current liabilities		80,000		80,000
Total Current Liabilities	336,536	881,407		1,217,943
Shareholders' equity:				
Preferred shares	6,176,993		(6,176,993)D	-
Common shares	1,111,253	56,652,957	(56,652,957)C	13,107,854
			6,176,993D	
			5,819,608D	
Additional paid-in capital	244,238		65,000E	309,238
Accumulated share-based compensation	-	5,109,824	(5,109,824)C	-
Accumulated other comprehensive loss	(356,720)			(356,720)
Accumulated deficit	(4,403,405)	(53,493,173)	53,493,173C	(4,588,405)
			(185,000)B	
Total Shareholders' Equity	2,772,359	8,269,608		8,471,967
Total Liabilities and Shareholders' Equity	$ 3,108,895	$ 9,151,015		$ 9,689,910

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

Stellar Biotechnologies, Inc. and Edesa Biotech Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2019

	Edesa 3 Months ended March 31, 2019	Stellar 3 Months ended March 31, 2019	Pro forma Adjustments	Combined 3 Months ended March 31, 2019
Revenues	$ -	$ 117,755	$ -	$ 117,755
Expenses:				
Cost of sales		64,378		64,378
Costs of aquaculture		35,408		35,408
Research and development	111,702	375,734		487,436
General and administrative	429,076	1,325,693	(1,100,000)F	654,769
	540,778	1,801,213		1,241,991
Loss from Operations	(540,778)	(1,683,458)		(1,124,236)
Other income (loss)	11,948	26,981		38,929
Income tax expense	-	-		-
Net Loss	(528,830)	(1,656,477)		(1,085,307)
Exchange differences on translation	73,252			73,252
Net loss and comprehensive loss	$ (455,578)	$ (1,656,477)		$ (1,012,055)
Weighted average number of common shares	3,528,723	888,454		8,734,813
Net loss per common share-basic and diluted	$ (0.15)	$ (1.86)		$ (0.12)

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of presentation

The Exchange will be accounted for as a reverse acquisition using the acquisition method of accounting for business combinations. The excess fair value of the consideration transferred over assets acquired and liabilities assumed is recorded as goodwill.

The historical financial information has been adjusted to give pro forma effect to events that are (i) directly attributable to the Exchange, (ii) factually supportable, and (iii) with respect to the Unaudited Pro Forma Condensed Combined Statement of Operations, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the effect of the Exchange. Historical amounts of the assets acquired and liabilities assumed have been used to estimate fair value as no valuation has occurred at this time to determine their respective fair values.

Under the acquisition method, acquisition-related transaction costs such as advisory, legal, valuation and other professional fees are not included as consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. These costs are not presented or reflected as pro forma adjustments in the Unaudited Pro Forma Combined Consolidated Statement of Operations because they will not have a continuing impact on the combined results.

Description of transaction

Stellar Biotechnologies, Inc. (“Stellar”), Edesa Biotech Inc. (“Edesa”) and the shareholders of Edesa (the “Edesa Shareholders”) entered into a Share Exchange Agreement on March 7, 2019 (the “Exchange Agreement”). Under the Exchange Agreement, Stellar will acquire the entire issued share capital of Edesa in exchange for newly issued common shares of Stellar, no par value (the “Stellar Common Shares”) with Edesa becoming a wholly-owned subsidiary of Stellar. This transaction is referred to as the “Exchange.” Immediately following the completion of the Exchange, the Edesa Shareholders and option holders are expected to own 90% of the aggregate number of the shares of the combined company on a fully diluted basis, and the Stellar shareholders are expected to own 10% of the aggregate number of shares of the combined company, on a fully diluted basis. This exchange ratio of 90% (Edesa)/10% (Stellar) (the “Base Ratio”) is subject to adjustment if Stellar’s working capital, calculated on the day before the completion of the Exchange, is more than $3 million or less than $2 million, resulting in a maximum exchange ratio of 88% (Edesa)/12% (Stellar) if working capital is $3.5 million or more, and a minimum exchange ratio of 92% (Edesa)/8% (Stellar) if working capital is less than $1,750,000 (the “Adjusted Ratio”).

The Exchange was subject to approval of the Stellar shareholders of the issuance of Stellar Common Shares in the Exchange and other customary closing conditions.

Purchase consideration

The purchase consideration in a reverse acquisition is determined with reference to the fair value of equity interests retained by the current owners of the legal acquirer, Stellar. As the reverse acquisition has not been consummated, the fair value of Stellar’s common shares was determined based on the closing price of Stellar’s common shares on Nasdaq on March 7, 2019, the day before the public announcement of the Share Exchange Agreement.

Estimated fair value of share consideration to be transferred, net of liquidity discount (1)	$	5,239,939
Estimated excess fair value of replacement warrants		65,000
Estimated total acquisition date fair value of consideration to be transferred	$	5,884,608

(1) The estimated consideration of the Exchange reflected in these Unaudited Pro Forma Condensed Combined Financial Statements does not represent the actual consideration. In accordance with ASC 805, the fair value of equity securities issued as part of the consideration will be measured on the closing date of the Exchange at the then-current market price. This requirement will likely result in a per share equity component different from the amount assumed in these Unaudited Pro Forma Condensed Combined Financial Statements and that difference may be material. An increase or decrease in the price per share of Stellar's common shares assumed in these Unaudited Pro Forma Condensed Combined Financial Statements by each $0.01 can increase or decrease the estimated purchase price by approximately $0.06 million, which would be reflected in these Unaudited Pro Forma Condensed Combined Financial Statements as an increase or decrease in goodwill.

Preliminary purchase consideration allocation

The following table summarizes the preliminary allocation of the estimated purchase consideration to the fair values of assets acquired and liabilities assumed from Stellar, with the difference recorded as goodwill:

Cash and cash equivalents	$ 5,299,120
Other current assets	454,810
Property, plant and equipment, net	996,745
Other noncurrent assets	15,340
Accounts payable and accrued liabilities	(801,407)
Other current liabilities	(80,000)
Net assets acquired	$ 5,884,608

2. Pro forma adjustments

The pro forma adjustments reflected in the Unaudited Condensed Combined Financial Statements represent estimated values and amounts based on available information.

Pro forma adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2019:

A. Adjustment reflects the estimated settlement of Stellar's warrants for cash as a result of the existing change of control provisions.

B. Adjustment reflects $1.18 million of transaction costs expected to be incurred by Stellar and $0.19 million of transaction costs expected to be incurred by Edesa as a result of the Exchange not previously recorded in historical financial statements, with no expected tax benefit. As there is no continuing impact of the combination-related costs, the impact of these costs has not been included in the Unaudited Pro Forma Condensed Combined Statement of Operations.

C. Adjustment made to eliminate Stellar's historical shareholders’ equity.

D. Adjustment reflects conversion of Edesa preferred shares and common shares in the Exchange for Stellar common shares issuable at Closing.

E. Adjustment made to reflect the estimated excess fair value of replacement warrants.

Pro forma adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations for the proposed combination with Edesa for the three months ended March 31, 2019:

F. Adjustment reflects $0.77 million of transaction costs incurred by Stellar and $0.33 million of transaction costs incurred by Edesa related to the Exchange during the three months ended March 31, 2019. As there is no continuing impact of the combination-related costs, the impact of these costs has been eliminated from the Unaudited Pro Forma Condensed Combined Statement of Operations.

3. Pro forma loss per common share

The following table sets forth the computation of basic and diluted net loss per common share:

Estimated Stellar shares to be received by Edesa common & preferred shareholders upon Closing		7,846,359
Weighted average number of Stellar common shares outstanding for the 3 months ended March 31, 2019		888,454
Weighted average number of common shares for combined company		8,734,813
Net loss for combined company		(1,085,307)
Net loss per common share for combined company-basic and diluted	$	(0.12)

The pro forma diluted net loss per share excludes the share equivalents because they would be anti-dilutive. The share equivalents expected after the Exchange include share options and warrants. The total number of anti-dilutive share equivalents is estimated to be .36 million shares at Closing. While these share equivalents are currently anti-dilutive, they could be dilutive in the future.

The estimated number of outstanding share equivalents has been calculated as follows:

Estimated outstanding warrants at Closing	13,667
Estimated outstanding share options at Closing	7,833
Estimated outstanding Edesa share options at Closing	343,215
Estimated number of outstanding share equivalents at Closing	364,715

4. Pro forma share capital

Share capital in the Unaudited Pro Forma Condensed Combined Balance Sheet has been calculated as follows:

	Number	Amount
Authorized		
Unlimited common shares without par value		
Issued and outstanding		
Value of Edesa outstanding preferred shares at March 31, 2019	-	$ 6,176,993
Value of Edesa outstanding common shares at March 31, 2019	-	1,111,253
Number and value of Stellar shares issuable to Edesa shareholders upon Closing	7,846,359	5,819,608
Number of Stellar outstanding common shares at March 31, 2019	888,454	-
Total Common shares	8,734,813	$ 13,107,854