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

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **August 31, 2013**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report ……

Stellar Biotechnologies, Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Jurisdiction of incorporation or organization)

332 E. Scott Street, Port Hueneme, CA 93041
(Address of principal executive offices)

Securities to be registered pursuant to Section 12(b) of the Act:
None

Securities to be registered pursuant to Section 12(g) of the Act:
Common Shares, without par value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Company's classes of capital or common stock as of the close of the period covered by the annual report.
57,946,160 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the *Securities Exchange Act of 1934*. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.
Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ | International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ | Other ☐

Indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 ☐ Item 18 ☒

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x N/A ☐

Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), Stellar is classified as an "Emerging Growth Company". Under the JOBS Act, Emerging Growth Companies are exempt from certain reporting requirements, including the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. Under this exemption, the Company's auditor will not be required to attest to and report on management's assessment of the company's internal controls over financial reporting during a five-year transition period. The Company is also exempt from certain other requirements, including the requirement to adopt certain new or revised accounting standards until such time as those standards would apply to private companies. The Company will remain an Emerging Growth Company for up to five years, although it will lose that status

earlier if revenues exceed US$1 billion, or if the Company issues more than US$1 billion in non-convertible debt in a three year period, or if the market value of the common stock held by non-affiliates exceeds US$700 million.

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Stellar Biotechnologies Inc.
Form 20-F Annual Report

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INTRODUCTION

Stellar Biotechnologies, Inc. (“Stellar” or the “Company”) was incorporated on June 12, 2007 in Canada under the *Canada Business Corporations Act* under the name China Growth Capital Inc. The Company changed its name to CAG Capital Inc. ("CAG") on April 15, 2008 and was classified as a Capital Pool Company ("CPC") when it was listed on the TSX Venture Exchange on August 29, 2008. On November 25, 2009, the Company was continued into British Columbia under the *British Columbia Business Corporations Act*. On April 7, 2010, the Company changed its name to Stellar Biotechnologies Inc. and subsequently completed its qualifying transaction through a reverse merger transaction with Stellar Biotechnologies Inc. ("Stellar CA"), a corporation incorporated under the laws of the State of California on September 9, 1999. Our principal offices are located at 332 East Scott Street, Port Hueneme, CA, USA 93041. Our telephone number is (805) 488-2800.

BUSINESS OF STELLAR BIOTECHNOLOGIES INC.

The Company is a biotechnology company engaged in the research, development, manufacture and commercialization of Keyhole Limpet Hemocyanin ("KLH") and related products and technologies.

KLH is a high molecular weight (HMW), immune-stimulating protein widely used in immunological applications, both as an active pharmaceutical ingredient (API) in certain immune therapies (such as for the treatment of cancer, infectious diseases and immune disorders) and as a finished product for testing immune status in patients and research settings.

KLH is refined from the hemolymph of a relatively scarce ocean mollusk, the Giant Keyhole Limpet (*Megathura crenulata*). KLH has a long history of safe use in a wide variety of clinical and research applications.

The KLH products produced by the Company are not unique as ingredients for pharmaceutical use and there is competition with other companies in the production and sale of KLH products for pharmaceutical use.

The Company currently has only limited revenue from commercial sales of its KLH products. Commercial sales are highly dependent upon the rate of development and clinical trials of active immunotherapies, therapeutic vaccines and other pharmaceutical products, being developed by other companies, in which Company's KLH products are utilized. The advancement of these third-party pharmaceutical technologies is dependent upon many factors, including available capital, clinical trial recruitment, and regulatory review, and revenue from these customers is highly variable.

FINANCIAL AND OTHER INFORMATION

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in United States Dollars.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements and information (collectively “forward-looking statements”) within the meaning of U.S. and Canadian securities laws. Some, but not all, forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” or “intend,” or statements that an action or event “may,” “will,” “would,” “could,” “should,” or “might” occur, or other similar expressions. Although the Company has attempted to identify important factors that could cause actual results to differ materially from expected results, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the availability of funds and resources to pursue our research and development projects, the successful and timely completion of clinical studies in which our products are utilized, the degree of market acceptance for our products or for other companies’ products in which our products are components, the ability of the Company to take advantage of business opportunities in the pharmaceutical industry, the ability of the Company to protect its intellectual property, uncertainties related to regulatory processes, the volatility of our common share price, the effect of competition, reliance on key personnel, and general changes in economic conditions. The forward-looking statements in this Annual Report are made as of the date of this discussion and are subject to change after such date.

Except as required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements made or incorporated in this Annual Report, whether as a result of new information, future events or otherwise. To the extent that any statements made in this document contain information that is not historical, these statements are considered forward-looking. The cautionary statements made in this report should be read as applying to forward-looking statements wherever they appear in this report.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not Applicable

Item 2. Offer Statistics and Expected Timetable

Not Applicable

Item 3. Key Information

As used within this Annual Report, the terms “Stellar”, “the Company”, “Issuer”, and “Registrant” refer collectively to Stellar Biotechnologies, Inc., its predecessors, and subsidiary.

A. Selected Financial Data

The selected financial data of the Company for the Years Ended August 31, 2013, 2012 and 2011, respectively, are derived from the financial statements of the Company which have been audited by D+H Group LLP, Chartered Accountants, as indicated in its auditors’ report which is included elsewhere in this Annual Report. The financial data for the Years Ended August 31, 2010 and 2009 are derived from the financial statements of the Company, which have also been audited by D+H Group LLP, but are not included herein.

The Company has not declared any dividends on its common shares since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings, if any, for use in its operations and the expansion of its business.

Table No. 1a is derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards for the fiscal years ended August 31, 2013, 2012 and 2011. The auditor conducted its audits in accordance with Canadian generally accepted auditing standards, and the standards of the Public Company Accounting Oversight Board (United States).

Table No. 1a
Selected Financial Data
(US$ in 000, except per share data)
IFRS

	Year Ended August 31, 2013	Year Ended August 31, 2012	Year Ended August 31, 2011
Operating Revenue	$ 545	$ 286	$ 697
Other Income (Loss)	(11,207)	1,327	1,235
Comprehensive Net Loss	(14,887)	(5,197)	(3,597)
Comprehensive Net Loss Per Share	(0.29)	(0.12)	(0.09)
Dividends Per Share	Nil	Nil	Nil
Working Capital	$ 4,226	$ 486	$ 4,062
Long-term Debt	Nil	Nil	Nil
Other Long-term Liabilities	7,746	130	1,527
Shareholder's Equity (deficit)	(3,142)	852	3,064
Total Assets	8,513	1,544	4,751
Share Capital	13,181	8,017	6,542
Shares Subscribed	5,156	Nil	Nil
Weighted Average Shares Outstanding	51,612	43,776	38,088
Number of Shares Outstanding at Year End	57,946	45,414	41,612

Table No. 1b is derived from the financial statements of the Company, which have been prepared in accordance with Canadian Generally Accepted Accounting Standards (GAAP) and included a reconciliation note to US GAAP for the fiscal years ended August 31, 2010 and 2009. The Company adopted IFRS effective September 1, 2010. Therefore, the information in Table No. 1b is not comparable with the information for fiscal years ended August 31, 2013, 2012 and 2011.

Table No. 1b
Selected Financial Data
(US$ in 000, except per share data)
Canadian GAAP

	Year Ended August 31, 2010	Year Ended August 31, 2009
Operating Revenue	$ 855	$ 910
Other Income	386	Nil
Comprehensive Net Income (Loss)	(590)	6
Comprehensive Net Income (Loss) Per Share	(0.04)	0.01
Dividends Per Share	Nil	Nil
Working Capital	$ 2,174	N/A
Long-Term Debt	Nil	N/A
Other Long-term Liabilities	Nil	N/A
Shareholder's Equity	2,472	N/A
Total Assets	2,893	N/A
Share Capital	2,611	N/A
Shares Subscribed	Nil	Nil
Weighted Average Shares Outstanding	15,600	530
Number of Shares Outstanding at Year End	26,917	530
US GAAP Net Income (Loss)	$ (859)	$ 6
US GAAP Income (Loss) Per Share	(0.06)	0.01
US GAAP Weighted Average Shares Outstanding	15,600	530
US GAAP Equity	1,673	(113)
US GAAP Total Assets	2,893	N/A
US GAAP Derivative Liability	799	N/A

B. Statement of Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

An investment in the Common Shares of the Company must be considered speculative due to the nature of the Company's business and the present stage of research and development. In particular, the following risk factors apply:

Risks Relating to the Operations of the Company

Research and development of drugs and medical products can be costly and require years of research and development activities.

The Company is expending substantial resources on research and development of its products and aquaculture technology. Many of the Company's products and technologies are at the development stage, and may never be commercially successful. The Company's future success will be in part dependent upon the Company's ability to successfully develop its products, the ability to obtain the required regulatory approvals, the protection of its processes and products, and commercial acceptance of its products.

The Company may be unable to achieve certain milestones associated with external partnerships.

Certain of the Company's agreements entered into the past and that may be entered into the future with third parties include certain milestones the Company must meet in order to obtain payments and continue the partnership agreements. If the Company were unable to achieve these milestones, it would have a negative effect on the Company's operations and financial condition. Additionally, it would likely curtail future development programs, which would also have a negative effect on the Company's operations.

The Company depends on third parties for its manufacturing operations.

The Company is currently dependent upon a small number of contractors and locations for its manufacturing capacity. The Company does not currently have backup manufacturing capacity for some of its key products. If the Company is unable to retain its current contractors, or is unable to obtain new contractors to provide manufacturing services, it will have a negative effect on the Company's operations. These contract manufacturers provide services to many biotechnology and research companies, and such third party contractors may not provide acceptable quality, quantity or costs required by the Company. In addition, they may not be able to provide the services required on a schedule acceptable to the Company. These issues may result in the Company being unable to manufacture its products in the required quantities or at an acceptable cost, which would have a negative effect on the Company's financial condition.

The Company has been and expects to be significantly dependent on collaborative and supply agreements for the development and sales of the Company's products.

In conducting the Company's research and development and commercialization activities, the Company currently relies, and expects to continue to rely, on numerous collaborative and supply agreements with third parties such as contract research organizations, commercial partners, universities, governmental agencies and not-for-profit organizations for both strategic and financial resources. Key among these agreements are the Amaran Biotechnology collaboration agreement and two Neovacs supply agreements. The termination of these relationships, or failure to perform by the Company or the Company's partners (who are subject to regulatory, competitive and other risks) under their applicable agreements or arrangements with the Company, or the Company's failure to secure additional agreements for the Company's product candidates, would substantially disrupt or delay the Company's research and development and commercialization activities, including anticipated clinical trials and commercial sales. Any such loss would likely increase the Company's expenses and materially harm the Company's business, financial condition and results of operation.

Rapid technological change could make the Company's products obsolete.

New developments in products, methods or technology may negatively affect the development and sale of some or all of the products utilizing the Company's products and technology, and may render them obsolete. New product development and/or modification is costly, requires significant research and development time and expense, and may not necessarily result in the successful commercialization of any new product. If the Company is unable to enhance and improve its products, or to develop and introduce new products that incorporate new technologies that achieve market acceptance, it may have a negative effect on the Company's operations and financial position.

Protection of patents and proprietary rights are limited.

The Company's success will depend in part on its ability to protect its proprietary rights and technologies. The Company relies upon a combination of contractual arrangements, licenses, patents, trade secrets and know-how to protect its proprietary technology and rights. These measures may not apply or may afford only limited protection. The Company may not have adequate remedies for any infringement or funds to take action against those infringing, or that its trade secrets will not otherwise become known or independently developed by competitors. There can be no assurance that any current or future patents licensed by or applied for by the Company will be upheld, if challenged, or that the protections afforded will not be circumvented by others. The patent positions of biotechnology and pharmaceutical companies, which involve licensing agreements, are frequently uncertain and involve complex legal and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued. Consequently, the Company's patents, patent applications and licensed rights may not provide protection against competitive technologies or may be held invalid if challenged or could be circumvented. If the Company enters litigation in regards to its business or to protect or enforce its patents, it may involve substantial expenditures and require significant management attention, even if the Company ultimately prevails. If the Company is unable to protect its intellectual property rights, it may result in the loss of valuable technologies and undermine its competitive position, which would have a negative effect on the Company's operations and financial position.

The Company competes with other companies in KLH production and manufacturing.

The Company competes with other companies in the production and sale of KLH products for pharmaceutical use. The KLH products produced by the Company are not unique as ingredients for pharmaceutical use from that produced by other companies. Some of these other companies, both public and private, have greater financial and personnel resources than the Company, and have greater sales and marketing experience in the industry than the Company. If they are able to produce and sell KLH products for less than the Company, it will have a negative effect on the Company's ability to operate successfully and will have a negative effect on the Company's operations and financial position.

The Company is subject to substantial government regulation.

The Company is subject to various laws, regulations, regulatory actions and court decisions at the local, State and Federal level in the United States and other countries. Failure to obtain regulatory approvals or delays in obtaining regulatory approvals by the Company, its collaborators, customers, vendors or service providers will adversely affect the development or marketing of its products and services. Changes in the regulatory environment could adversely affect the ability of the Company to attain its corporate objectives and obligations. Any new government regulation that affects biotechnology companies or relate specifically to the Company’s processes and products may increase the Company’s costs and price of its systems. These regulations may have a negative effect on the Company’s operations and financial condition.

The Company's customers face uncertainties related to regulatory approval.

A primary market for the Company's KLH products is for the use in the commercial manufacture and sale of active immunotherapies. The therapeutic drug industry is subject to significant government regulation, and many of the products developed by the Company's customers that utilize the Company’s KLH are not yet approved for commercial sale. Before regulatory approvals for the commercial sale of any products is granted, a drug must be demonstrated through preclinical testing and clinical trials to be safe and effective for their intended use in humans. The process to determine safety and efficacy, including clinical trials, is expensive and prolonged. The time necessary to complete these processes and trials and submit applications for the regulatory approvals is difficult to predict and is subject to numerous factors, and these trials may not be successful. Larger or later stage clinical trials may not produce the same results as earlier trials. Successful results in clinical trials may not result in regulatory approval, due to certain factors including unacceptable side effects or safety issues. Even if regulatory approval is granted for any drug or product that utilizes the Company's products, it will be subject to ongoing regulatory requirements, which include registration, manufacturing, labeling, advertising and promotion, packaging, distribution, record keeping and reporting, and storage. Manufacturing facilities are subject to continual review and inspection, and failure to meet these regulatory requirements can interrupt delay, or shut down these facilities. Previously unknown problems may result in regulatory restrictions on such products, including withdrawal from the marketplace. Delays in obtaining regulatory approvals for products from third party customers which use the Company's products, or failure to obtain or maintain regulatory approvals altogether, would have a negative effect on market demand for the Company's products, and have a negative effect on the Company's operations and financial condition.

Even if the Company obtains marketing approval, its products will be subject to ongoing regulatory review.

If the Company or its customers receive regulatory approval to market any product, they will be subject to ongoing regulatory requirements, which include registration, manufacturing, labeling, advertising and promotion, packaging, distribution, record keeping and reporting, and storage. Manufacturing facilities, both those operated by the Company and its vendors, are subject to continual review and inspection, and failure to meet these regulatory requirements can interrupt delay, or shut down these facilities. Previously unknown problems with the Company's products, or products produced by others which utilize the Company's products, may result in regulatory restrictions on such products, including withdrawal from the marketplace. These factors could have a negative effect on the Company's operations and financial condition.

The Company may not be able to manufacture its products in commercial quantities, which would prevent it from marketing its products.

Currently, the production of KLH by the Company is limited, and the Company has not determined if it is economical to manufacture KLH and related products on a large scale. The Company contracts with third-party vendors for the manufacture of its products, and may be unable to establish and maintain relationships with qualified manufacturers in order to produce sufficient supplies of its finished products. If the Company were unable to produce the requested quantities of its products, it would have a negative effect on the Company's operations and financial condition.

The Company may not be able to meet demand for KLH from either ocean harvest or internally raised sources.

The Company is dependent upon a supply of California giant keyhole limpets (*Megathura crenulata*) for KLH production. The range of keyhole limpets in the wild is limited, and due to the lack of a regulated harvest, the wild stocks of *M. crenulata* are believed to be declining. If the wild stocks are depleted, and the Company's hatchery and aquaculture operations are unable to produce sufficient supplies of captive *M. crenulata* to meet demand, it would have a negative effect on the Company's operations and financial condition.

The Company has limited marketing, sales and distribution experience.

The Company and its personnel have limited experience in the marketing, sales and distribution of KLH-based therapeutic or diagnostic products. The Company may not be able to establish its marketing, sales and distribution capabilities itself, or establish agreements with its collaborators, licensees or third parties to successfully perform these tasks. If the Company contracts or makes arrangements with third parties for the sales and marketing of its products, Company revenues will be dependent on the efforts of these third parties, whose efforts may not be successful. If the Company markets any of its products directly, it must either internally develop or acquire a marketing and sales force, which would require substantial resources and management attention.

The Company’s products, if approved, may fail to achieve market acceptance.

If the Company or its customers is successful in developing its products, or products produced by others which utilize the Company's products, and receives the required approvals from the applicable regulatory authorities, such products may not achieve market acceptance. The Company’s and its customers’ current and intended products will compete with a number of drugs and other products currently available in the marketplace, as well as other products currently under development from other pharmaceutical companies. The market acceptance of any of the Company’s products, or products produced by others which utilize the Company's products, will depend on a number of factors, including the demonstration and establishment of the efficacy and safety, as well as their advantages over other alternative products.

The Company is subject to the risk of product liability claims, for which it may not have, or be able to obtain, adequate insurance coverage.

The drug industry is subject to product liability claims in the event of adverse effects, even in respect to products that have received regulatory approval for commercial sale. Such claims might be made directly by consumers, healthcare providers or by pharmaceutical companies, or others selling or utilizing the Company's products. Although the Company currently maintains liability insurance of up to $2 million for its products, it may not be able to obtain or maintain sufficient and affordable insurance coverage for all claims that may occur. Any product liability claims would require management attention and related costs, and would have a negative effect on the Company's operations and financial condition.

The Company's products may not obtain adequate reimbursement from third party payers and the Company's products and formulations may be limited if new restrictive legislation is adopted.

The continuing efforts of government and insurance companies, health maintenance organizations and other payers of healthcare costs to contain or reduce costs of health care may affect the Company's future revenues and profitability, and the future revenues and profitability of the Company's potential customers, suppliers and collaborative partners and the availability of capital. While we cannot predict whether any such legislative or regulatory proposals will be adopted, the announcement or adoption of such proposals and related laws, rules and regulations could materially harm the Company's business, financial conditions, results of operations or stock price. Moreover, the passage of the Patient Protection and Affordable Care Act in 2010, and efforts to amend or repeal such law, has created significant uncertainty relating to the scope of government regulation of healthcare and related legal and regulatory requirements, which could have an adverse impact on sales of the Company's products, or products produced by others which utilize the Company's products.

The Company may face environmental risks related to handling regulated substances.

The Company's and the Company's partners' research and clinical development activities, as well as the manufacture of materials and products, are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials, biological specimens and wastes. The Company may be required to incur significant costs to comply with environmental and health and safety regulations in the future. The Company's research and clinical development, as well as the activities of the Company's manufacturing and commercial partners, both now and in the future, may involve the controlled use of hazardous materials, including but not limited to certain hazardous chemicals. The Company cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of such an occurrence, the Company could be held liable for any damages that result and any such liability could exceed the Company's resources.

Risks Relating to the Financing of the Company

The Company has a history of net losses and limited cash flow to sustain operations.

The Company currently has limited revenue from product sales, and anticipates its planned research and development expenditures, as well as its general and administrative expenses, will be greater than its revenues for the foreseeable future. The Company has incurred net losses of ($14,886,513) in fiscal 2013, ($5,196,696) in fiscal 2012 and ($3,597,279) in fiscal 2011, and as of August 31, 2013 has an accumulated deficit of ($25,204,026) since inception. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The Company has historically relied upon the sale of common shares to help fund its operations and meet its obligations. Any future additional equity financing would cause dilution to current stockholders. If the Company does not have sufficient capital for its operations, management would be forced to reduce or discontinue its activities, which would have a negative effect on the Company's operations and financial condition.

The Company may require additional financing which could result in substantial dilution to existing shareholders.

The Company may require additional funds to meet its future obligations, which would likely require the sale of additional common shares in order to raise funds required to meet its budgeted expenditures and obligations. Management currently estimates that the Company's operations, including research and development, capital expenditures and general and administrative expenses, will require approximately $4.3 million for the upcoming fiscal year. Management believes that the Company currently has enough capital to sustain operations for at least the next 12 months. The Company believes its cash and cash equivalents at August 31, 2013, and the $12 million gross proceeds raised during the September 2013 private placement are sufficient to meet estimated working capital requirements and fund planned operations for at least the next twelve months. Notwithstanding the above, the Company may decide to expand operations, undertake strategic acquisitions or determine some other business need. In such case, the Company would then seek financing for such events. This may occur in the next 6 to 18 months. The Company's ongoing research and development activities may be dependent upon the Company's ability to obtain funds, which is expected to include the sale of common shares, as well as possible debt financings, joint ventures, or other means. Such sources of financing may not be available on acceptable terms, if at all. Failure to obtain such financing may result in delay or indefinite postponement of research and development of the Company's current and any future products. Any transaction involving the issuance of previously authorized but unissued shares of common shares, or securities convertible into common shares, could result in dilution, possibly substantial, to present and prospective holders of common shares. These financings may be on terms less favorable to the Company than those obtained previously.

The Company has a dependence upon key management employees, the loss or absence of which could have a negative effect on the Company's operations.

The Company strongly depends on the business and technical expertise of its management and key personnel, including President and Chief Executive Officer Frank Oakes, Chief Operating Officer Catherine Brisson, Chief Financial Officer Kathi Niffenegger, and Chief Technology Officer Herbert Chow. There is little possibility that this dependence will decrease in the near term. The Company only has "at-will" employment agreements with its key management employees and they are free to leave their employment with the Company at any time. As the Company's operations expand, additional general management resources will be required. The Company may not be able to attract and retain additional qualified personnel and this would have a negative effect on the Company's operations.

Risks Relating to an Investment in the Securities of the Company

The market for the Company's common shares has been subject to volume and price volatility that could negatively affect a shareholder's ability to buy or sell the Company's shares.

The market for the common shares of the Company may be highly volatile for reasons both related to the performance of the Company or events pertaining to the biopharmaceutical industry, as well as factors unrelated to the Company or its industry. During the fiscal year ended August 31, 2013, the price of the Company's common shares on the TSX Venture Exchange ranged from a high of CDN $1.74 to a low of CDN $0.19. The Company's common shares can be expected to be subject to volatility in both price and volume arising from market expectations, announcements and press releases regarding the Company's business, and changes in estimates and evaluations by securities analysts or other events or factors. In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as the Company, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, the price of the Company's common shares can also be expected to be subject to volatility resulting from purely market forces over which the Company will have no control. Further, despite the existence of a market for trading the Company's common shares, stockholders of the Company may be unable to sell significant quantities of common shares in the public trading markets without a significant reduction in the price of the stock.

The Company could be deemed a passive foreign investment company, which could have negative consequences for U.S. investors.

The Company could be classified as a Passive Foreign Investment Company ("PFIC") under the United States tax code. If the Company is declared a PFIC, then owners of the Company's common shares who are U.S. taxpayers generally will be required to treat any so-called "excess distribution" received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the Company's shares. A U.S. taxpayer who makes a QEF election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Company is classified as a PFIC, whether or not the Company distributes any amounts to its shareholders.

If penny stock regulations impose restrictions on the marketability of the Company's common shares, the ability of Broker Dealers to effect transactions in the Company's common shares could be impaired.

The SEC has adopted regulations that generally define a ''penny stock'' to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Exceptions include equity securities issued by an issuer that has (i) net tangible assets of at least $2 million, if such issuer has been in continuous operation for more than three years, or (ii) net tangible assets of at least $5 million, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least $6 million for the preceding three years. Unless an exception is available, the regulations require, that prior to any transaction involving a penny stock, a risk disclosure schedule must be delivered to the buyer explaining the penny stock market and its risks.

According to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- Control of the market for the security by one or a few broker-dealers;
- ''Boiler room'' practices involving high-pressure sales tactics;

- Manipulation of prices through prearranged matching of purchases and sales;
- The release of misleading information;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- Dumping of securities by broker-dealers after prices have been manipulated to a desired level, which reduces the price of the stock and causes investors to suffer loss.

The Company is aware of the abuses that have occurred in the penny stock market. The Company is not in a position to dictate the behavior of the market or of broker-dealers who participate in the market. The Company will strive within the confines of practical limitations to prevent such abuses with respect to the Company's common shares.

As a "Foreign Private Issuer", the Company is exempt from the Section 14 Proxy Rules and Section 16 of the 1934 Securities Act.
The submission of proxy and annual meeting of shareholder information (prepared to Canadian standards) on Form 6-K may result in shareholders having less complete and timely data. In addition, the Company's officers, directors and principal shareholders are exempt from the short-swing insider disclosure and profit recovery provisions of Section 16 of the Exchange Act. The exemption from Section 16 rules regarding sales of common shares by insiders may result in shareholders having less data.

Item 4. Information on the Company

A. History and Development of the Company

Stellar Biotechnologies, Inc. (the "Company" or "Stellar") was incorporated in Canada on June 12, 2007, under the name China Growth Capital, Inc. The Company's principal offices are located at 332 East Scott Street, Port Hueneme, CA, USA 93041. The Company's telephone number is (805) 488-2800.

On April 15, 2008, the Company changed its name to CAG Capital Inc. ("CAG"). On August 29, 2008, the Company began trading on the TSX Venture Exchange under the symbol "CAG" as a Capital Pool Company ("CPC"). On November 25, 2009, the Company was continued into British Columbia.

On April 7, 2010, the Company changed its name to Stellar Biotechnologies, Inc. and on April 12, 2010 completed its qualifying transaction through a reverse merger with Stellar Biotechnologies, Inc. ("Stellar CA"), a private corporation incorporated under the laws of the State of California on September 9, 1999. Stellar CA was engaged in the research, development and commercialization of Keyhole Limpet Hemocyanin ("KLH").

Under the terms of the qualifying transaction merger agreement between Stellar and Stellar CA, the Company issued 10,000,000 payment shares, at a deemed price of CDN$0.28 per share, to the Stellar CA shareholders for a 100% interest in Stellar CA. In addition, the Company purchased 1,661,241 shares from one shareholder for $124,600 (or approximately $0.075 per share) in order to cancel and return those shares to treasury.

The qualifying transaction merger agreement also provided for 10,000,000 common shares ("Performance Shares") to be distributed to key management, employees, and consultants upon achievement of certain milestones ("Performance Share Plan"). All milestones have been achieved. Information on the status of the Performance Share Plan is provided elsewhere in this Annual Report; specifically in "Results of Operations" for the Years Ended August 31, 2013, 2012 and August 31, 2011, and in "Item 6. Directors, Senior Management and Employees; Compensation; Performance Share Plan."

The Company currently has one wholly-owned subsidiary, Stellar Biotechnologies, Inc. Stellar continues to operate in the biotechnology sector and is engaged in the research, development, manufacture and commercialization of KLH and related products and technologies.

In September 2012, the Company filed U.S. provisional patent applications for certain proprietary KLH manufacturing controls, KLH formulations, and kits used in immunotoxicology and immune status testing. In November 2012, the Company filed a U.S. provisional patent application for new innovations related to KLH technology, including claims for pharmaceutical grade compositions of matter, advanced manufacturing processes and methods of use in a wide range of therapies.

In January 2013, the Company's common shares began trading in the United States on the OTCQB Marketplace under the symbol "SBOTF."

In January 2013, the Company announced that it had developed the capability to support the complete life cycle of the Giant Keyhole Limpet (*Megathura crenulata*), the scarce marine mollusk that is the only source for KLH protein. The Company now maintains multiple generations of the animals in its land-based aquaculture facility.

In February 2013, the Company filed a provisional patent application with the U.S. Patent and Trademark Office for new innovations related to Stellar's KLH-based combinatorial adjuvant technology. The application included claims for pharmaceutical grade adjuvant compositions, manufacturing processes and uses in a wide range of immunotherapies and therapeutic vaccines.

In March 2013, the Company submitted to the U.S. Food and Drug Administration (FDA) Center for Biologics Evaluation and Research (CBER), a Type II Drug Substance Master File for its subunit KLH. This was a new Master File for the Company, an addition to the Master Files the Company previously filed and maintains at the FDA for certain of its KLH protein products. Additional information on the Company's Master Files is provided in Item 4, Business Overview, Government Regulations.

In July 2013, the Company acquired the exclusive, worldwide license to patented technology for the development of human immunotherapies against Clostridium difficile infection ("C. diff") from the University of Guelph, Ontario, Canada. The C. diff license gives the Company exclusive rights to develop, manufacture, and sell human active immunotherapies to treat C. diff infection that derive from certain technology covered by University of Guelph patents. The license also includes human diagnostic applications. In October 2013, the Company announced that positive results from a preclinical study related to this program.

In September 2013, the Company completed the closing of a private placement financing raising total gross proceeds of $12,000,000 (the "Private Placement"). In connection with the Private Placement, the Company issued a total of 11,428,570 units (the "Units"). Each Unit, sold for $1.05, comprised one share of the Company's common shares and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of the Company's common shares at a purchase price of $1.35 for a period of three years from the warrant issuance date. The Private Placement included a $5,000,000 investment by Amaran Biotechnology, Inc., a privately-held Taiwan biopharmaceuticals manufacturer.

In December 2013, the Company announced the issuance of two patents, in the United States and in China, covering the Company's active immunotherapy technology for the treatment of Clostridium difficile, as licensed from the University of Guelph. The two patents describe certain novel cell surface polysaccharides and their chemical structures with broad claims covering antigen and active immunotherapies compositions for the treatment, prevention and diagnosis of C. diff infection.

In December 2013, the Company entered into a collaboration agreement with Amaran Biotechnology, Inc. to develop and evaluate methods for the manufacture of OBI-822 active immunotherapy using the Company's GMP grade Keyhole Limpet Hemocyanin ("KLH"). The primary purpose of the alliance is to develop and evaluate methods for the manufacture of OBI-822 active immunotherapy using the Company's GMP grade KLH. OBI-822, the lead immunotherapy product of OBI Pharma, Inc., is manufactured by Amaran and currently in Phase II/III clinical trials in the U.S., Taiwan, South Korea, India and Hong Kong, for the treatment of metastatic breast cancer.

The Company's common shares are traded on the Canadian TSX Venture Exchange under the ticker symbol "KLH" and quoted on the U.S. OTCQB Marketplace under the ticker symbol "SBOTF."

The authorized share capital of the Company consists of an unlimited number of common shares. As of August 31, 2013, the end of the most recent fiscal year, there were 57,946,160 common shares issued and outstanding. As of December 20, 2013, there were 75,865,031 common shares issued and outstanding.

The Company's executive office and principal place of operations is:
332 East Scott Street
Port Hueneme, CA 93041
Telephone: (805) 488-2800
Facsimile: (805) 488-2889
E-Mail: InvestorRelations@stellarbiotech.com
Website: www.stellarbiotechnologies.com/

Principal contact persons for the Company are:
Frank Oakes, President and CEO
Mark A. McPartland, Vice-President of Corporate Development and Communications.

The Company also maintains a Canadian Regulatory Address at:
401 – 1231 Barclay Street
Vancouver, British Columbia, Canada
V6E 1H5

Capital Expenditures

The Company's capital expenditures, which primarily consist of scientific, manufacturing, and aquaculture equipment, for the previous three fiscal years is as follows:

Fiscal Year	Capital Expenditures	Assets Acquired
2013	$ 9,541	Purchase of property, plant and equipment
2012	$ 78,338	Purchase of property, plant and equipment
2011	$ 309,782	Purchase of property, plant and equipment

An expansion of the Company's keyhole limpet hatchery facility in Port Hueneme was completed in fiscal 2011. The expansion incorporates recent advances in aquaculture technology developed by the Company with grant support from the NSF. The expansion is designed to produce up to two million larvae which, based on the expected attrition rate of marine gastropod mollusks in land-based aquaculture systems, is expected to yield approximately 50,000 four-year-old limpets per year. The Company's aquaculture system incorporates a modular design that can accommodate incremental increases in capacity as KLH demand increases. Funds for the aquaculture expansion were provided by the NSF Phase IIB SBIR award of $498,560 and the remainder provided by the Company's working capital. Currently, the Company's production capacity is 1,500 grams per year. The Company currently has live *M. crenulata* inventory sufficient to increase KLH production volume by approximately 3,000 grams per year. The Company anticipates scaling up its production through the addition of the required equipment and personnel as demand warrants using funds received from the September 2013 private placement. Based on the current hatchery production, aquaculture infrastructure in place, and space available in the Company's facilities, the Company has future production capacity in excess of 20,000 grams of KLH annually, which will require an increase in limpet husbandry facilities, KLH extraction equipment, and staffing. The Company anticipates that such increases in production capacity could be substantially financed through leveraging KLH supply contracts and customer agreements.

B. Business Overview

Stellar is a biotechnology company engaged in the research, development, manufacture and commercialization of Keyhole Limpet Hemocyanin ("KLH") and related products and technologies.

The Company’s goal is to serve the growing demand for this essential molecule in immunotherapeutic and immunodiagnostic markets.

Immunotherapy involves using the body’s own immune system to target and attack disease. Immunodiagnostics involves assessing the body’s immune status in relation to drug, disease or environmental effects. The Company’s KLH products and technologies can be used to stimulate the immune system in these applications.

KLH is a high molecular weight (HMW), immune-stimulating protein widely used in immunological applications, both as an active pharmaceutical ingredient (API) in certain research for immune therapies, including the treatment of cancer, infectious diseases and immune disorders, and as a finished product for testing immune status in patients and research settings.

KLH is refined from the hemolymph of a relatively scarce ocean mollusk, the Giant Keyhole Limpet (*Megathura crenulata*), which is native only to the rocky Pacific Ocean waters off California and Baja. The Company has considerable intellectual property related to KLH manufacture and the specialized systems required to sustain commercial-scale colonies of Giant Keyhole Limpet.

The Company refers to its proprietary technology and products by the brand “Stellar KLH™”

The Company sells Stellar KLH™ products for preclinical and clinical applications such as HMW and subunit protein in various grades, formulations and configurations, as well as certain preclinical in vitro diagnostic kits. The Company primarily sells its products directly to biotechnology and pharmaceutical companies, academic institutions, and clinical research organizations.

Through its leased facilities in Port Hueneme, California, the Company operates aquaculture, laboratory and production facilities to raise *M. crenulata*, and extract and purify KLH protein utilizing Company-developed proprietary methods and a patented non-lethal extraction process. The Company contracts with specialized contract manufacturing organizations ("CMO's") and contract research organizations ("CRO's) for certain steps of cGMP processing and quality control testing.

The Company believes it is the leader in sustainable manufacture of GMP-grade KLH. We base this belief on our expanding intellectual property, achievements in aquaculture science, KLH production capacity, and KLH sustainable manufacturing know-how.

By providing a source for scaleable, controlled production of the keyhole limpet through the Company's aquaculture operational achievements, rather than relying solely on a scarce wild resource, the Company is positioning itself to be the only company capable of supplying GMP-grade KLH in commercial quantities that can meet anticipated long-term demand within the pharmaceutical industry.

The Company recently acquired exclusive, worldwide license from the University of Guelph to certain patented KLH-complementary immunotherapy technology for the treatment and diagnosis of Clostridium difficile infection (C. diff). This technology acquisition represents a significant strategic expansion for the Company and will provide a proprietary platform for the Company's first active immunotherapy development program.

To date, the Company has primarily funded operations by the issuance of common shares, exercise of warrants, government grant revenues, and income from commercial supply contracts and KLH product sales.

The Company has entered into various supply and collaborative agreements for the development, manufacture or supply of Stellar KLH™ products or technology. Information regarding these arrangements is provided under Item 4., Business Overview, Products and under Agreements.

The Company's strategic objectives are:

- Expand our Stellar KLH™ technology portfolio through ongoing research and development and selective acquisition, while maintaining a strong balance sheet with careful resource management.
- Seize opportunities for commercial growth that build on our strengths and core competencies in KLH development and immunotherapy.
- Identify strategic pathways that leverage our Stellar KLH™ products and expertise into immunotherapy solutions.

Stellar KLH™ Technology

Keyhole Limpet Hemocyanin is a high-molecular-weight, immunogenic protein, which is a substance that naturally induces an immune response. KLH is a highly effective T-cell dependent carrier protein that induces MHC Class I and Class II-restricted immune responses via antigen presenting cells. KLH has a long history (40+ years) of safe use in humans and in a wide variety of research applications.

KLH is widely used in immunological applications, both as an active pharmaceutical ingredient (API) in certain immune therapies and as a finished product for testing immune system status in patients and research settings.

As an API, KLH is an effective and safe carrier molecule for conjugation to vaccine antigens that are used to promote the generation of antibody and cell-mediated immune responses against targeted indications such as cancer, infectious diseases, rheumatoid arthritis, Alzheimer's disease, and immune disorders. However, many subunit vaccine antigens require a carrier molecule or adjuvant in order to be effective. The combination of an antigen against specific pathogenic targets (e.g. tumors, microbials, over-expressed proteins), conjugated to the immunogenic KLH molecule, is the basis for a promising new class of drugs known as active immunotherapies or therapeutic vaccines.

Examples of KLH-based active immunotherapies and therapeutic vaccines in development in the U.S. and internationally: TNFα Kinoid therapeutic vaccine for rheumatoid arthritis & Crohn's disease, IFNα Kinoid therapeutic vaccine for systemic lupus erythematosus, autologous vaccine for lymphoma, Globo-H-KLH immunotherapy for metastatic breast cancer, MUC-2-KLH vaccine for prostate cancer, and therapeutic vaccines for various other cancers and disorders.

KLH also has diagnostic applications as a finished product. It is extensively used by pharmaceutical companies and researchers as a safe, immune-stimulating antigen in drug screening, drug immunotoxicology and assessment of immune status. For example, KLH is a standard immunogen in T-Cell Dependent Antibody Response (TDAR), a functional assay used to assess an antibody response. TDAR with KLH is widely recognized as a standard test for monitoring the effects of drugs on the immune system.

KLH is refined from the hemolymph of a relatively scarce ocean mollusk, the Giant Keyhole Limpet (*Megathura crenulata*). *Megathura crenulata* is native only to a limited range of the rocky Pacific Ocean waters off California and Baja. Its natural habitat is the shallow depths below low tide line.

The large size and complexity of the KLH molecule make it unsuitable for synthetic production; therefore it must be purified from its natural source, hemolymph extracted from the Giant Keyhole Limpet, which is rare and believed to be diminishing in population due, in part, to the lack of fishery regulations.

KLH is refined from the limpet's hemolymph, a fluid in the mollusk circulatory system. Hemolymph contains hemocyanin, a copper-based protein that serves as the animal's oxygen transport molecule to its cells. Unlike iron-based hemoglobin, which serves as the oxygen transport molecule in humans and other vertebrates and turns red when oxygenated, hemocyanin turns blue when oxygenated.

The Company has considerable intellectual property related to KLH manufacture and the environmental protection of the Giant Keyhole Limpet including, but not limited to, specialized aquaculture systems and technologies; spawning, selection and maintenance of *Megathura crenulata*; non-lethal KLH protein extraction methods; and the processing, purification and production of KLH formulations.

Stellar KLH™ Products

Stellar currently has only limited revenue from commercial sales of its Stellar KLH™ products. Commercial sales are highly dependent upon the rate of development and clinical trials of the active immunotherapies and other technologies being developed by third-party customers, which utilize the Company's products. The advancement and commercial success of these third-party products is dependent upon many factors, including available capital, trial recruitment, and regulatory review, and revenue from these customers is highly variable, but does not have seasonality.

Revenues from the sale of Stellar KLH™ products were $76,055 in fiscal 2013, $131,825 in fiscal 2012, and $18,988 in fiscal 2011. Contract revenues were $60,000 in fiscal 2013, $60,000 in fiscal 2012 and $60,000 in fiscal 2011. The geographic breakdown in fiscal 2013 was 84% Europe, 12% US, 3% South America and 1% Canada; fiscal 2013 was 42% Europe and 58% US; and fiscal 2011 was 88% Europe and 12% US.

Stellar primarily markets and distributes its products directly to biotechnology and pharmaceutical companies, academic institutions, and clinical research organizations. The geographic markets of the Company's potential customers are equally spread across Europe, US and Asia.

The Company's Stellar KLH™ products include HMW and subunit KLH protein in various grades, formulations and configurations, as well as certain preclinical in vitro diagnostic kits. Products offered, and target applications, include:

- Stellar KLH™ Protein for vaccine conjugation and as carrier molecule in immunotherapies,
- Stellar KLH™ Protein as immune stimulant for T-Cell Dependent Antibody Response (TDAR) in immunotoxicology applications,
- Custom KLH formulations, conjugations and fill finishes for preclinical research and drug development applications, and
- Stellar KLH™ ELISA assay test kits for the detection of KLH antibodies in preclinical research applications.

Selling prices for KLH protein vary ($5,000/gram – $200,000/gram) depending on purity, grade, preparation, and packaging configuration.

Development, Supply, Collaborative and License Agreements

The Company has entered into a number of agreements that are important to the Company's profitability, development programs, and strategic position, both in the present and future. Entering into such agreements is part of our strategic approach, not a prediction of success. These agreements may take various forms including, but not limited to, supply agreements, development agreements, collaboration agreements, and license agreements; whereby the Company provides its KLH products and technologies in exchange for fees, revenues, or royalties. The Company may also enter into agreements by which we obtain products, technologies, or services from suppliers or collaborators. However, we cannot make any assurances as to whether any agreements we have entered into, or will execute in the future, will produce significant revenue or gross profit in any timeframe, if at all.

Supply agreements generally involve a customer's commitment to purchase the Company's KLH for use as an ingredient in the customer's own immunotherapy products or as a finished product in their development programs. Development and collaboration agreements allow the Company and the collaborator to work jointly or independently, utilizing the Company's products or technology to improve manufacturing processes or develop KLH-complementary products. License agreements provide an avenue for the Company to in-license intellectual property for use in the Company's manufacturing or for further research and development by the Company. The Company may also out-license its KLH products or technology to pharmaceutical developers or suppliers.

These agreements may involve the use of our KLH in research and development, preclinical studies, clinical testing, or post-market commercialization stages. To date, the Company's KLH has been used in research and development, preclinical, and clinical phases but has not yet been used in any post-market commercialized setting.

The Company's significant agreements are described below.

Under the terms of two 2008 agreements, the Company will supply KLH products to Neovacs SA of Paris, France for use in development and manufacture of active immunotherapies. Neovacs has three Kinoid therapeutic vaccine drugs in clinical trials which use Stellar KLH™ as the carrier molecule: Neovacs' IFNα-K drug for Lupus, TNF-K drug for Crohn's disease, and TNF-K drug for Rheumatoid Arthritis. Neovacs' Kinoid drugs are immunotherapies that utilize Stellar KLH™ to stimulate an antibody response to the targeted cytokine. The supply agreement also provides for Neovacs to pay for a dedicated colony of limpets, which has provided contract revenue of $60,000 annually to the Company.

Under the terms of a December 2010 research collaboration agreement, Bayer Innovation GmbH ("Bayer") accessed the Company's information on Stellar KLH™, including manufacturing methods and analytical data, in order to demonstrate the feasibility of improving process yields. When the research collaboration agreement terminated in August 2011, Stellar acquired an exclusive, worldwide sub-licensable and royalty-free license to the technology developed under collaboration between the Company and Bayer for the improved production method. The license included a carve-out by Bayer to use the technology in the non-Hodgkin Lymphoma active immunotherapies under development, but Stellar may exclusively commercialize the technology in other fields. The Company paid Bayer $200,000 for the licensing rights in 2011, which are jointly owned by both the Company and Bayer.

In August 2011, the Company entered into a marketing and sales agreement with SAFC, a unit of Sigma-Aldrich. Under the agreement, the Company produced KLH commercial intermediate and SAFC sold, distributed and marketed cGMP-grade HMW KLH for applications in active immunotherapies. The Company supplied all aquaculture-derived KLH intermediate required for production of SAFC cGMP KLH formulations. SAFC manufactured HMW KLH under cGMP conditions and also provided cGMP clinical and commercial manufacturing of bioconjugation services to support the development and manufacture of conjugate vaccines. The Company had sales under this agreement of $100,000 during fiscal 2012. The agreement was active until June 2013 when it expired without extension.

In October 2011, the Company into an exclusive manufacturing and supply agreement with Life Diagnostics, Inc., a leader in the manufacture and sale of ELISA test kits. Under the agreement, Life utilized Stellar KLH™ to develop and manufacture Stellar KLH™ brand ELISA test kits for the detection of anti-KLH antibodies, for use preclinical immunotoxicity and immunology research markets. A line of six test kits was launched to market in April 2012. To date, sales have been limited.

In July 2013, the Company acquired the exclusive, worldwide license to patented technology for the development of human immunotherapies against Clostridium difficile infection ("C. diff") from the University of Guelph, Ontario, Canada. The C. diff License gives the Company exclusive rights to develop, manufacture, and sell human immunotherapies to treat C. diff infection that derive from technology covered by Guelph patents. The License also includes human diagnostic applications. The agreement covers a family of international patents and patent applications related to the cell-wall polysaccharide of C. diff named PSII. The Company is active in research related to these immunotherapies as described in the next section.

In December 2013, the Company entered into a collaboration agreement with Amaran Biotechnology, Inc., a privately-held Taiwan biopharmaceuticals manufacturer and large shareholder of the Company. Amaran designs, develops, and manufactures active immunotherapies such as OBI-822, the lead immunotherapy product of OBI Pharma, Inc.

The primary purpose of the alliance is to develop and evaluate methods for the manufacture of the OBI-822 active immunotherapy using the Company's GMP grade KLH. OBI-822 is currently being evaluated for the treatment of metastatic breast cancer in international Phase II/III clinical trials in the United States, Taiwan, South Korea, India and Hong Kong. Under the agreement, the Company will be responsible for the production and delivery of GMP grade KLH for evaluation as a carrier molecule in OBI-822 active immunotherapy. The Company will also be responsible for method development, product formulation, and process qualification for certain KLH reference standards. Amaran will be responsible for development objectives and product specifications. The agreement provides for Amaran to pay to the Company fees for certain expenses and costs associated with the development program. Subject to certain conditions and timing, the collaboration also provides for the companies to negotiate a commercial supply agreement for Stellar KLH™ in the future.

Research and Development

The Company is actively involved in research and development of KLH products and technology, both alone and in collaboration with development partners.

In addition to the Company's internal research and development (such as new KLH formulations and configurations), and the development activities related to the agreements described in this report, the Company is continually engaged in development and evaluation projects with a number of biopharmaceutical companies, such as for the evaluation of Stellar KLH™ in both therapeutic and diagnostic applications. These research projects are conducted under mutual non-disclosure agreements between the Company and interested parties.

The Company believes that recent collaborations, such as the newly acquired C. diff program and the collaboration agreement with Amaran, may provide for significant strategic, revenue and clinical opportunities for the Company's future business.

Clostridium difficile Active Immunotherapy Development Program

In July 2013, the Company acquired the exclusive, worldwide license to patented technology for the development of human immunotherapies against *Clostridium difficile* infection ("C. diff") from the University of Guelph, Ontario, Canada. ("Guelph") (C. diff License").

This technology acquisition represents a significant strategic expansion for the Company and will provide a proprietary platform for the Company's first active immunotherapy development program. Although the Company's current business/profitability is not dependent on this patent, the C. diff development program relies on the validity of this patent to secure its competitive advantage in this business niche.

Clostridium difficile is a major and growing cause of mortality and morbidity in hospitalized patients. C. diff is a bacteria which causes diarrhea and abdominal pain and is spread person to person. It is commonly found in the intestine and infections can be life-threatening for those taking antibiotics or who have serious pre-existing health issues. The incidence of C. diff infections is at a record high in the U.S. with more than 330,000 cases reported annually. Related hospitalizations have tripled in the last decade and deaths related to C. diff increased 400% in recent years. The cost of C. diff related treatment in the U.S. and Europe is estimated at more than $7 billion annually.

The C. diff License gives the Company exclusive rights to develop, manufacture and sell human active immunotherapies to treat C. diff infection that derive from technology covered by Guelph patents. The C. diff License also includes human diagnostic applications. Specifically, the agreement covers a family of international patents and patent applications related to the cell-wall polysaccharide of C. diff named PSII. The Company's active immunotherapy technology for C. diff targets cell-surface antigens expressed across many strains of C. diff bacteria. The Company's approach combines selected polysaccharides of C. diff conjugated to Stellar KLH as carrier and adjuvant. A PSII-KLH conjugate vaccine may develop into a next-generation active immunotherapy treatment for this formidable disease. Although the Company's current business/profitability is not dependent on this patent, the C. diff development program relies on the validity of this patent to secure its competitive advantage in this business niche.

The C. diff License agreement provides for license fees of $25,000 during the year ended August 31, 2013, $200,000 in 2014 and $20,000 annually thereafter, creditable against royalties due, if any. Royalties are payable for a mid-single digit percentage of related net sales, if any. License fees are also payable for a low-double digit percentage of related non-royalty sublicensing revenue, if any. The Company reimbursed past patent filing costs of approximately $50,000 during the year ended August 31, 2013, and will reimburse future patent prosecution costs. The license agreement does not have a fixed term or termination provisions.

Within 30 days of the effective date of the agreement and upon TSX Venture Exchange approval, the Company issued to Guelph 371,200 common shares and 278,400 non-transferable share purchase warrants. Each warrant provided Guelph the right to purchase one common share on or before January 23, 2015, at a purchase price of CDN$1.25 per share.

The C. diff License agreement provides for milestone payments totaling $63,045,000 upon achievement of various financing, development and sales targets. No milestones were met during the year ended August 31, 2013, and there can be no assurance that the milestones will be met in the future.

The C. diff License was granted pursuant to an agreement executed in April 2012 whereby the Company obtained the exclusive option to license the technology from Guelph. During the option period, the Company and Guelph scientists conducted preclinical studies demonstrating that conjugate vaccines combining PSII technology with the Company's KLH protein as adjuvant can protect against primary and secondary C. diff infection. Additional preclinical research is underway.

In April 2013, the Company announced publication of a peer-review article on the Company's C. diff technology in the journal Expert Review of Vaccines (April 2013, Vol. 12, No.4). The paper titled "Carbohydrate-based Clostridium difficile Vaccines" was co-authored by scientists from the Company and Guelph. The article described biochemical characteristics of C. diff that support the Company's carbohydrate-based immunotherapies approach to potential C. diff treatment.

In October 2013, the Company announced that positive results from a preclinical study of the Company's KLH-conjugate active immunotherapeutic vaccine were presented in an oral presentation at the 8th International Conference on the Molecular Biology and Pathogenesis of the Clostridia (ClostPath 8) held in Australia and also in a poster at the 7th Vaccine and ISV Congress held in Spain. The study described the design of a PSII-KLH immunotherapeutic vaccine and its evaluation in a murine model of C. diff infection. In the study, preliminary data demonstrated that vaccination with a PSII-KLH conjugate vaccine was effective in conferring protective immunity against C. diff infection, by improving survival in vaccinated mice compared to unvaccinated controls. The study results suggest that the Company's PSII-KLH active immunotherapy technology shows promise as an effective approach to treating C. diff.

The C. diff program is currently in preclinical development. The development of new therapies is subject to stringent regulatory requirements, long timelines and expensive research and development. The Company anticipates that the C. diff program will require significant funding resources.

Collaboration with Amaran on Development of OBI-822 Active Immunotherapy

In December 2013, the Company entered into a collaboration agreement with Amaran Biotechnology, Inc., a privately-held Taiwan biopharmaceuticals manufacturer and large shareholder of the Company. Amaran designs, develops, and manufactures active immunotherapies such as OBI-822, the lead immunotherapy product of OBI Pharma, Inc.

The primary purpose of the alliance is to develop and evaluate methods for the manufacture of the OBI-822 active immunotherapy using the Company's GMP grade KLH.

OBI-822 is a new generation of active immunotherapy combining Globo-H, a carbohydrate antigen frequently expressed by cancer cells, together with KLH as the immune-stimulating carrier molecule. An active immunotherapy uses a patient's own immune system to recognize and mount an attack against the targeted tumor cells.

OBI-822 is currently being evaluated for the treatment of metastatic breast cancer in international Phase II/III clinical trials in the United States, Taiwan, South Korea, India and Hong Kong. OBI-822 is in Phase III in Taiwan and Phase II in the U.S., South Korea, India and Hong Kong. It is also being evaluated for the treatment of ovarian cancer in an investigator-initiated Phase 1/2 clinical trial in Taiwan.

Under the terms of the agreement, the Company will be responsible for the production and delivery of GMP grade KLH for evaluation as a carrier molecule in OBI-822 active immunotherapy. The Company will also be responsible for method development, product formulation, and process qualification for certain KLH reference standards. Amaran will be responsible for development objectives and product specifications.

The agreement provides for Amaran to pay to the Company fees for certain expenses and costs associated with the development program. Subject to certain conditions and timing, the collaboration also provides for the companies to negotiate a commercial supply agreement for Stellar KLH™ in the future.

Royalty Agreement

In August 2002, the Company entered into a royalty agreement with Frank Oakes, the Company's current President and CEO. Under the agreement, Mr. Oakes agreed to assign certain patent rights to the Company in exchange for 5% of gross receipts in excess of $500,000 annually from products using this invention. The Company's current operations utilize this invention. To date, the Company had paid no royalties under the agreement.

Intellectual Property and Patents

The Company holds important intellectual property related to KLH development and manufacture and to the environmental protection of the Giant Keyhole Limpet including, but not limited to, patents, patent applications and trade secrets related to specialized aquaculture systems and technologies; spawning, selection and maintenance of *Megathura crenulata*; non-lethal KLH protein extraction methods; and the processing, purification and production of KLH formulations. This intellectual property is key to the Company's belief that it will be the only company capable of sustainably manufacturing KLH to meet future pharmaceutical industry demands. The Company's patents provide competitive advantage and assure freedom to operate in this highly specialized field and trade secret manufacturing technology provide a basis for the continuity of future operations independent from patented technologies.

The Company currently holds 6 patents in 5 countries.

4 of the patents are related to its non-lethal hemocyanin extraction methods. These patents, including their country and expiry date, are:

US6,852,338	United States	January 15, 2023
CA2,444,809	Canada	April 18, 2022

European Patent Office publication of EP02731,401 are registered in:

FR1,389,123	France	April 18, 2022
DE60230260.9	Germany	April 18, 2022

The United States patent covers a two-step method for obtaining hemolymph from a live gastropod mollusk. It was originally granted to Frank Oakes, the Company's CEO, who assigned the patent to the Company under an agreement dated August 14, 2002. The foreign patents received in Canada and Europe are relatives of the original United States patent.

2 of the patents relate to the Company’s active immunotherapy technology for the treatment of *Clostridium difficile* infection (“C. diff”). These patents, including their country and expiry date, are:

US8,597,663	United States	June 24, 2030
200880115518.2	China	September 11, 2028

The two C. diff patents describe certain novel cell surface polysaccharides and their chemical structures with broad claims covering antigen and vaccine compositions for the treatment, prevention and diagnosis of C. diff infection.

The Company has also filed Provisional Patent Applications in the United States. Under United States patent law, a Provisional Application filed with the United States Patent and Trademark Office is a means to establish an early effective filing date for a later filed patent application. It also allows the term "Patent Pending" to be applied in connection with the description of the invention. A provisional application has a pendency lasting 12 months from the date the provisional application is filed. This 12-month period cannot be extended. Therefore, an applicant that files a provisional application must file a corresponding non-provisional application for a patent in order to benefit from the earlier filing of the provisional application. Provisional applications are only valid in the United States. The Company may allow certain provisional patent applications to expire and important intellectual property will be captured in new provisional patent applications.

The Company filed a provisional application on August 24, 2010 for native KLH technology for compositions containing native KLH, production methods for making native KLH, and methods and kits for testing immune status using native KLH. This provisional application was allowed to expire on August 24, 2011 and a new, updated provisional application was filed on the same day. That provisional application expired on August 24, 2012, and a further updated application was filed on September 6, 2012. The current provisional application expired on September 5, 2013.

On November 8, 2012, the Company filed a provisional application for new innovations related to the Company's KLH technology. This application includes claims for pharmaceutical grade compositions of matter, advanced manufacturing processes, and methods of use in a wide range of therapies. The provisional application expired on November 7, 2013.

Certain of the Company's proprietary operational methods are protected as trade secrets.

Government Regulations

The Company’s operations are subject to regulation at the local, State and Federal levels by a number of regulatory agencies including, but not limited to, US Food and Drug Administration, US Environmental Protection Agency, US Fish and Wildlife Service, US Secretary of the Navy, California Regional Water Quality Control Board, California Department of Fish and Wildlife, California Coastal Commission, California Air Pollution Control Board, County of Ventura, and City of Port Hueneme. These regulations include the Company’s aquaculture and harvesting activities, as well as production operations, site development, and drug research, development and sales.

New drug development

The research, development, marketing and sale of drugs is highly regulated and designed to demonstrate the safety and efficacy of pharmaceutical products. These regulations are administered primarily on the national level in the United States, Canada and internationally, and vary by jurisdiction. These regulatory requirements are a significant factor in determining if a drug can be developed and sold successfully and economically.

In order to receive approval for a new drug or active immunotherapies, a Company must demonstrate to the applicable regulatory authority that the drug is safe and effective. This process requires successful pre-clinical laboratory testing, and human clinical trials, before application for approval is made. In addition, the Company must submit details of each phase of testing to the appropriate regulatory authorities in order to receive approval to continue to the next phase.

After the successful completion of the laboratory testing and animal studies, human testing is conducted in three phases. Phase I is conducted on a small number of human subjects and is designed to test the safety of the drug. Phase II uses human subjects with the targeted disease or condition in order to establish efficacy and optimal dosages, as well as related safety information. Phase III trials have similar goals to Phase II trials, but are typically conducted on a much larger number of subjects and are also intended to compare the drug against current treatments.

After completion of the Phase III trials, application for marketing approval is submitted to the regulatory authorities. The application will include the results of all the testing and human trials, as well as information regarding processing, manufacturing and packaging. If approved, the drug is then authorized for sale.

Currently, none of the Company’s commercialized products are subject to approval as a drug by any regulatory authority. However, many of the Company's current customers are utilizing Stellar KLH™ products in the development of pharmaceuticals that are subject to the regulatory process described above. These customers’ drugs will require regulatory approval before they can be sold commercially. The approval process is typically long and expensive. Clinical trials may not be successful and such products may not receive regulatory approval. Delays or the inability to obtain regulatory approvals for products from third party customers that use the Company's products will have a direct effect on the demand for the Company's products.

The Company’s aquaculture operations are subject to laws and regulations covering clean water and waste discharge, as well as licenses for the harvesting of wild keyhole limpets for its operations.

In March 2013, the Company submitted to the U.S. Food and Drug Administration (FDA) Center for Biologics Evaluation and Research (CBER), a Type II Drug Substance Master File for its subunit KLH. A Master File is a confidential, detailed dossier kept on file at the FDA that contains the proprietary information on the manufacture and safety of a drug component. The Company’s Master Files are intended to support the regulatory approval process for customers’ products that use the Company’s KLH. These files allow the Company to control access to its manufacturing data while supporting customers’ needs to reference that data as part of their active immunotherapies product regulatory applications. This may help expedite regulatory processes for future drug products and clinical trials utilizing the Company’s KLH protein.

C. Organizational Structure

The Company currently has one wholly-owned subsidiary, Stellar Biotechnologies, Inc., a corporation incorporated under the laws of the State of California on September 9, 1999.

D. Property, Plants and Equipment

The Company currently leases its executive offices in Port Hueneme for a term expiring in June 2014, with an option to extend for a further two years. The Company also leases three buildings in the Port Hueneme Aquaculture Business Park from the Port Hueneme Surplus Property Authority under sublease agreements that expire in September 2015 with an option to extend the lease for an additional five years.

The Company's aquaculture operations are land-based and encompass several buildings and 37,000 square foot oceanfront leasehold facility within the Port Hueneme Aquaculture Business Park, located on the Pacific Ocean within the Port Hueneme Harbor District. This facility includes aquaculture, laboratory and manufacturing operations.

The Company’s aquaculture program is the culmination of decades of specialized development by the Company across a range of disciplines. It is also the cornerstone of the Company’s environmental commitment to protecting the Giant Keyhole Limpet (*Megathura crenulata*). The Company’s aquaculture operations are subject to regulation by the California Department of Fish and Wildlife and the California Regional Water Quality Control Board. These agencies impose regulations that restrict any activity that could pose a potential risk to the California marine environment including, but not limited to seawater waste discharge limitations specified in the Company’s National Pollution Discharge Elimination Systems (NPDES) permit. The Company has operated in compliance with all environmental regulations imposed by these agencies since inception of its subsidiary in 1999 but violations of the limitations and restrictions imposed by these agencies, if not remedied in a timely manner could jeopardize the Company’s operating permits and the continued utilization of it’s assets.

The Company’s aquaculture operations were specially developed in the 1990's for production and research on gastropod mollusks. The facility has been in near continuous operation since that time. The specialized aquaculture systems were designed and built to support large colonies of multiple generations of California giant keyhole limpets for the purpose of scalable commercial production of KLH for use in the pharmaceutical and immunology research industries. The Company’s aquaculture facility includes, among other specialized infrastructure, a fully permitted seawater supply system, recirculating seawater supply systems, environmental controls and regulated seawater return to the ocean. The site also contains a fabrication shop for production of equipment and culture apparatus.

The Company utilizes proprietary methods for the control of spawning, larval development, metamorphosis and grow-out of the limpets. All proprietary technologies for aquaculture production were developed by the Company and are protected as trade secrets.

In December 2011, the Company announced the completion of a major expansion of its keyhole limpet hatchery facility. The new facility has a spawning capacity of 2 million larvae and is designed to produce 50,000 four-year-old limpets per year to support the increased industry demand for KLH products.

In January 2013, the Company announced its achievement of an industry milestone in aquaculture science. The Company developed the capability to support the complete life cycle of the Giant Keyhole Limpet (*Megathura crenulata*), the scarce marine mollusk that is the only source for KLH protein. The Company’s aquaculture program now includes multiple generations of the Giant Keyhole Limpet, grown entirely within its own land-based facility. Limpets used by the Company can be derived from either its own aquaculture production facility or harvested from the wild fishery under license from the State of California Department of Fish and Wildlife.

The Company believes that its aquaculture accomplishments set an unprecedented benchmark for KLH manufacturing and represent competitive advantages for the Company. The Company believes that it now has the only demonstrated aquaculture system with multiple generations of the Giant Keyhole Limpet spawned, grown and sustained within a land-based facility, for the purpose of commercial KLH production. Other KLH suppliers are reliant on scarce, wild populations of limpets. We base these beliefs on our intellectual property, achievements in aquaculture science, KLH production capacity, KLH sustainable manufacturing know-how, and California industry survey data. These achievements will allow the Company to supply commercial quantities of GMP grade KLH that can meet anticipated long-term demand, while ensuring survival of a wild species.

The production process includes feeding regimens and the recirculation of seawater optimized for limpet health and growth. Each closed recirculating system is equipped with temperature controlled seawater distribution, filtration and treatment equipment. The Company’s facility currently includes 18 production tanks plus 400 individual limpet production modules in two independent closed recirculating aquaculture production systems after a recent major expansion which incorporated significant advances in technology developed by the Company with support from monetary grants from the National Science Foundation. These advancements include methods for the control of the limpet reproductive cycle and systems for intensive propagation of the complex larval stages.

The aquaculture production cycle (to raise mature for KLH production from fertilized eggs) is 5 years, with multiple complex larval and juvenile stages. Mature limpets can be extracted for KLH several times per year and, if properly maintained, the average extracted quantity of KLH per year per limpet is predictable and useful in estimating targets for production planning and optimizing the use of the physical plant. The hemolymph is extracted in a sterile, non-harmful manner utilizing the Company's patented methods. Once extracted, the hemolymph is processed through the Company's proprietary methods, which are protected as trade secrets. The Company contracts with specialized contract manufacturing organizations (CMO’s) and contract research organizations (CRO’s) for certain steps of current good manufacturing practice ("cGMP") and quality control testing.

Current limpet inventory in the Company's aquaculture facilities is approximately 1,000 limpets for production, with a further 3,000 limpets held in reserve to accommodate increases in demand and natural attrition. The natural attrition rate in production inventory is estimated at approximately 15% per year, and process related attrition is estimated at 5% a year. To support its current mature limpet inventory, the Company requires approximately 200 mature limpets per year, obtained either through the Company's hatchery operations or through the wild fishery. The actual life expectancy of a mature limpet has yet to be determined experimentally, and no natural history data is available. From internal data the Company estimates the productive life of a commercial limpet to be approximately 10 years.

Given sufficient funding to continue scale-up, Stellar's projected production capacity is 4-5 kilograms per year within the next four years, and up to 20 kilograms per year a few years after that, depending on customers' requirements and our ability to execute supply commitments.

The Company currently maintains a production inventory of qualified *Megathura crenulata* sufficient for an annual minimum KLH pharmaceutical intermediate production capacity of 1,500 grams/year, with a projected maximum of 2,000 grams/year with double shift labor schedules. KLH starting pharmaceutical intermediate is normally produced "just in time" to fill customer orders or to meet the Company's requirements for production of fully purified KLH formulations. This capacity is considered sufficient to meet the Company's obligations under supply agreements with current customers, under which the Company has agreed to maintain capacity to meet customers' non-binding rolling forecasts, with surplus capacity to support business development activities. The Company also maintains a *Megathura crenulata* live animal inventory sufficient to increase KLH production volume by an additional 3,000 grams/year through an increase in aquaculture tank capacity and production scheduling or manufacturing capacity.

The quantity of KLH pharmaceutical intermediate produced in fiscal 2013 was approximately 46 grams for product development and research. The Company sold approximately 0.34 grams of KLH in various formulations from prior years production. The quantity produced in 2012 was 161 grams for commercial sales, contract obligations, product development and research and 20.5 grams of KLH in various formulations were sold, including a portion from prior years' production. The quantity produced in 2011 was approximately 340 grams for commercial sales, contract obligations, product development and research. The Company sold 0.76 grams of KLH in various formulations in that fiscal year.

The hold-time assigned to KLH pharmaceutical intermediate produced by the Company is 90 days, based on the in-process hold established in the Master Batch Record for the product. Stability studies on the Company's purified suKLH (KLH 20MV) support a shelf life of 36 months and stability studies are currently on-going for the Company's HMW KLH (KLH 01NV).

It is anticipated that the Company could produce and hold in inventory sufficient quantities of KLH to meet future demand for KLH, once shelf life is established for each KLH formulation.

The Company's plans to expand KLH production capacity are based on the Company's customers' forecasts for KLH requirements during active immunotherapies commercialization and the Company's commitment to meet its customers' future forecasted KLH requirements. The aquaculture production cycle (to raise mature for KLH production from fertilized eggs) is 5 years. The plan to incrementally increase KLH production to meet anticipated multi-kilogram customer requirements during active immunotherapies commercialization requires a five year plan in which hatchery production of juvenile (1 year) limpets is initiated years ahead of anticipated market demand. The initial phase of the plan is to produce a sufficient quantity of juvenile limpets to meet an anticipated 20 kg market demand for KLH 5-7 years in the future. It is anticipated that such expansion would require additional capital expenditures of approximately $1-2 million and would likely be financed by leveraging KLH supply contracts and customer agreements.

Item 5. Operating and Financial Review and Prospects

Overview

The Company's financial statements are stated in United States Dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company has since inception primarily financed its activities through the issuance of equity as well as through government grant programs and limited commercial sales of its products. Subsequent to the end of the most recent fiscal year ended August 31, 2013 and through December 20, 2013, the Company closed a private placement of 11,428,570 units (consisting of one common share and one half common share purchase warrant) for gross proceeds of $12,000,000, and also received CDN$4,118,352 from the exercise of options and warrants. The Company believes its cash and cash equivalents at August 31, 2013, the funds received from exercise of options and warrants, and the $12 million gross proceeds raised during the September 2013 private placement are sufficient to meet estimated working capital requirements and fund planned operations for at least the next twelve months. Notwithstanding the above, the Company may decide to expand operations, undertake strategic acquisitions or determine some other business need. In such case, the Company would then seek financing for such events. This may occur within the next 6 to 18 months.

Grants

The Company has historically financed a portion of its operations through the receipt of monetary grants made available through programs funded and administered by various United States Government departments. The grants offer non-dilutive funding for research and development for projects that align directly with the Company's strategic goals.

These grants are intended to foster and promote research and innovation in important scientific and technological projects. The awards have various program funding periods. Phase I funding is typically for a period of six months, after which companies may apply for Phase II funding for an additional 24 months.

In the most recent three fiscal years, the Company has recognized the following grant funding through its subsidiary:

- National Science Foundation (NSF) Small Business Innovation Research ("SBIR") grant through the Technology Enhancement for Commercial Partnerships ("TECP") program. The initial $462,000 award was granted in March 2009, an additional $99,000 award was granted in December 2010, and these were supplemented with a Phase IIB award of $499,000 awarded in August 2011 for an additional 24 months. The project is entitled "*Megathura Crenulata* Post Larval Culture - Bottleneck for a Valuable Medical Resource". The purpose of the project is to allow for the full implementation of the commercial scale aquaculture systems for KLH production and development of a validated KLH-based immunogenicity assay. Grant revenues were recording in the most recent three fiscal years as the Company fulfilled the grant requirements.
- Two grants under the Therapeutic Discovery Project Program administered by Internal Revenue Service were awarded in November 2010. The grants are entitled "Diagnostic Immune Status Monitoring in Patients with Immunodeficiency" and "Enabling ICH-S8 Immunotoxicity Testing with Keyhole Limpet Hemocyanin". The grants together totaled $488,985 and were used to provide supplemental funding for the Company's diagnostic development and KLH immunogenicity platforms.

The Company intends to apply for a total of $300,000 in new grants during fiscal 2014.

A. Results of Operations

The greatest impact on the comparison of consolidated statements of loss and comprehensive loss is from fluctuations in change in fair value of warrant liability. As a result of having exercise prices denominated in a currency other than the Company's functional currency, the Company's warrants with Canadian dollar exercise prices meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value with noncash adjustments to fair value recognized through the consolidated statements of loss and comprehensive loss. Fair values are based on Black-Scholes option pricing model. The losses and gains in each year are a reflection of the Company's share price fluctuations with increases in share prices causing greater warrant liability and a resulting loss on fair value of warrant liability, while decreases in share prices cause a resulting gain on fair value of warrant liability. Changes in fair value of warrant liability have no impact on cash flow. If the warrants are exercised, the warrant liability is reclassified to share capital. If the warrants expire, the decrease in warrant liability offsets the changes in fair value.

Year Ended August 31, 2013

During the year ended August 31, 2013, the Company acquired the exclusive, worldwide license from the University of Guelph for the development of immunotherapies against Clostridium difficile infection, which was based upon the exclusive option agreement entered into during fiscal 2012. A new Type II Master File for its subunit KLH was submitted to the FDA in March 2013. Provisional patent applications were filed for inventions related to KLH manufacturing controls, KLH formulations, test kits, and KLH-based combinatorial adjuvant technology during the year. The Company's common stock began trading on the OTCQB Marketplace in the United States in January 2013.

The Loss and Comprehensive Loss for the year was ($14,886,513), or ($0.29) per share, compared to the Loss and Comprehensive Loss of ($5,196,696), or ($0.12) per share, for the fiscal year ended August 31, 2012. The higher loss in the current year was primarily due to a large change in the fair value of warrant liability.

Revenue for the year totaled $545,469 compared to revenue of $286,054 in the prior year. Revenue included commercial sales of $76,055 compared to $131,825. The decline was largely due to a single large sale of KLH in fiscal 2012. Grant revenue rose to $409,414 from $94,229 due to timing of grant activities and completion of NSF Phase II/IIB in fiscal 2013. Contract income of $60,000 was the same in both periods. Costs of production, aquaculture and grants increased to $576,528 from $436,401. Cost of production and aquaculture declined to $167,114 from $342,358, while grant costs increased to $409,414 from $94,043 due to the timing of grant activities and the completion of a NSF Phase II/IIB grant in the current year.

Expenses for the year ended August 31, 2013 declined to $3,647,400 from $6,372,333 incurred in the year ended August 31, 2012. During the current year, management made efforts to temporarily reduce operating costs until addition financing was received, which resulted in the significant decline in overall operating expenses. Large changes in expenses occurred in salaries, wages and benefits, which declined to $709,319 from $1,152,320 due to voluntary salary reductions and reductions in the number of personnel. Research and development was $1,445,616 compared to $1,825,585 due to the timing of research and development activity, particularly outside contracts. Legal, consulting and professional services fell to $321,785 from $602,865 as the Company reduced expenses through reductions in outside contracted services. Share-based payments were $627,025, which was a decline of $1,289,506 from the $1,916,531 recorded in fiscal 2012. The decline was related to the timing of the granting of stock options in fiscal 2013, and the share-based payments under the performance share program vesting during fiscal 2012. General and administration expenses declined to $585,434 from $801,259 as a result of management's efforts to reduce operating costs. Allocation of expenses to grant costs was ($166,612) compared to ($38,371), with the increase related to the higher grant expenditures in the current year.

Other income was ($11,207,254) in fiscal 2013 compared to $1,326,784 in fiscal 2012. The largest change occurred in change in fair value of warrant liability, which increased to ($11,116,402) from $1,206,812. Because the Company completed equity offerings in prior periods that included warrants denominated in Canadian dollars, the warrants are classified as derivatives and are measured at fair value based on Black-Scholes pricing models. Adjustments to fair value are recognized in the Statement of Loss and Comprehensive Loss. The loss in the current year is a reflection of the Company's share price increasing from August 31, 2012 to August 31, 2013. Foreign exchange in fiscal 2013 was a loss of $95,842 compared to income of $10,091 in fiscal 2013. The change was due to unfavorable exchange rates in the current year. Loss recovery was $Nil in fiscal 2013 compared to $105,000 in fiscal 2012 as the Company received a settlement for the value of KLH which had been damaged by a vendor. Interest income was largely unchanged at $4,990 compared to $4,881.

Year Ended August 31, 2012

During the year ended August 31, 2012, the Company announced it had received it first purchase order from Sigma-Aldrich under their marketing agreement and entered into an agreement with Life Diagnostics for the manufacture of the Company brand KLH ELISA test kits for the detection of anti-KLH antibodies. These test kits were launched to market in April 2012. The Company also entered into an agreement with the University of Guelph under which the University has granted the Company an exclusive option to license a patent pending technology for the development of an immunotherapeutic candidate against CDI, a major cause of infection and mortality in hospitalized patients.

During the year ended August 31, 2011, the Company received payment for a filled order of KLH from Neovacs SA for its active immunotherapies for use in human trials for rheumatoid arthritis and lupus, and received a milestone payment from Bayer for the immunotherapies for Non-Hodgkin's Lymphoma. The Company also acquired an exclusive license to the technology developed in the collaborative agreement with Bayer. The Company also received a two-year extension to the Company's SBIR Grant totaling $498,560, an additional NSF Grant for $99,000, and two grants under the IRS Therapeutic Discovery Project Program for a total grant award of $488,985.

Due to delays in the clinical trials scheduled to be conducted by several of the Company's customers, anticipated revenues from KLH sales under existing supply contracts were not realized during the year ended August 31, 2012. However, the Company was awarded a Phase IIB SBIR grant from the National Science Foundation totaling $498,560 over two years which will allow full implementation of commercial scale aquaculture systems for KLH production and development and deployment of a validated KLH-based immunogenicity assay.

The Loss and Comprehensive Loss for 2012 was ($5,196,696), or ($0.12) per share, compared to the Loss and Comprehensive Loss of ($3,597,279), or ($0.09) per share, for the fiscal year ended August 31, 2011. The higher loss in the current year was primarily due to lower revenue and higher expenses, including salaries and research and development.

Revenue for 2012 totaled $286,054 compared to revenue of $697,187 in the prior year. Revenue included commercial sales of $131,825, which rose from $18,988 in 2011, due to a large sale of KLH during the current year. Grant revenue declined to $94,229 from $618,199 due to non-recurring IRS grants received in the prior year. Contract income of $60,000 was the same in both periods. Costs of production, aquaculture and grants decreased to $436,401 from $1,009,083 due to the lower revenue and grants received.

Expenses for the year ended in 2012 increased to $6,372,333 from the $4,519,650 incurred in 2011. Large changes in expenses occurred in salaries, wages and benefits, which rose to $1,152,320 in 2012 from $797,263 in 2011 as there was an increase in the number of employees to support the Company's new programs as well as salary increases granted by the Board of Directors; Research and development increased to $1,825,585 in 2012 from $825,887 in 2011 due to an increase in research, including a pre-clinical study for the proof of concept for the C. diff program with the University of Guelph; Legal, consulting and professional services rose to $602,865 in 2012 from $363,753 in 2011 due to increased business development and corporate development activities performed by outside consultants. Share-based payments increased to $1,916,531 in 2012 from $1,738,709 in 2011, with much of the increase related to the measurement of vested performance shares. General and Administrative rose to $801,259 in 2012 from $747,883 in 2011 due to the Company's higher level of corporate activity in the 2012 fiscal year.

Other income rose to $1,326,784 in 2012 from $1,235,067 in 2011. Loss recovery was $105,000 compared to $Nil in the prior year. The Company received a settlement for the value of KLH that had been damaged by a vendor. Foreign exchange gain rose to $10,091 from $3,333 due to favorable US-Canadian exchange rates; Change in fair value of warrant liability totaled $1,206,812 in 2012 compared to $1,220,437 in the prior year. Because the Company completed equity offerings in prior periods that included warrants denominated in Canadian dollars, the warrants are classified as derivatives and are measured at fair value based on Black-Scholes pricing models. Adjustments to fair value are recognized in the Statement of Loss and Comprehensive Loss. The gain in both prior years was caused by share prices decreasing from August 31, 2011 to August 31, 2012 and from August 31, 2010 to August 31, 2011, respectively. Interest income declined to $4,881 in 2012 from $11,297 due to a lower balance of interest bearing cash and cash equivalents during the current year.

B. Liquidity and Capital Resources

The Company’s working capital position at August 31, 2013 was $4,225,714, including cash and cash equivalents of $7,859,889. Management believes the current working capital, including funds raised through a private placement of units (common shares and warrants) and the exercise of warrants and options subsequent to the year-end, is sufficient to meet the Company's present requirements, including all contractual obligations and anticipated research and development expenditures in fiscal 2014. The Company expects to finance its future expenditures and obligations through revenues from commercial sales, contract income, grant revenues, and sales of common shares. The timing of such offerings is dependent upon several factors, including the success of the Company’s operational plans as well as the general economic climate and market conditions. There are no restrictions on the ability of the Company’s subsidiary to transfer funds to the Company.

Subsequent to the fiscal 2013 year-end, the Company completed a private placement of its common shares.

The Company issued 11,428,570 units for total gross proceeds of $12,000,000. Each unit consisted of one common share and one-half of a share purchase warrant, with each full warrant exercisable into one additional common share at a price of $1.35 for a period of three years from the issuance date of the warrants. The private placement consisted of two closing; a brokered portion sold to institutional and accredited investors totaling $5,000,000 (4,761,903 units) (the “Brokered Offering”) and a non-brokered portion totaling $7,000,000 (6,666,667 units (the “Non-brokered Offering”). The non-brokered offering included a $5,000,000 investment by Amaran Biotechnology, Inc. a privately-held Taiwan biopharmaceuticals manufacturer. Newport Coast Securities, Inc., an SEC registered broker-dealer and FINRA member firm, served as exclusive placement agent on behalf of the Company and received commissions totaling $346,325 and 333,333 placement agent warrants (the “Agent Warrants”). Each Agent warrant entitles the holder to purchase one additional share of Stellar’s common shares at a purchase price of $1.05 for a period of three years from the issuance date of the Agent Warrants. No finders’ fees or commissions were paid on the Non-brokered Offering. The securities sold in the private placement were not registered under the Securities Act of 1933, as amended, or State securities laws and were sold in reliance upon exemptions from registration requirements.

The Company has historically financed its operations through revenue, including grant income, as well as through the issuance of common shares. The following sales and issuances of common shares have been completed in the last 3 fiscal years and in fiscal 2014 through December 20, 2013.

Table No. 2
Common Share Issuances
All Figures in US Dollars unless otherwise noted

Fiscal Year Ended August 31	Type of Share Issuance	Number of Common Shares Issued	Price	Gross Proceeds or Deemed Value
Fiscal 2014	Private Placement	11,428,570	$ 1.05	$ 12,000,000
Through	Exercise of Warrants	5,503,800	Various	CDN$ 3,798,030
Dec. 20, 2013	Exercise of Options	986,501	Various	CND$ 320,322
2013	Private Placement	4,000,000	CDN$ 0.25	$ 1,007,900
	Private Placement	1,998,400	CDN$ 0.25	$ 502,098
	Private Placement	3,260,000	CDN$ 0.50	$ 1,605,877
	Exercise of warrants	2,738,000	Various	$ 1,510,336
	Exercise of options	164,999	Various	$ 72,403
	Issued to acquire license (1)	371,200	CDN$ 0.832	$ 296,394
2012	Exercise of Warrants	2,318,600	Various	$ 830,715
	Exercise of Options	170,000	Various	$ 46,494
	Issuance of Performance Share	1,313,130	$ 0.28	$ 366,363
2011	Private Placement	3,000,000	CDN$ 0.35	$ 1,002,497
	Private Placement	6,213,000	CDN$ 0.60	$ 3,695,784
	Issuance of Performance Shares	3,333,335	$ 1.02	$ 3,400,000
	Exercise of Warrants	2,148,805	Various	$ 784,858

(1) $491,408 deemed value less $195,014 allocated to fair value of warrants for 278,400 non-transferrable share purchase warrants issued to acquire license.

Fiscal Year Ended August 31, 2013

As of August 31, 2013, the Company's working capital position was $4,225,714 compared to working capital of $486,019 as of August 31, 2012.

During the year, operating activities used cash of ($2,924,965). Items not affecting cash included amortization and depreciation of $124,833; share-based payments related to the issuance of stock options of $627,025; unrealized foreign exchange loss of $31.271; change in fair value of warrant liability of $11,116,402 due to adjustment to fair value of warrants previously issued; and fair value of shares and warrants issued for research license of $491,408. Changes in non-cash working capital items include an increase in amounts receivable of ($256,638) related to grants; increase in deferred financing costs related to the private placement of units completed after the fiscal year used cash of ($62,027); increase in prepaid expenses used cash of ($2,658); increase in accounts payable and accrued liabilities of $19,409; and decrease in deferred revenue of ($127,477) related to the timing of work performed under grants for which cash had been received in the prior year but earned in the current year.

Financing activities provided cash of $9,730,826. Proceeds from exercise of warrants and options provided cash of $1,582,739; share subscription proceeds provided cash of $8,271,549, including $5,000,000 received in advance of the September private placement closing; share issuance costs used cash of ($125,062); and payment of deposits provided cash of $1,600. Investing activities used cash of ($9,541), with the entire amount used for the acquisition of property, plant and equipment. Effect of exchange rate changes on cash and cash equivalents was $64,571.

During the year 2013, a total of 12,532,599 common shares were issued:

- 9,258,400 common shares were issued pursuant to private placements for gross proceeds of $3,115,875.
- 2,738,000 common shares were issued pursuant to the exercise of warrants for proceeds of $1,510,336.
- 164,999 common shares were issued pursuant to the exercise of options for proceeds of $72,403.
- 371,200 common shares were issued to acquire a license at a deemed value of $491,408 less $195,014 allocated to fair value of warrants for 278,400 non-transferrable share purchase warrants issued to acquire license.

The Company's cash and cash equivalents totaled $7,859,889 as at August 31, 2013 compared to cash and cash equivalents of $998,998 at August 31, 2012 an increase of $6,860,891 during the year.

Fiscal Year Ended August 31, 2012

As of August 31, 2012, the Company's working capital position was $486,019 compared to working capital of $4,061,980 as of August 31, 2011. During the year, operating activities used cash of ($3,947,814). Items not affecting cash included amortization and depreciation of $112,144; share-based payments of $1,916,531 related to the issuance of stock options and performance shares; change in fair value of warrant liability of ($1,206,812), which was due to adjustment to fair value of warrants previously issued; and unrealized foreign exchange gain of ($12,539). Changes in non-cash working capital items include a decrease in accounts receivable of $32,188; a decrease in prepaid expenses of $4,376; an increase in accounts payable and accrued liabilities of $275,517; and an increase in deferred revenue of $127,477 due to the timing of work performed under grants for which cash had been received but not yet earned.

Financing activities provided cash of $877,210, with the entire amount provided by proceeds from the exercise of options and warrants. Investing activities used cash of ($78,338), with the entire amount used for the acquisition of property, plant and equipment. Effect of exchange rate changes on cash and cash equivalents also provided cash of $2,448.

During the year 2012, a total of 3,801,730 common shares were issued:

- 1,313,130 common shares were issued to non-director individuals pursuant to the Company's Performance Share Plan.
- 2,318,600 common shares were issued pursuant to the exercise of warrants for proceeds of $830,716.
- 170,000 common shares were issued pursuant to the exercise of options for proceeds of $46,494.

The Company's cash and cash equivalents totaled $998,998 at August 31, 2012 compared to cash and cash equivalents of $4,145,492 as of August 31, 2011, a decrease of $3,146,494 during the year.

Fiscal Year Ended August 31, 2011

As of August 31, 2011, the Company's working capital position was $4,061,980 compared to working capital of $2,174,121 as of September 1, 2010. During the year, operating activities used cash of ($2,617,768). Items not affecting cash included amortization and depreciation of $87,325; share-based payments of $1,738,709 related to the issuance of stock options and performance shares; change in fair value of warrant liability of ($1,220,437), which was due to adjustment to fair value of warrants previously issued; and unrealized foreign exchange gain of ($4,559). Changes in non-cash working capital items include a decrease in accounts receivable of $532,807 related to grants, increase in prepaid expenses of ($13,664), and decrease in accounts payable and accrued liabilities of ($140,670).

Financing activities provided cash of $5,068,520. Proceeds from the exercise of warrants provided cash of $784,858, share subscription proceeds provided cash of $4,729,524, while share issuance costs used cash of ($312,103). The repurchase of dissenting shareholder shares used cash of ($125,025) as the Company repurchased 1,661,241 common shares from a shareholder of Stellar CA in order to cancel them and return them to treasury. Payment of deposits used cash of ($8,734).

Investing Activities used cash of ($309,782), with the entire amount used for the acquisition of property, plant and equipment. Effect of exchange rate changes on cash and cash equivalents provided cash of $1,226.

During the year 2011, a total of 14,695,140 common shares were issued:

- 9,213,000 common shares were issued pursuant to private placements for gross proceeds of $4,729,524.
- 3,333,335 common shares were issued to officers, directors and employees pursuant to the Company's Performance Share Plan.
- 2,148,805 common shares were issued pursuant to the exercise of warrants for proceeds of $784,858.

The Company's cash and cash equivalents totaled $4,145,492 at August 31, 2011 compared to cash and cash equivalents of $2,003,296 as of September 1, 2010, an increase of $2,142,196 during the year.

Basis of Presentation, Significant Accounting Policies and Estimates

The audited financial statements for the periods ended August 31, 2013, 2012, and 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's basis of presentation, significant accounting policies and estimates under IFRS are given below.

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with IFRS and include the accounts of the Company and its wholly-owned subsidiary Stellar Biotechnologies, Inc. ("Stellar CA"). Intercompany balances and transactions are eliminated on consolidation.

Critical Judgments and Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

2) Management is required to assess the functional currency of each entity of the Company. In concluding that the US dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

3) Management is required to assess impairment in respect of licensing rights and property, plant and equipment. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgments about whether there is any indication that an asset may be impaired. Management has determined that there were no indications of impairment and as such, no impairment estimates were performed.

4) Research is recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38 *Intangible Assets*. Management is required to make judgments about whether the activities are in the research or development phase and judgments about the existence of a market for the output of the intangible asset. Management performed an assessment of separately acquired development costs of a new product and determined that the Company cannot yet demonstrate the future economic benefits in order to capitalize and defer these development costs. All other research and development costs were assessed by management as being in the research phase and were expensed.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

1) Warrants issued with exercise prices denominated in a currency other than the Company's functional currency meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value with adjustments to fair value recognized through the consolidated statements of loss and comprehensive loss. The fair value of the warrants is estimated using the Black-Scholes option pricing model at the end of each reporting period. Such estimates are subject to change each period and the differences will affect the warrant liability provision in the period in which the estimate is made.

2) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability or a decrease in tax benefits could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

3) Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation/amortization rates. Should the asset life or depreciation/amortization rate differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions, money market accounts, and highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recorded on the straight-line method based on the following rates which approximate the useful life of the assets:

Aquaculture system	10-20%
Tools and equipment	20%
Leasehold improvements	10-14%
Laboratory	10-20%
Computer and office equipment	20%
Vehicles	20%

Maintenance and repairs are charged to operations as incurred.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value, and changes are recognized through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

Available for sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company has classified its financial assets as follows:

- Cash and cash equivalents are classified as FVTPL.
- Amounts receivable are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value. Financial liabilities are classified into one of the following two categories:

Fair value through profit or loss ("FVTPL")

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Warrants which do not meet the criteria to be classified as an equity instrument are classified as fair value through profit or loss financial liabilities.

Other financial liabilities

Financial liabilities classified as other financial liabilities are measured at amortized cost.

The Company has classified its financial liabilities as follows:

- Accounts payable is classified as other financial liabilities.
- Warrant liability is classified as FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Revenue Recognition

Commercial Sales
The Company recognizes commercial sales revenue when KLH product is delivered assuming there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collectability is reasonably assured. In limited circumstances, the Company retains ownership until the product is received and inspected by the customer; revenue is recognized upon satisfaction of these conditions. The Company documents arrangements with customers with purchase orders and sales agreements.

Commercial sales revenue includes sales made under supply agreements with customers for a fixed price per gram of KLH products based on quantities ordered, including those produced from the customer's dedicated limpet colonies. The supply agreements are on a non-exclusive basis except within that customer's field of use.

Grants
The Company has taken the income approach to recognizing grant revenue. The Company recognizes grant revenue when there is reasonable assurance that the Company will comply with the conditions attached, the benefits have been earned and it is reasonably assured of collection. An appropriate amount in respect to earned revenue will be recognized as revenue in the period that the Company is assured of fulfilling the grant requirements. Grant advances received prior to revenue recognition are recorded as deferred revenue.

Contract income
Contract income is recognized when reasonable assurance exists regarding measurement and collectability. An appropriate amount in respect to earned revenue will be recognized as revenue in the period that the Company is assured of fulfilling the contract requirements.

Contract income is earned on both the initial set up fee for establishment of limpet colonies dedicated to meet the needs of the customer and monthly fees to maintain those dedicated limpet colonies. The Company also has the right to use raw material produced from dedicated limpet colonies at no cost with prior written consent.

Research and Development

The Company is involved in research and development. Research costs, including materials and salaries of employees directly involved in research efforts, are expensed as incurred. Development costs are expensed in the period incurred, unless they meet criteria for technical, market and financial feasibility, in which case they are deferred and amortized over the estimated life of related products. Research and development expenses are shown as a separate line item on the consolidated statements of loss and comprehensive loss. As at August 31, 2013, the Company had no deferred development costs.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and perform research and development activities. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payments

The Company grants share options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

For employees, the fair value of share options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period using graded vesting. Consideration paid for the shares on the exercise of share options is credited to share capital and the related share-based compensation is reclassified from the share-based payment reserve to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based payment reserve is transferred to accumulated losses (deficit).

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services rendered.

Foreign Exchange

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent and its subsidiary is the US dollar.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will be probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Loss Per Share

Basic earnings (loss) per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

New Accounting Standards, Amendments and Interpretations Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective in future years. The Company does not expect to adopt any of these standards before their effective dates. The following new standards have not been applied in preparing these consolidated financial statements:

IFRS 9 - *Financial Instruments*. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes principles for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 - *Consolidated Financial Statements*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated – Special Purpose Entities*.

IFRS 11 - *Joint Arrangements*. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This standard supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

IFRS 12 - *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 13 - *Fair Value Measurement*. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 is applicable for fiscal years beginning on or after January 1, 2013. The standard, which may be early adopted, will apply prospectively from the beginning of the annual period in which it is adopted.

The Company continues to evaluate the impact of these standards on its accounting policies and consolidated financial statements. The extent of the effects of the new accounting standards on the consolidated financial statements has not been determined.

Capital Expenditures

The Company has budgeted $660,000 for capital expenditures for fiscal 2014 for operations and aquaculture facilities improvements, capacity expansion and research equipment using funds received from the September 2013 private placement.

C. Research and Development

The Company's core business is developing and commercializing Keyhole Limpet Hemocyanin ("KLH") for use in medical and research products. The Company currently conducts research and development activities related to the aquaculture of keyhole limpet, the extraction and purification of KLH, and related products and technologies.

Research costs, including materials and salaries of employees directly involved in research efforts, are expensed as incurred. Development costs are expensed in the period incurred, unless they meet criteria to technical, market and financial feasibility, in which case they are deferred and amortized over the estimated life of related products. Research and development expenses are shown as a separate line item on the consolidated statements of income (loss), comprehensive income (loss), and deficit. As at August 31, 2013, and 2012, the Company had no deferred development costs.

The following table includes the Company's research and development costs for each of the most recent three fiscal years:

Fiscal Year	Research and Development Expense
2013	$ 1,445,616
2012	$ 1,825,585
2011	$ 825,887

The Company has budgeted approximately $2.2 million for research and development in fiscal 2014.

D. Trend Information

The Company knows of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's operations or financial condition.

E. Off-Balance Sheet Arrangements

The Company has no Off-Balance Sheet Arrangements.

F. Tabular Disclosure of Contractual Obligations

The Company leases three buildings and facilities in Port Hueneme, California under sublease agreements with the Port Hueneme Surplus Property Authority through October 31, 2015. At that time the Company has the option to extend the lease for another five years. The monthly base rents total $7,071 beginning November 1, 2010 with rents adjusted by the Consumer Price Index every November 1st. The Company also leases office facilities through June 30, 2014 with the option to extend the term for an additional two years. Rent is $5,126 per month beginning July 1, 2011 with 3% cost of living increases per year.

The Company also has purchase order commitments for contracts and consultants.

Table No. 3
Contractual Obligations
As of August 31, 2013

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Commitments	$ 247,976	$ 143,735	$ 104,241	Nil	Nil
Purchase Order Commitments	$ 45,000	$ 39,000	$ 6,000	Nil	Nil
Total					

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Table No. 4 lists as of December 20, 2013, the names of the Directors of the Company. The Directors have served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles of the Company. All Directors are residents and citizens of the United States. Each director was reelected at the annual general and special meeting of shareholders held on February 12, 2013, or appointed after the meeting of shareholders, and each director's term will expire at the next annual general meeting of shareholders scheduled to be held on February 13, 2014.

Table No. 4
Directors

Name	Age	Date First Elected/Appointed
Frank Oakes (1)	62	April 9, 2010
Tessie Che, Ph.D.	63	September 25, 2013
Daniel Morse, Ph.D. (2)	71	April 9, 2010
David Hill, Ph.D. (1) (2)	61	May 17, 2011
Mayank (Mike) Sampat (1) (2)	57	August 15, 2012
Gregory Baxter, Ph.D. (2)	53	August 15, 2012

(1) Member of Audit Committee.
(2) Member of Compensation Committee

Members of the audit committee meet periodically to approve and discuss the annual financial statements and each quarterly report before filing. The committee operates under a written charter as included in the Company's Management Information Circular dated December 17, 2011. Details of the charter are contained in Item 6, “Board Practices” below, and a copy of the Management Information Circular that contains the charter has been filed as an exhibit to the Company's Form 20-F Registration Statement.

Table No. 5 lists, as of December 20, 2013, the names of the Officers and Executive Officers of the Company. The Officers and Executive Officers serve at the pleasure of the Board of Directors. All Officers and Executive Officers are residents and citizens of the United States.

Table No. 5
Officers and Executive Officers

Name	Position	Age	Date of Appointment
Frank Oakes	President and CEO	63	April 9, 2010
Catherine Brisson, Ph.D.	Chief Operating Officer	40	November 1, 2013
Kathi Niffenegger	Chief Financial Officer and Secretary	56	November 1, 2013
Herbert Chow, Ph.D.	Chief Technology Officer	59	August 9, 2012
Mark McPartland	Vice-President of Corporate Development and Communications	47	November 15, 2013

Frank R. Oakes is President and Chief Executive Officer and a Director. Mr. Oakes has more than 30 years of management experience in aquaculture including a decade as CEO of The Abalone Farm, Inc., during which he led that company through the R&D, capitalization, and commercialization phases of development to become the largest abalone producer in the United States. He is the inventor of the Company’s patented method for non-lethal extraction of hemolymph from the keyhole limpet. He is the Principal Investigator (“PI”) on the Company’s current Small Business Innovation Research (“SBIR”) grant from the National Science Foundation and was PI on the Company’s Phase I and II SBIR grants from the NIH’s Center for Research Resources, and a California Technology Investment Partnership (“CalTIP”) grant from the Department of Commerce. He has consulted and lectured for the aquaculture industry around the world. Frank received his Bachelor of Science degree from California State Polytechnic University, San Luis Obispo and is a graduate of the Los Angeles Regional Technology Alliance (“LARTA”) University’s management-training program. Mr. Oakes was a founder of the Company’s subsidiary in 1999. He assumed his current role of Chairman of the Board, President and CEO of the Company upon the reverse merger transaction in April 2010. Mr. Oakes devotes 100% of his time to the Company's affairs.

Catherine Brisson, Ph.D. is Chief Operating Officer (COO). Dr. Brisson has more than 20 years of experience in the biotechnology, pharmaceutical and medical device industries with strong expertise, and broad scientific and operational understanding, in the areas of quality assurance, quality control, regulatory affairs, manufacturing, and product development. She has extensive background in process development and in the preparation and review of regulatory submissions and subsequent maintenance; as well as a strong working knowledge of global regulatory requirements. Previously, Dr. Brisson held key senior management positions with startup biotechnology companies, as well as Sicor Pharmaceuticals (Teva Parenteral Products). Dr. Brisson holds a B.S. degree in Chemistry from North Carolina State University and a Ph.D. in Organic Chemistry from the University of North Carolina. Dr. Brisson joined Stellar Biotechnologies in November 2010 and was appointed Chief Pharmaceutical Officer in August 2012. She assumed her current role of Chief Operating Officer in November 2013. Dr. Brisson currently devotes 100% of her time to the Company's affairs.

Herbert S. Chow, Ph.D. is Chief Technology Officer (CTO). Dr. Chow has more than 25 years of experience in business management and product development positions in new biologic devices, clinical diagnostic and consumer diagnostic markets. He has operational expertise in developing and commercializing innovative technologies, and building successful strategic partnership in the fields of medical diagnostic and therapeutic devices. Previously, he held key senior management positions with start-up biotechnology companies, as well as international pharmaceutical companies Abbott Labs and Johnson & Johnson. Dr. Chow earned a BS in Microbiology and Immunochemistry at Ohio State University and a Ph.D. in Immunopathology at the University of Illinois. Dr. Chow has been granted nine patents in chemical processing, microfluidic devices, liquid sensing devices and medical devices for point-of-care diagnosis. Dr. Chow joined Stellar Biotechnologies in May 2010 and was appointed Chief Technology Officer in August 2012. Dr. Chow currently devotes 100% of his time to the Company's affairs.

Kathi Niffenegger is Chief Financial Officer (CFO) and Corporate Secretary. Ms. Niffenegger has more than 30 years of experience in accounting and finance in a range of industries. She previously served as Stellar's outside CPA since the Company's founding in 1999 and Controller since 2012. Ms. Niffenegger was previously technical partner in the audit division of Glenn Burdette CPAs, obtained CFO experience at Martin Aviation, and began her career at Peat, Marwick, Mitchell & Co. (now KPMG LLP). She held leadership roles for audits of manufacturing, aquaculture, pharmaceutical, and governmental grant clients, and developed specific expertise in cost accounting systems and internal controls. Ms. Niffenegger holds a B.S. degree in Business Administration, Accounting from California State University, Long Beach and is a member of the American Institute of Certified Public Accountants (AICPA). Ms. Niffenegger joined Stellar Biotechnologies in May 2012 as Controller and was appointed Corporate Secretary in July 2013. She assumed her current role of Chief Financial Officer in November 2013. Ms. Niffenegger devotes 100% of her time to the Company's affairs.

Mark McPartland is Vice President of Corporate Development and Communications. Mr. McPartland has more than 16 years of experience in business development, capital markets advisory, corporate communications and C-suite consulting. Prior to joining Stellar, he served as Senior Vice President at MZ Group, a subsidiary of @titude Global, the world's largest independent global investor relations ("IR") consulting firm, which served as Stellar's IR agency. Mr. McPartland's background includes guiding the development and execution of corporate strategy for private and public companies at all stages of commercial evolution, including early- and mid-stage biopharmaceutical entities. His previous positions include Vice President and Partner at Alliance Advisors, LLC and Regional Vice President of Hayden Communications, Inc. Mr. McPartland holds a B.S. in Business Administration and Marketing from Coastal Carolina University. Mr. McPartland joined Stellar Biotechnologies in November 2013 in his current role as Vice President of Corporate Development and Communications. Mr. McPartland devotes 100% of his time to the Company's affairs.

Gregory Baxter, Ph.D. is a Director. Dr. Baxter has been an executive and scientist with several biotechnology corporations and foundations. Since 2001, he has been a Senior Scientist with CCS Associates Inc. and a Program Director with the National Science Foundation since 2008. Dr. Baxter was also the founder and Chief Science Officer of Hurel Corporation. Prior to Hurel, he was a Senior Scientist at the Cornell Nanoscale Science and Technology Facility and the Biotechnology Liaison for the National Nanofabrication Users Network. He is also an Adjunct Associate Professor with the Department of Biomedical Engineering at Cornell University. Dr. Baxter received his Ph.D. in Biochemistry/Molecular Biology from University of California, Santa Barbara. Dr. Baxter currently devotes 10% of his time to the Company's affairs.

Tessie M. Che, Ph.D. is a Director. Dr. Che is currently chair of the Board of Directors of Amaran Biotechnology Inc., a privately-held biopharmaceuticals manufacturer based in Taiwan. She co-founded Optimer Pharmaceuticals Inc. in 1998, and served over 10 years as Optimer's chief operating officer and senior vice-president of corporate affairs. During the process development years of Optimer's flagship drug, Dificid, Dr. Che built and led the company's chemistry, manufacturing and quality control (CMC) teams through the successful and cost-effective registration and commercialization of Dificid in the United States, Canada and Europe in 2011. Prior to her founding of Optimer, Dr. Che's industrial experience included 20 years in research, management and operations at large companies, including Exxon Mobil Corp., Aventis Pharmaceuticals Inc. and EniChem SpA. She also served as vice-president, operations, of M and D Precision Science Group Inc. in 1988, and co-founded Cinogen Pharmaceuticals Inc. (China) serving as vice-president from 1994 to 1996. Cinogen later became a wholly owned subsidiary of Pharmanex Inc., where Dr. Che served as senior director of quality assurance and sourcing. Dr. Che holds bachelor degrees in chemistry from Illinois State University and Fu-Jen Catholic University (Taiwan), a PhD in physical-inorganic chemistry from Brandeis University, and did postdoctoral work at Columbia University. She has authored numerous scientific publications and holds over 20 U.S. patents in material synthesis and applications. Dr. Che currently serves as a Director of OBI Pharma USA, a wholly-owned subsidiary of OBI Pharma, Inc., a publicly traded biotechnology corporation in Taiwan. Dr. Che currently devotes approximately 5% of her time to Company affairs.

David L. Hill, Ph.D. is a Director and Chair of the Compensation Committee. He currently serves as Scientific Director for the ART Reproductive Center, Beverly Hills, California and is an Assistant Clinical Professor in the Dept. of Obstetrics and Gynecology at the David Geffen School of Medicine, University of California, Los Angeles, and a Research Assistant IV at Cedars-Sinai Medical Center, Los Angeles, California. Dr. Hill received his Ph.D. in Biological Sciences from the Department of Pathology, School of Life Sciences, University of Connecticut and completed a Postdoctoral Fellowship at the Dana Farber Cancer Institute through an appointment by the Department of Physiology and Biophysics, Harvard Medical School, Boston, Massachusetts. Dr. Hill currently devotes approximately 10% of his time to the Company's affairs.

Daniel E. Morse, Ph.D. is currently a Director and formerly served as Executive Vice-President, Science & Technology until December 31, 2011. He is also a member of the Company's Scientific Advisory Board. He is Professor of Molecular Genetics and Biochemistry at the University of California, Santa Barbara, and Director of the UCSB-MIT- Caltech Institute of Collaborative Biotechnologies. Dr. Morse is an internationally recognized expert in protein chemistry, molecular biology, molluscan reproductive biology, and aquaculture. Dr. Morse’s laboratory at the University of California, Santa Barbara is currently working under a seed grant from the Defense Advanced Research Projects Agency (“DARPA”) to begin investigations into the fundamental disassociation & assembly dynamics of the company’s subunit KLH product. Dr. Morse devotes approximately 10% of his time to the Company's affairs.

Mayank (Mike) Sampat is a Director and Chair of the Audit Committee. Mr. Sampat is an experienced senior executive and CFO, having worked with multiple companies ranging from startups to large Fortune 100 companies. From 2007 to 2010, Mr. Sampat was Chief Financial officer of Gamma Medica-Ideas, a supplier of imaging equipment to the medical industry. Since 2010, Mr. Sampat has served as a consultant. After obtaining a BBA in accounting from Bombay University, Mr. Sampat received his MBA in Finance at Mercer University. Mr. Sampat devotes approximately 10% of his time to the Company's affairs.

No Director and/or Executive Officer has been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he or she is a Director and/or Executive Officer, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he or she is an officer or director from engaging in or continuing any conduct, practice, or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business or of theft or of any felony.

There are no arrangements or understandings between any two or more Directors or Executive Officers, pursuant to which he or she was selected as a Director or Executive Officer. No members of the Board of Directors are related.

Scientific Advisory Board

The Company has a Scientific Advisory Board ("SAB"). Each member has extensive industry experience, and provides consulting services to the Company as needed. The SAB currently consists of four members. In addition to Dr. Daniel Morse, Ph.D., a current member of the Company's Board of Directors, the Company currently has two other members of the SAB and Dr. Malcolm Gefter Ph.D., a former director, as described below.

Andrew Saxon, M.D. is Chairman of the Scientific Advisory Board. Dr. Saxon received his medical degree from Harvard Medical School. He is board certified in Internal Medicine, Allergy and Clinical Immunology and Diagnostic/Laboratory Immunology. He has published over 180 peer reviewed research publications primarily dealing the control and assessment of the human immune response. Dr. Saxon and colleagues at UCLA were the first to recognize AIDS in 1980, brought this new disease to the attention of the CDC in 1981. As part of his work, Dr. Saxon has had extensive experience with the KLH in its various molecular forms. Dr. Saxon is also the Editor-in-Chief of Clinical Immunology. Dr. Saxon advises the Company on diagnostic and laboratory immunology, and meets with the Company's executives and senior staff on a regular basis.

Daniel C. Adelman, M.D. is Adjunct Professor at UC-San Francisco. He is Sr. VP, Development and Chief Medical Officer at Alvine Pharmaceuticals. Dr. Adelman was Sr. VP, Development and Chief Medical Officer at Sunesis Pharmaceuticals. He served at Pharmacyclics as VP, Clinical Operations and Biometrics and was a Clinical Scientist at Genentech. Dr. Adelman has been involved in all stages of pharmaceutical drug development and shared responsibility for the early development of Xolair and Avastin. He holds a BA in Biology from the University of California and an M.D. degree from the UC-Davis. He did post-doctoral training in Clinical Immunology and Allergy at UCLA. Dr. Adelman advises the Company on biometrics and clinical medicine, and meets with Company's executives and senior staff on a regular basis.

Malcolm Gefter, Ph.D. served as a Director of the Company until January 2, 2013. Dr. Gefter graduated from the University of Maryland with a B.Sc. in Chemistry in 1963 and a Ph.D. in Molecular Biology from Albert Einstein College of Medicine in 1967. He founded Praecis Pharmaceuticals Incorporated in 1989 and held the positions of Chairman of the Board (since 1994), Chief Executive Officer (since 1996) and President (since 1998) until his retirement in 2007. Praecis Pharmaceuticals Incorporated is a biopharmaceutical company focused on the discovery and development of novel compounds to address unmet medical needs or improve existing therapies focused on drug discovery technology, Dr. Gefter has been a professor of biology at the Massachusetts Institute of Technology and is now professor emeritus. He has authored more than 200 original scientific papers. Dr. Gefter was also a founder of ImmuLogic Pharmaceutical Corporation, and from 1987 to March 1997, served as Chairman of the Board of Directors at ImmuLogic. Dr. Gefter advises the Company on diagnostic and laboratory immunology, and meets with the Company's executives and senior staff on a regular basis.

B. Compensation

The Company revised its Compensation Policy for its Directors effective September 1, 2012. Board members receive $1,000 for each Board of Director's meeting attended in person, or $350 for each meeting attended by telephone. Members of Committees receive $350 for each committee meeting attended. Non-executive Directors may also receive stock options at the discretion of the Board of Directors.

There are no director's service contracts providing for benefits upon termination of employment.

To assist the Company in compensating, attracting, retaining and motivating personnel, the Company grants incentive stock options under a formal Share Option Plan which was first approved by shareholders at the Annual General and Special Meeting of shareholders held on October 13, 2009 and subsequently amended as of December 13, 2011.

Table No. 6 sets forth the compensation paid to the Company's executive officers and board of directors during the 2013 fiscal year.

Table No. 6a
Summary Compensation Table Fiscal Year 2013
All Figures in US Dollars unless otherwise noted

Name	Salary	Other Compensation	Options Granted	Exercise Price	Expiry Date
Frank Oakes President, CEO and Director (1)	$ 33,280	$ 19,602	Nil		
Catherine Brisson, Ph.D. Chief Operating Officer (2)	$ 155,833	$ 8,643	57,500 70,000	CDN$ 0.25 CDN$ 0.58	12/19/19 5/14/20
Kathi Niffenegger, Chief Financial Officer and Corporate Secretary (3)	$ 137,500	$ 10,957	50,000 90,000	CDN$ 0.25 CDN$ 0.58	12/19/19 5/14/20
Scott Davis, Former Chief Financial Officer (4)	N/A	$ 53,460	Nil		
Darrell Brookstein, Former Executive Vice-President, Director and Corporate Secretary (5)	$ 42,152	$ 17,745	Nil		
Herbert Chow, Ph.D. Chief Technology Officer (6)	$ 155,833	$ 13,232	57,500 70,000	CDN$ 0.25 CDN$ 0.58	12/19/19 5/23/20
John Sundsmo, Ph.D. Former Vice-President, Research and IP Management (7)	$ 52,269	$ 11,358	Nil		
Daniel Morse, Ph.D. Director and former Chief Technology Officer, and Corporate Secretary (8)	N/A	$ 20,225	Nil		
Malcolm Gefter, Ph.D. Former Director (9)	N/A	$ 3,000	Nil		
David Hill, Ph.D. Director (10)	N/A	$ 4,050	Nil		
Mayank (Mike) Sampat, Director (11)	N/A	$ 4,400	Nil		
Gregory Baxter, Ph.D. Director (12)	N/A	$ 4,400	Nil		

(1) Effective fiscal 2013, Frank Oakes voluntarily reduced his annual base salary to $33,280. “Other Compensation” relates only to health and insurance and contributions to a 401(k) Plan.
(2) "Other Compensation" for Catherine Brisson is for health insurance and contributions to a 401(k) Plan. She was named Chief Operating Officer effective November 1, 2013.
(3) Kathi Niffenegger was named Chief Financial Officer effective November 1, 2013 and Corporate Secretary effective July 16, 2013. Compensation is shown for the entire fiscal year. "Other Compensation" for Ms. Niffenegger is for health insurance and contributions to a 401(k) Plan.
(4) "Other Compensation" for Scott Davis is for consulting fees paid to Cross Davis & Company, LLP for his service as Chief Financial Officer.
(5) Effective fiscal 2013, Darrell Brookstein voluntarily reduced his annual base salary to $33,280. "Other Compensation" relates only to health and insurance and contributions to a 401(k) Plan.
(6) "Other Compensation" for Herbert Chow is for health insurance and contributions to a 401(k) Plan.
(7) "Other Compensation" for John Sundsmo is for health insurance and contributions to a 401(k) Plan.
(8) "Other Compensation" for Daniel Morse includes $3,350 for Directors' fees and $16,875 for consultant fees.
(9) "Other Compensation" for Malcolm Gefter includes $3,000 for consultant fees.
(10) "Other Compensation" for David Hill was for Directors' fees.
(11) "Other Compensation" for Mayank (Mike) Sampat was for Directors' fees.
(12) "Other Compensation" for Gregory Baxter was for Directors' fees.

The Company has established a formal 401(k) Plan to provide retirement benefits to eligible officers and employees. Employees may enter the Plan after they have been employed by the Company for 3 consecutive months. Under the Company’s Safe Harbor 401K Plan Stellar contributes a flat Non-elective Contribution of 3% of eligible compensation for each Plan participant at the end of the Plan Year.

Other than the funds contributed under the Company's 401(k) Plan, no other funds were set aside or accrued by the Company during Fiscal 2013 to provide pension, retirement or similar benefits for Directors or Executive Officers.

Performance Share Plan

Under the merger agreement between Stellar and Stellar CA, the Company allotted 10,000,000 common shares under a Performance Share Plan. The purpose of the Plan was to encourage the development of the Company's products and business by distributing shares to key management, employees, and consultants upon the meeting of certain milestones. These milestones are as follows:

1. Completion of method development for commercial-scale manufacture of IMG KLH with applicable good GMP as a pharmaceutical intermediate, evidenced by completion of three GMP lots meeting all quality and product release specifications required for stability studies and process validation;

2. Compilation and regulatory submittal of all required CMC data compiled in CTD format and evidenced by filing as a DMF with the USFDA; and

3. Completion of preclinical toxicity and immunogenicity testing of IMG KLH and Subunit KLH in rodent and non-rodent species as evidenced by acceptance by study protocols and completion reports available to support customer United States FDA and EMEA filings.

As each milestone is met as determined by the Company's Board of Directors, one-third of the Performance Shares are available to be released to the Plan members.

In January 2011, it was determined that milestone number 3 above was successfully completed. Therefore, the first one-third of the Performance Shares totaling 3,333,335 common shares were issued to the Plan members on January 31, 2011.

In August 2012, the Board of Directors determined that the remaining two milestones had been met and authorized the issuance of 1,313,130 Performance Shares to the non-Director employees and consultant participants in the Performance Share Plan. The Board did not take any action at that time on the issuance of shares to the Directors who are members of the Performance Share Plan and did not take any further action in fiscal 2013.

The name of the Plan members, the number of shares issued, and the balance of shares remaining under the Performance Plan are given below:

Table No. 7
Performance Shares

Plan Member	Shares Issued January 31, 2011 (First Milestone)	Shares Issued August 27, 2012 (Second and Third Milestone)	Balance Reserved for Future Issuance
Frank R. Oakes (1)	1,250,000	Nil	2,356,902
Darrell Brookstein (1)	666,667	Nil	1,515,152
Daniel E. Morse, Ph.D.	666,667	Nil	1,346,801
Andrew Saxon, M.D.	166,667	336,700	Nil
Rodrick Conde (2)	33,333	Nil	Nil
Brandon Lincicum	33,333	67,340	Nil
Malcolm Gefter, Ph.D.	66,667	Nil	134,680
John Sundsmo, Ph.D.	166,667	336,700	Nil
Catherine Brisson, Ph.D.	66,667	134,680	Nil
Herbert S. Chow, Ph.D.	166,667	336,700	Nil
Jan Haynes	50,000	101,010	Nil
Total	**3,333,335**	**1,313,130**	**5,353,535**

(1) Subsequent to the initial performance share allocations, 166,667 performance shares initially allocated to Frank R. Oakes for future distribution were reassigned to Darrell Brookstein.
(2) Rodrick Conde was no longer an employee of the Company effective January 2012, and the balance of his shares was reassigned to other participants.

C. Board Practices

The Board of Directors' mandate is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company.

The Company's corporate governance practices are the responsibility of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company.

The Board is specifically responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for all material contracts, business transactions and all debt and equity financing proposals. The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. In keeping with its overall responsibility for the stewardship of the Company, the Board is also responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications.

The Board delegates to management, through the Chief Executive Officer and President, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans. The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience. When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's business and on director responsibilities. Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations.

The Board as a whole has the responsibility of determining the compensation for directors. The Board appointed a Compensation Committee and delegated responsibility for determining executive officer compensation beginning in fiscal 2013.

To determine compensation payable, the Board considers an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors, while taking into account the financial and other resources of the Company.

The Board is currently composed of six directors: Frank R. Oakes, Tessie Che, Ph.D., David Hill, Ph.D., Daniel E. Morse, Ph.D., Mayank (Mike) Sampat, and Gregory Baxter, Ph.D. Of the current directors, David Hill, Mike Sampat, and Gregory Baxter are deemed to be "independent". Frank R. Oakes is an officer, Daniel E. Morse is a former officer, and Tessie Che is an officer of a Company that has a collaboration agreement with the Company; therefore, they are not considered “independent".

The Board does not currently have an independent Chair and, at this stage of the Company’s development, the Board does not feel it is necessary to have one to ensure that the Board can function independently of management, as sufficient guidance is found in the applicable corporate and securities legislation and regulatory policies. The non-management directors exercise their responsibilities for independent oversight of management, and are provided with leadership through their position on the Board and ability to meet independently of management whenever deemed necessary. In addition, each member of the Board understands that he is entitled to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances.

The Board of Directors conducted eight meetings during fiscal 2013. Mr. Oakes, Mr. Sampat and Dr. Baxter attended eight meetings. Dr. Hill attended five meetings. Dr. Morse attended four meetings. Dr. Che was appointed director on September 25, 2013, subsequent to fiscal 2013. Darrell Brookstein resigned from the board effective June 21, 2013 and attended four of the four meetings held during his tenure as director. Malcolm Gefter resigned from the board effective January 2, 2013 and attended none of the two meetings held during his tenure as director.

Audit Committee

The Company's Audit Committee operates under a written charter, which is reviewed by the Board of Directors on an annual basis. A copy of the current Audit Committee Charter has been filed as an exhibit to the Company's 20-F Registration Statement.

The audit committee will assist the board of directors (the “Board”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each audit committee member must obtain an understanding of the principal responsibilities of audit committee membership as well and the Company’s business, operations and risks.

Composition

The Board appoints from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee consists of a minimum of three directors.

A majority of the members of the audit committee must not be officers, employees or control persons of the Company. Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the audit committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications

Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

Responsibilities

The audit committee has the following responsibilities:

External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures.

Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company.

Financial Reporting

The audit committee shall review the financial statements and financial information prior to its release to the public.

Release of Financial Information

Where reasonably possible, the audit committee will review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Other Responsibilities

The audit committee shall:

(a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
(b) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
(c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
(d) review the policies and procedures in effect for considering officers' expenses and perquisites;
(e) perform other oversight functions as requested by the Board; and
(f) review and update this Charter and receive approval of changes to this Charter from the Board.

Reporting Responsibilities

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
(b) set and pay the compensation for any advisors employed by the audit committee; and
(c) communicate directly with the internal and external auditors.

The audit committee shall regularly update the Board about audit committee activities and make appropriate recommendations. During fiscal 2013, the Audit Committee met four times as required under the written charter and all Audit Committee members attended all four meetings.

The current Audit Committee members are Mayank (Mike) Sampat (Committee Chair), Frank Oakes and David Hill.

Compensation Committee

On December 10, 2012 the Board of Directors created a Compensation Committee. The Company has not yet adopted a formal written Compensation Committee charter. The responsibilities delegated by the board to the Committee beginning in fiscal 2013 are:

- Review and approval of all executive officer compensation, including related family member compensation.
- Review and recommend director compensation to the Board for its approval.
- Other responsibilities as delegated by the Board from time to time.

A majority of the members of the Compensation Committee are independent.

Compensation Objectives and Principles

The primary goals of the Company's executive compensation program are to recruit and retain executives critical to the success of the Company and the enhancement of shareholder value; provide fair and competitive compensation; balance the interests of management and the Company's shareholders; reward performance, both on an individual basis and with respect to operations in general; and motivate top quality and experienced executives. The key elements of the executive compensation program are (i) base salary; (ii) potential annual incentive award; and (iii) incentive stock options.

Compensation Process

To determine compensation payable, the Compensation Committee reviews compensation paid to executive officers of companies of similar size and stage of development in similar industries and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the executive officers while taking into account the financial and other resources of the Company. In setting the compensation, the Compensation Committee annually reviews the performance of the executive officers in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives. During fiscal 2013, the Compensation Committee was responsible for determining the compensation for Frank R. Oakes, Chief Executive Officer, his spouse Dorothy Oakes who is employed as the Company's Executive Assistant and Office Manager, and Darrell Brookstein, former Executive VP-Corporate Development & Finance.

Base Salary
Base salary is the amount of compensation paid before adding allowances, incentives or bonuses. It recognizes the contribution of employees, level of experience, education and abilities, while remaining competitive in the market place. Base salary for each executive officer's position is primarily determined with regard for the employee's responsibilities, individual performance, overall corporate performance, and through the assessment of the market environment, conditions and competitiveness.

Cash Incentives/Bonuses
Bonuses for executive officers have been paid periodically after review and recommendation of the Compensation Committee based on the performance of other individuals and the relation those had to the performance of the Company. No bonuses have been paid for directors.

Option Based Awards
Long-term incentive in the form of options to purchase common shares of the Company are intended to align the interests of the Company directors and its executive officers with those of its shareholders, to provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value, and to reduce the cash compensation the Company would otherwise have to pay. Historically, the Board of Directors has administered the Company's Share Option Plan. This may fall under the responsibility of the Compensation Committee in the future after a formal Compensation Charter is adopted. In establishing the number of the incentive stock options to be granted to the executive officers, the Board of Directors considers previous grants of options and the overall number of options that are outstanding relative to the number of outstanding common shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the individual.

Risks Associated with Compensation Policies and Practices
The Company's compensation policies and practices are intended to align management incentives with the long-term interests of the Company and its shareholders. In each case, the Company seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) financial controls that provide limits and authorities in areas such as capital and operating expenditures to mitigate risk taking that could affect compensation, (ii) balancing base salary and variable compensation elements, (iii) spreading compensation across short and long-term programs; and (iv) vesting of stock options over a period of time.

The current Compensation Committee members are David Hill (Committee Chair), Daniel Morse, Mayank (Mike) Sampat, and Gregory Baxter. The Committee met once in fiscal 2013 and all Compensation Committee members attended.

D. Employees

The Company currently has 13 employees and 5 executive officers (fiscal 2012 - 11 employees and 6 executive officers; fiscal 2011 - 16 employees and 4 executive officers). All employees are located at the Company's facilities in Port Hueneme, California. 4 employees are engaged in aquaculture; 2 are engaged in research and development; 5 are engaged in manufacturing, quality and regulatory; and 2 are engaged in administration and accounting.

E. Share Ownership

The Registrant is a publicly owned Canadian corporation, the shares of which are owned by U.S. residents, Canadian residents and other foreign residents. The Registrant is not controlled by another corporation as described below.

Table No. 8 lists, as of December 20, 2013, Directors, Officers and Executive Officers who beneficially own the Registrant's voting securities, warrants and stock options, individually and as a group.

Table No. 8
Shareholdings of Directors, Officers and Executive Officers

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Frank R. Oakes (1)	5,962,351	7.67%
Common	Catherine Brisson, Ph.D. (2)	439,680	0.58%
Common	Kathi Niffenegger (3)	186,667	0.25%
Common	Herbert Chow, Ph.D. (4)	960,767	1.26%
Common	Mark McPartland (5)	33,333	0.04%
Common	Daniel E. Morse, Ph.D. (6)	1,486,094	1.95%
Common	David L. Hill, Ph.D. (7)	78,333	0.10%
Common	Gregory Baxter, Ph.D. (8)	46,667	0.06%
Common	Mayank (Mike) Sampat (9)	46,667	0.06%
Common	Tessie Che, Ph.D. (10)	23,333	0.03%
	Total Officers/Directors	**9,263,292**	**11.99%**

(1) Of this amount, 585,171 are common shares and 33,334 are options owned by Dorothy Oakes, Mr. Oakes' spouse. 1,836,200 represent currently exercisable share purchase options and 40,000 are common share purchase warrants. Dorothy Oakes has an additional 6,666 options that have been granted but not yet vested.
(2) Of this amount, 285,000 represent currently exercisable stock options. An additional 157,500 stock options have been granted but not yet vested.
(3) Of this amount, 186,667 represent currently exercisable stock options. An additional 143,333 stock options have been granted but not yet vested.
(4) Of this amount, 360,000 represent currently exercisable stock options and 38,400 represent common share purchase warrants. An additional 177,500 stock options have been granted but not yet vested.
(5) Of this amount, 33,333 represent currently exercisable stock options. An additional 66,667 stock options have been granted but not yet vested.
(6) Of this amount, 521,000 represent currently exercisable stock options.
(7) Of this amount, 58,333 represent currently exercisable stock options. An additional 16,667 stock options have been granted but not yet vested.
(8) Of this amount, 46,667 represent currently exercisable stock options. An additional 23,333 stock options have been granted but not yet vested.
(9) Of this amount, 46,667 represent currently exercisable stock options. An additional 23,333 stock options have been granted but not yet vested.
(10) Of this amount, 23,333 represent currently exercisable stock options. An additional 46,667 stock options have been granted but not yet vested.

Percent of Class is based upon 75,865,031 common shares outstanding as of December 20, 2013, and share purchase warrants and stock options held by each beneficial holder exercisable within sixty days as detailed in Table No. 11, “Stock Options Outstanding” below.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The Registrant is a publicly owned Canadian corporation, the shares of which are owned by U.S. residents, Canadian residents and other foreign residents. The Registrant is not controlled by another corporation as described below. The Company's common shares are issued in registered form and the following information is taken from the records of Computershare Investor Services, Inc., 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

On December 20, 2013, the shareholders' list for the Company's common shares showed 88 registered shareholders, including depositories, and 75,865,031 common shares issued and outstanding. Of the total registered shareholders, 8 are Canadian holders with 50,906,878 common shares, or 67.1% of the total issued and outstanding; 69 shareholders are United States holders with 17,072,063 of the common shares, or 22.5% of the issued and outstanding, and there are 11 registered shareholders in other nations as foreign holders with 7,886,090 common shares, or 10.4% of the issued and outstanding common shares. The information provided cannot be assumed to be representative of the entire investor base since nominees (brokers) are registered as shareholders for a large number of beneficial owners.

The Company is aware of three persons/companies who beneficially own 5% or more of the Registrant's voting securities. Table No. 9 lists as of December 20, 2013, persons and/or companies holding 5% or more beneficial interest in the Company's outstanding common shares.

Table No. 9
5% or Greater Shareholders

Title of Class	Name of Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Ernesto Echavarria (1)	14,554,166	18.04%
Common	Amaran Biotechnology Inc.	7,142,858	9.13%
Common	Frank R. Oakes (2) (3)	5,962,351	7.67%

(1) Of this total, 4,833,333 represent common share purchase warrants.
(2) Of this total, 2,380,953 represent common share purchase warrants.
(3) Of this amount, 585,171 are common shares and 33,334 are options owned by Dorothy Oakes, Mr. Oakes' spouse. 1,836,200 represent currently exercisable share purchase options and 40,000 are share purchase warrants. Dorothy Oakes has an additional 6,666 options that have been granted but not yet vested.

Percent of Class is based upon 75,865,031 common shares outstanding as of December 20, 2013, and share purchase warrants and stock options held by each beneficial holder exercisable within sixty days as detailed in Table No. 11, "Stock Options Outstanding" below.

No shareholders of the Company have different voting rights from any other shareholder.

B. Related Party Transactions

During fiscal 2013, the Company paid $53,460 (2012 - $59,944; 2011 - $26,398) in professional fees to Cross Davis & Company LLP, an accounting firm for which Scott Davis, a former officer, is a partner.

During fiscal 2013, the Company paid $Nil (2012 - $Nil; 2011 - $10,620) in professional fees to K. Beamish & Associates Inc., an accounting firm controlled by Kerry Beamish, a former officer.

During fiscal 2013, the Company paid $16,875 (2012 - $42,950; 2011 - $53,750) to Daniel Morse, a director and former officer, in consulting fees.

During fiscal 2013, the Company paid $3,000 (2012 - $12,000; 2011 - $15,999) to Malcolm Gefter, a former director, in consulting fees.

During fiscal 2013, the Company paid $Nil (2012 - $Nil; 2011 - $2,000) to Ben Catalano, a former director, in consulting fees.

During fiscal 2002, the Company entered into a royalty agreement with Frank Oakes, an officer and director. Under the agreement, Mr. Oakes assigned certain patent rights to the Company in exchange for 5% of gross receipts in excess of $500,000 annual from products using this invention. The Company's current operations utilize this invention. The royalties for the year ended August 31, 2013 were $Nil (2012 - $Nil; 2011 - $Nil).

As at August 31, 2013, the Company owed $2,800 (2012 - $3,900; 2011 - $26,034) to officers and directors for consulting fees and expense reimbursements.

During fiscal 2013, the Company employed a relative of one of its officers as Executive Assistant and Officer Manager for the Company at salary of $70,000 (2012 - $84,250; 2011 - $76,250) and other compensation of $13,420 (2012 - $12,824; 2012 - $12,710) for health insurance and contributions to a 401(k) Plan.

In September 2013, the Company completed the closing of a Private Placement financing raising total gross proceeds of $12,000,000. In connection with the Private Placement, the Company issued a total of 11,428,570 units. The Private Placement included a $5,000,000 investment by Amaran Biotechnology, Inc., a privately-held Taiwan biopharmaceuticals manufacturer. As a result of the Private Placement, the Company appointed Tessie Che, Ph.D., the chairman of the board of Amaran Biotechnology, as a director.

C. Interests of Experts and Counsel

Not Applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

The financial statements as required under Item 18 are attached hereto and found immediately following the text of this Annual Report. The auditor's report of D+H Group LLP, Chartered Accountants, is included herein immediately preceding the financial statements and schedules.

Change to International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") announced that Canadian GAAP for publicly accountable enterprises would be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Companies are required to provide IFRS comparative information for the previous fiscal year. The fiscal year ended August 31, 2012 is the Company's first reported under IFRS. Under the rules issued by the Securities and Exchange Commission, registrants are allowed to file their financial statements prepared under IFRS and are not required to provide a reconciliation to US GAAP.

Current Legal Proceedings

On August 27, 2008, the Company was notified by the California Regional Water Quality Control Board ("CRWQCB") through a Notice of Violations that it could be subject to minimum statutory penalties up to $69,000, for violations to its NPDES waste discharge permit dating from 2001. The Company contested this claim that it violated the terms of its waste discharge permit by written protest on the basis that the alleged violations were as a result of elevated constituent levels in the source water used in the Company's operations from a third party and not from Stellar's operations. The Company filed its written response in 2008 and requested that penalties, if any, be waived. The CRWQCB issued a revised NPDES Waste Discharge Permit to the Company in 2009 that includes "intake credits" for the elevated constituent levels and no penalties were ever assessed. At the request of the CRWQCB, the Company provided further written clarification in March 2013 to attempt to resolve the matter formally. The Company has not yet received any additional response from the CRWQCB.

Other than the CRWQCB issue discussed above, the Company knows of no material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any other material proceeding or pending litigation. The Company knows of no active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

Dividends

The Company has not declared any dividends on its common shares since inceptions and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings, if any, for use in its operations and the expansion of its business.

B. Significant Changes to Financial Condition

Since August 31, 2013, the end of the most recent fiscal year, the Company a private placement of its common shares and issued common shares pursuant to the exercise of stock options and warrants.

The Company issued 11,428,570 units at a price of $1.05 per unit for total gross proceeds of $12,000,000. Each unit consisted of one common share and one-half of a share purchase warrant, with each full warrant exercisable into one additional common share at a price of $1.35 for a period of three years from the issuance date of the warrants. The private placement consisted of two closings; a brokered portion sold to institutional and accredited investors totaling $5,000,000 (4,761,903 units) (the “Brokered Offering”) and a non-brokered portion totaling $7,000,000 (6,666,667 units (the “Non-brokered Offering”). The non-brokered offering included a $5,000,000 investment by Amaran Biotechnology, Inc. a privately-held Taiwan biopharmaceuticals manufacturer. Newport Coast Securities, Inc., an SEC registered broker-dealer and FINRA member firm, served as exclusive placement agent on behalf of the Company and received commissions totaling $346,325 and 333,333 placement agent warrants (the “Agent Warrants”). Each Agent warrant entitles the holder to purchase one additional share of the Company’s common shares at a purchase price of $1.05 for a period of three years from the issuance date of the Agent Warrants. No finders’ fees or commissions were paid on the Non-brokered Offering. The securities sold in the private placement were not registered under the Securities Act of 1933, as amended, or State securities laws and were sold in reliance upon exemptions from registration requirements.

The Company has also issued 5,503,800 common shares pursuant to the exercise of warrants for gross proceeds of CDN$3,798,030 and issued 986,501 common shares pursuant to the exercise of stock options for gross proceeds of CDN$320,322.

Item 9. The Offer and Listing of Securities

As of August 31, 2013, the end of the Company's most recent fiscal year, the authorized capital of the Company consisted of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value. There were 57,946,160 Common Shares outstanding as of August 31, 2012 and 75,865,031 Common Shares issued and outstanding as of December 20, 2013.

A. Offer and Listing Details

Not Applicable

B. Plan of Distribution

Not Applicable

C. Nature Of Trading Market

The Company's common shares trade over-the-counter in the United States on the OTCQB marketplace under the symbol “SBOTF”, on the TSX Venture Exchange in Vancouver, British Columbia, Canada under the stock symbol is “KLH”. The CUSIP number is 85855A 10 4. The Company's common shares are not registered to trade in the United States in the form of American Depository Receipts (ADR's) or similar certificates.

The Company halted trading of its shares for one day on August 21, 2013, pending release of news. The news was released and trading resumed on August 22, 2013.

The Company's common shares began trading on the OTCQB marketplace on January 15, 2013. Table No. 10a lists the high, low and closing sale prices on the OTCQB marketplace since initiation of trading.

Table No. 10a
OTCQB Marketplace
Common Shares Trading Activity

Period	- Sales- US Dollars High	Low	Close
November 2013	$ 1.94	$ 1.50	$ 1.71
October 2013	2.05	1.25	1.86
September 2013	2.30	1.17	1.37
August 2013	1.66	0.94	1.40
July 2013	1.12	0.70	1.06
June 2013	0.82	0.62	0.74
Three Months Ended 11/30/13	$ 2.30	$ 1.17	$ 1.71
Three Months Ended 8/31/13	1.66	0.62	1.40
Three Months Ended 5/31/13	0.78	0.43	0.72
Three Months Ended 2/28/13 (1)	0.70	0.32	0.62
Fiscal Year Ended 8/31/13 (2)	$ 1.66	$ 0.32	$ 1.40

(1) Includes only the period from January 15, 2013, initiation of trading, through February 28, 2013.
(2) Includes only the period from January 15, 2013, initiation of trading, through August 31, 2013.

Table No. 10b lists the high, low and closing sale prices on the TSX Venture Exchange for the Company's common shares for:

- each of the last six months ending November 30, 2013;
- each of the last twelve fiscal quarters ending the three months ended November 30, 2013; and
- each of the last five fiscal years ending August 31, 2013.

The Company commenced trading on the TSX Venture Exchange under the name "CAG Capital Inc." on Aug. 29, 2008 under the symbol "CAG". The Company changed its name to Stellar Biotechnologies, Inc. and on April 12, 2010 began trading under the symbol "KLH"

Table No. 10b
TSX Venture Exchange
Common Shares Trading Activity

Period	- Sales- Canadian Dollars High	Low	Close
November 2013	$ 2.02	$ 1.57	$ 1.81
October 2013	2.13	1.30	1.90
September 2013	2.15	1.23	1.44
August 2013	1.74	0.98	1.47
July 2013	1.15	0.73	1.08
June 2013	0.83	0.63	0.78
Three Months Ended 11/30/13	$ 2.15	$ 1.23	$ 1.81
Three Months Ended 8/31/13	1.74	0.63	1.47
Three Months Ended 5/31/13	0.80	0.44	0.74
Three Months Ended 2/28/13	0.72	0.19	0.60
Three Months Ended 11/30/12	0.38	0.20	0.25
Three Months Ended 8/31/12	0.40	0.25	0.34
Three Months Ended 5/31/11	0.50	0.25	0.26
Three Months Ended 2/29/12	0.57	0.40	0.47
Three Months Ended 11/30/11	0.69	0.29	0.48
Three Months Ended 8/31/11	0.68	0.46	0.55
Three Months Ended 5/31/11	1.09	0.57	0.67
Three Months Ended 2/28/11	1.50	0.79	1.00
Fiscal Year Ended 8/31/13	$ 1.74	$ 0.19	$ 1.47
Fiscal Year Ended 8/31/12	0.69	0.25	0.34
Fiscal Year Ended 8/31/11	1.50	0.31	0.55
Fiscal Year Ended 8/31/10	0.40	0.19	0.32
Fiscal Year Ended 8/31/09	0.24	0.05	0.11

Current Canadian Trading Market

The Company's common stock is currently listed and trading on the TSX Venture Exchange (“TSX-V”).

The TSX-V was created through the acquisition of the Canadian Venture Exchange by the Toronto Stock Exchange. The Canadian Venture Exchange was a result of the merger between the Vancouver Stock Exchange and the Alberta Stock Exchange which took place on November 29, 1999. On August 1, 2001, the Toronto Stock Exchange completed its purchase of the Canadian Venture Exchange from its member firms and renamed the Exchange the TSX Venture Exchange. The TSX-V currently operates as a complementary but independent exchange from its parent.

The initial roster of the TSX-V was made up of venture companies previously listed on the Vancouver Stock Exchange or the Alberta Stock Exchange and later incorporated junior listings from the Toronto, Montreal and Winnipeg Stock Exchanges. The TSX-V is a venture market as compared to the TSX Exchange which is Canada’s senior market and the Montreal Exchange which is Canada’s market for derivatives products.

The TSX-V is a self-regulating organization owned and operated by the TSX Group. It is governed by representatives of its member firms and the public.

The TSX Group acts as a business link between TSX Venture Exchange members, listed companies and investors. TSX-V policies and procedures are designed to accommodate companies still in their formative stages and recognize those that are more established. Listings are predominately small and medium sized companies.

Regulation of the TSX Venture Exchange, its member firms and its listed companies is the responsibility of Investment Industry Regulatory Organization of Canada ("IIROC"). IIROC is a not-for-profit, independent Canadian self-regulatory organization that, among other things, oversees trading in exchanges and marketplaces.

IIROC administers, oversees and enforces the Universal Market Integrity Rules (“UMIR”). To ensure compliance with UMIR, IIROC monitors real-time trading operations and market-related activities of marketplaces and participants, and also enforces compliance with UMIR by investigating alleged rule violations and administering any settlements and hearings that may arise in respect of such violations.

Investors in Canada are protected by the Canadian Investor Protection Fund (“CIPF”). The CIPF is a private trust fund established to protect customers in the event of the insolvency of a member of any of the following Self-Regulatory Organizations: the TSX Venture Exchange, the Montreal Exchange, the TSX, the Toronto Futures Exchange and the IIROC.

D. Selling Shareholders

Not Applicable

E. Dilution

Not Applicable

F. Expenses of the Issue

Not Applicable

Item 10. Additional Information

A. Share Capital

The Company has financed its operations through the issuance of common shares through private placements, the exercise of warrants issued in the private placements, and the exercise of stock options. The changes in the Company’s share capital during the last 3 fiscal years are as follows:

During the year ended August 31, 2011, a total of 14,695,140 common shares were issued:

- In September 2010, the Company completed the private placement of 3,000,000 units at a price of CDN$0.35 for gross proceeds of $1,002,497 (CDN$1,050,000). Each unit consists of one common share and one-half of a share purchase warrant, with each full warrant exercisable into one common share at a price of CDN$0.50 on or before March 28, 2012. In addition, agent's options to acquire 210,000 units were issued on the same terms of the private placement and are exercisable at a price of CDN$0.35 on or before March 28, 2012. Share issuance costs of $96,958 were paid in relation to the placement.
- In November 2010, the Company completed the private placement of 6,213,000 units at a price of CDN$0.60 per unit for gross proceeds of $3,695,784 (CDN$3,727,800). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of CDN$0.90 on or before November 14, 2011, and at CDN$1.15 per share if exercised from November 15, 2011 until on or before November 14, 2012. In addition, agent's options to acquire 345,600 units were issued under the same terms as the private placement and are exercisable at CDN$0.60 on or before November 14, 2012. Share issuance costs of $215,145 were paid in relation to the placement.
- 3,333,335 common shares were issued to officers, directors and employees pursuant to the Company's Performance Share Plan.
- 2,148,805 common shares were issued pursuant to the exercise of warrants for proceeds of $784,858.

During the year ended August 31, 2012, a total of 3,801,730 common shares were issued:

- 1,313,130 common shares were issued to non-director individuals pursuant to the Company's Performance Share Plan.
- 2,318,600 common shares were issued pursuant to the exercise of warrants for proceeds of $830,716.
- 170,000 common shares were issued pursuant to the exercise of options for proceeds of $46,494.

During the year ended August 31, 2013, a total of 12,532,599 common shares were issued:

- In October 2012, the Company completed the private placement of 4,000,000 units at a price of CDN$0.25 per unit for gross proceeds of $1,007,900 (CDN$1,000,000). Each unit consisted of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.40 exercisable on or before October 25, 2015. Agent's options were issued to acquire 400,000 units of the Company under the same terms of the private placement and are exercisable at CDN$0.25 on or before October 25, 2015. Share issuance costs of $50,395 were paid by the Company in relation to the placement.
- In January 2013, the Company completed the private placement of 1,998,400 units at a price of CDN$0.25 per unit for gross proceeds of $502,098 (CDN$499,600). Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.40 exercisable on or before January 4, 2016. Agent's options were issued to acquire 97,200 units of the Company under the same terms of the private placement and are exercisable at CDN$0.25 on or before January 4, 2016. Share issuance costs of $24,422 were paid by the Company in relation to the placement.
- In April 2013, the Company completed the private placement of 3,260,000 units at a price of CDN$0.50 for gross proceeds of $1,605,877 (CDN$1,630,000). Each unit consisted of one common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.75 exercisable on or before October 2, 2014. Agent's options were issued to acquire 102,000 units of the Company under the same terms of the private placement and are exercisable at CDN$0.50 on or before October 2, 2014. Share issuance costs of $50,245 were paid by the Company in relation to the placement.
- 2,738,000 common shares were issued pursuant to the exercise of warrants for proceeds of $1,510,336.
- 164,999 common shares were issued pursuant to the exercise of options for proceeds of $72,403.
- 371,200 common shares were issued pursuant to a license acquisition agreement at a deemed value of $491,408 less $195,014 allocated to fair value of warrants for 278,400 non-transferrable share purchase warrants issued to acquire license, pursuant to a license agreement with the University of Guelph dated July 24, 2013.

Subsequent to the fiscal 2013 year-end through December 20, 2013, the Company has issued 17,918,871 common shares

- In September 2013, the Company completed the private placement of 11,428,570 units at a price of $1.05 per unit for total gross proceeds of $12,000,000. Each unit consisted of one common share and one-half of a share purchase warrant, with each full warrant exercisable into one additional common share at a price of $1.35 for a period of three years from the issuance date of the warrants. The private placement consisted of two closing; a brokered portion sold to institutional and accredited investors totaling $5,000,000 (4,761,903 units) (the "Brokered Offering") and a non-brokered portion totaling $7,000,000 (6,666,667 units (the "Non-brokered Offering"). The non-brokered offering included a $5,000,000 investment by Amaran Biotechnology, Inc. a privately-held Taiwan biopharmaceuticals manufacturer. Newport Coast Securities, Inc., an SEC registered broker-dealer and FINRA member firm, served as exclusive placement agent on behalf of the Company and received commissions totaling $346,325 and 333,333 placement agent warrants (the "Agent Warrants"). Each Agent warrant entitles the holder to purchase one additional share of Stellar's common stock at a purchase price of $1.05 for a period of three years from the issuance date of the Agent Warrants. No finders' fees or commissions were paid on the Non-brokered Offering.

- 5,503,800 common shares were issued pursuant to the exercise of warrants for gross proceeds of CDN$3,798,030
- 986,501 common shares were issued pursuant to the exercise of stock options for gross proceeds of CDN$320,322.

Shares Issued for Assets Other Than Cash

During fiscal 2011, a total of 3,333,335 common shares were issued to certain officers, employees, and consultants under the Company's Performance Share Plan.

During fiscal 2012, 1,313,130 common shares were issued to non-director individuals pursuant to the Company's Performance Share Plan.

During fiscal 2013, 371,200 common shares were issued pursuant to a license acquisition agreement.

Other than the common shares listed above, no common shares were issued for assets other than cash in the most recent three fiscal years.

Escrow Shares

Certain of the Company's common shares have been subject to escrow agreements as follows:

Capital Pool Company (CPC) Escrow Agreement

Under an agreement between the Company and Computershare Investor Services, Inc. as Escrow Agent dated April 29, 2011, 2,500,000 common shares held by insiders were held in escrow pursuant to the Company's original CPC listing agreement pursuant to the rules of the TSX Venture Exchange. Upon Exchange acceptance of the CPC Qualifying Transaction, the common shares were released under the following schedule:

Release Dates	Percentage of Total Escrowed Shares to be Released	Total Number of Escrowed Shares to be Released
Date of Final Exchange Bulletin	10%	250,000
6 months following Bulletin	1/6 of remaining escrow shares	375,000
12 months following Bulletin	1/5 of remaining escrow shares	375,000
18 months following Bulletin	1/4 of remaining escrow shares	375,000
24 months following Bulletin	1/3 of remaining escrow shares	375,000
30 months following Bulletin	1/2 of remaining escrow shares	375,000
36 months following Bulletin	all of remaining escrow shares	375,000

The final Exchange Bulletin was issued on April 16, 2010. As of December 20, 2013, no common shares remained in escrow.

Merger Escrow Agreement

Under a separate escrow agreement dated April 7, 2010 between the Company and Computershare Investor Services, Inc. as Escrow Agent related to the merger agreement, 4,119,386 common shares owned by insiders (of the 10,000,000 issued to all shareholders of Stellar CA pursuant to the merger agreement) were held in escrow. Upon closing of the merger agreement, 10% of the common shares were released from escrow, with 15% released on every 6-month anniversary thereafter.

The insiders with common shares subject to the merger escrow agreement are as follows:

Name of Insider	Original Number of Shares Subject to Escrow	Current Number of Shares Remaining as of December 20, 2013
Frank R. Oakes	2,755,979	Nil
Daniel E. Morse, Ph.D.	588,427	Nil
Dorothy Oakes	585,171	Nil
Total	3,929,577	Nil

Shares Held By Company

Not Applicable

Stock Options

Stock Options to purchase securities from the Company can be granted to Officers, Directors, Employees and other Service Providers of the Company on terms and conditions acceptable to the regulatory authorities in Canada, specifically the TSX Venture Exchange.

The Company has a Fixed Share Option Plan (the "Plan"), which was approved by the Board of Directors on September 4, 2009, and as amended December 13, 2011. The amended Plan was ratified by shareholders at the Company's Annual General and Special Meeting held on January 17, 2012. Under the Plan, stock options may be issued to qualified Officers, Directors, Employees and Consultants. The number of common shares reserved for issuance under the Plan is 8,785,000.

The exercise price of an option will be set by the Board at the time such option is allocated under the Plan, and cannot be less than the Discounted Market Price as assigned by the policies on the TSX Venture Exchange. Where the exercise price of the stock option is based on a discounted market price, a four-month hold period will apply to all shares issued under each option, commencing from the date of grant.

An option granted under the Plan can be exercisable for a maximum of 10 years from the Effective Date. The exercise price of an option may be amended only if at least six months have elapsed since the later of the date of commencement of the term of the option, the date the common shares commenced trading on the TSX-V, and the date of the last amendment to the exercise price. An option must be outstanding for at least one year before the Company may extend its term. Unless otherwise determined by the Board of Directors, an option will terminate 365 days after an optionee ceases to be a director, officer, employee, or consultant of the Company or ceases to be employed to provide Investor Relations Activities to the Company. In the event of the death of an optionee, the option will only be exercisable within 12 months of such death but in any event no longer than the term of such option. All options are exercisable only by the Optionee to whom they are granted and will not be assignable or transferrable.

The Board of Directors has the discretion to set the vesting schedule for options granted. Currently, options granted to directors, officers, employees and consultants are subject to the following vesting schedule:

(a) One-third shall vest immediately;

(b) One-third shall vest 12 months from the Effective Date; and

(c) One-third shall vest 18 months from the Effective Date.

Stock options granted to investor relations vest over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting.

A copy of the Plan as amended dated December 13, 2011 has been filed as an exhibit to the Company's 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

The names and titles of the Directors/Executive Officers of the Registrant to whom outstanding stock options have been granted and the numbers of common shares subject to such options are set forth in Table No. 11 as of December 20, 2013, as well as the number of options granted to employees and consultants as a group.

Table No. 11
Stock Options Outstanding

Name	Number of Options	Number of Options Currently Vested		Exercise Price	Expiration Date
Frank R. Oakes	1,035,000	1,035,000	$CDN	0.28	April 9, 2017
President and CEO	425,600	425,600	CDN	0.65	August 8, 2018
	375,600	375,600	CDN	0.42	April 13, 2019
Catherine Brisson, Ph.D.	70,000	70,000	$CDN	0.64	October 25, 2017
Chief Operating Officer	70,000	70,000	CDN	0.40	December 22, 2018
	75,000	50,000	CDN	0.37	August 9, 2019
	57,500	38,334	CDN	0.25	December 19, 2019
	70,000	23,333	CDN	0.58	May 14, 2020
	100,000	33,333	US	1.83	November 1, 2020
Kathi Niffenegger,	90,000	90,000	$CDN	0.29	June 18, 2019
Chief Financial Officer	50,000	33,334	CDN	0.25	December 19, 2019
	90,000	30,000	CDN	0.58	May 14, 2020
	100,000	33,333	US	1.83	November 1, 2020
Herbert Chow, Ph.D.	55,000	55,000	$CDN	0.25	May 17, 2017
Chief Technology Officer	75,000	75,000	CDN	0.65	August 8, 2018
	75,000	75,000	CDN	0.42	April 13, 2019
	75,000	50,000	CDN	0.37	August 9, 2019
	57,500	38,334	CDN	0.25	December 19, 2019
	100,000	33,333	CDN	0.58	May 23, 2020
	100,000	33,333	US	1.83	November 1, 2020
Mark McPartland Vice President, Corporate Development and Communications	100,000	33,333	$US	1.84	November 15, 2018
Daniel Morse, Ph.D.	280,000	280,000	$CDN	0.28	April 9, 2017
Director	120,500	120,500	CDN	0.65	August 8, 2018
	120,500	120,500	CDN	0.42	April 13, 2019
David L. Hill, Ph.D.	25,000	25,000	$CDN	0.65	August 8, 2018
Director	25,000	25,000	CDN	0.42	April 13, 2019
	25,000	8,333	US	1.83	November 1, 2020
Gregory Baxter, Ph.D. Director	70,000	46,666	$CDN	0.37	August 16, 2019
Mayank (Mike) Sampat Director	70,000	46,666	$CDN	0.37	August 16, 2019
Tessie M. Che, Ph.D. Director	70,000	23,333	$US	1.83	November 1, 2020
Employees/Consultants	187,500	104,166	$CDN	0.25	October 23, 2015
	330,000	330,000	CDN	0.28	April 9, 2017
	20,000	20,000	CDN	0.28	June 28, 2017

	70,000	70,000	CDN	0.28	July 13, 2017
	60,000	60,000	CDN	1.00	February 10, 2018
	578,500	578,500	CDN	0.65	August 8, 2018
	5,000	5,000	CDN	0.50	September 26, 2018
	100,000	33,333	US	1.87	November 7, 2018
	257,500	257,500	CDN	0.42	April 13, 2019
	10,000	6,667	CDN	0.37	August 16, 2019
	75,000	50,000	CDN	0.25	October 23, 2019
	50,000	16,666	CDN	0.25	December 19, 2019
	400,000	133,334	CDN	0.58	May 14, 2020
	100,000	33,333	US	1.83	November 1, 2020
Total Officers and Directors	4,052,200	3,397,198			
Total Employees/ Consultants	2,243,500	1,698,499			
Total Officers/Directors/ Employees and Consultants	6,295,700	5,095,697			

Common Stock Warrants

Table No. 12 lists, as of December 20, 2013, share purchase warrants outstanding, the exercise price, and the expiration date of the share purchase warrants.

Table No. 12
Share Purchase Warrants Outstanding

Number of Share Purchase Warrants Outstanding	Exercise Price		Expiration Date	
1,161,900	CDN$	0.75	October 2, 2014	
88,200	CDN$	0.50	October 2, 2014	Agent options
278,400	CDN$	1.25	January 23, 2015	
4,000,000	CDN$	0.40	October 25, 2015	
400,000	CDN$	0.25	October 25, 2015	Agent options
398,400	CDN$	0.40	January 4, 2016	
97,200	CDN$	0.25	January 4, 2016	Agent options
4,761,902	US$	1.35	September 9, 2016	
200,000	US$	1.05	September 9, 2016	Agent options
952,377	US$	1.35	September 20, 2016	
133,333	US$	1.05	September 20, 2016	Agent options
Total: **12,471,712**				

Agent options are convertible into units. A unit consists of one common share and may include an additional whole or partial warrant. The agent options expiring October 2, 2014 include one-half warrant. The agent options expiring October 25, 2015 and January 4, 2016 include one warrant. The agent options expiring September 9, 2016 and September 20, 2016 do not include additional warrants.

American Depository Receipts. Not applicable.
Other Securities to be Registered. Not applicable

Resolutions/Authorization/Approvals

Not Applicable

B. Memorandum and Articles of Association

Stellar Biotechnologies, Inc. was incorporated on June 12, 2007 in Canada under the *Canada Business Corporations Act* under the name China Growth Capital Inc. The Company changed its name to CAG Capital Inc. ("CAG") on April 15, 2008 and was classified as a Capital Pool Company ("CPC") when it was listed on the TSX Venture Exchange on August 29, 2008. On November 25, 2009, the Company was continued into British Columbia under the *British Columbia Business Corporations Act* (the "Act"). On April 7, 2010, the Company changed its name to Stellar Biotechnologies Inc. and completed its qualifying transaction through a reverse merger transaction with Stellar Biotechnologies Inc. ("Stellar CA"), a corporation incorporated under the laws of the State of California on September 9, 1999.

There are no restrictions on the business the Company may carry on in the Articles of Incorporation.

Under the Company's articles any director or senior officer that has a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profits that accrue to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Act. A director is not allowed to vote on any transaction or contract with the Company in which he has a disclosable interest unless all directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution. A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the Act.

Part 16 of the Company's articles address the duties of the directors, while Part 8 discusses the Borrowing Powers. The Company may, if authorized by the directors:

a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

b) issue bonds, debentures, and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

c) guarantee the repayment of money by any other person or the performance of any obligation of any other person;

d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

There are no age limit requirements pertaining to the retirement or non-retirement of directors and a director need not be a shareholder of the Company. At every annual general meeting and in every unanimous resolution contemplated by Part 10.2 of the Articles:

a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

b) all the directors cease to hold office immediately before the election or appointment of directors, but are eligible for re-election or re-appointment.

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by shareholders. The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason. If the director performs any processional or other service for the Company that is in the opinion of the directors are outside the ordinary duties of a director, he or she may be paid remuneration fixed by the directors, or at the option of the directors, fixed by ordinary resolution, and such remuneration will be in addition to any other remuneration that he or she may be entitled to receive.

Part 21 deals with indemnification and payment of expenses of eligible parties, which are defined as:

a) is or was a director, alternate director or officer in the Company;

b) is or was a director, alternate director or officer of another corporation

(i) at a time when the corporation is or was an affiliate of the Company; or

(ii) at the request of the Company; or

c) at the request of the Company, is or was, or holds or held a position equivalent to that of, a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity; and includes, except in the definition of "eligible proceeding" and under the Act, the heirs and personal or other legal representatives of that individual.

Subject to the Act, the Company must indemnify each eligible party and the heirs and legal personal representatives of each eligible party against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Subject to any restrictions in the Act, the Company may agree to indemnify and may indemnify any person (including an eligible party) against all eligible penalties and pay expenses incurred in connection with the performance of services by that person for the Company. Subject to the Act, the failure of any eligible party of the Company to comply with the Act or the Company Articles or, if applicable, any former *Companies Act* or former Articles does not, of itself, invalidate any indemnity to which he or she is entitled under this Part 21.

The majority required for the passage of a special resolution or a special separate resolution shall be 2/3 of the votes cast on the resolution.

The rights, preferences and restrictions attaching to each class of the Company’s shares are as follows:

The authorized share structure of the Company consists of an unlimited number of common shares without par value. Holders of common shares are entitled to one vote for each share held of record on all matters to be acted upon by the shareholders. Directors may from time to time declare and authorize payment of such dividends, if any, as they deem advisable and need not give notice of such declaration to any shareholder. The shareholders approved creation of an unlimited number of preferred shares without par value at the annual general and special meeting of shareholders held on February 12, 2013.

Subject to the Act, the Company may by ordinary resolution (or a resolution of the directors in the case of Part 9.1(c) or 9.1(f):

(a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(c) subdivide or consolidate all or any of its unissued, or full paid issued, shares;

(d) if the Company is authorized to issue shares of a class of shares with par value:

(i) decrease the par value of those shares; or

(ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(e) change all or any of the unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued without par value into shares with par value;

(f) alter the identifying name of any of its shares; or

(g) otherwise alter its shares or authorized share structure when required or permitted to do so by the Act where it does not specify by a special resolution;

and, if applicable, alter its Notice of Articles and Articles accordingly.

The Company may by resolution of the directors authorize an alteration to its Notice of Articles in order to change its name or change any translation of that name.

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person’s purchase or agreement to purchase shares of the Company from the Company or any other person’s procurement or agreement to procure purchasers for shares of the Company. The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

An annual general meeting shall be held once every calendar year at such time (not being more than 15 months after the annual reference date for the preceding calendar year) at such time and place as may be determined by the Directors. The Directors may, at any time, call a meeting of shareholders.

There are no limitations upon the rights to own securities.

There are no provisions under the Articles that would have the effect of delaying, deferring, or preventing a change in control of the Company.

There is no special ownership threshold above which an ownership position must be disclosed.

A copy of the Company’s Articles has been filed as an exhibit to the Company's 20-F Registration Statement.

Shareholder Rights Plan

The Board of Directors adopted a Shareholder Rights Plan (the "Rights Plan") on December 13, 2011. The Plan was approved by the TSX Venture Exchange and shareholders at the Annual General and Special Meeting held on January 17, 2012.

The Rights Plan is intended to provide for the fair treatment of Shareholders in connection with any take-over bid for the Company and is designed to provide the Board and the Shareholders with more time to fully consider any unsolicited take-over bid for the Company without undue pressure. Furthermore, the Rights Plan will allow the Board to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge.

Purpose of the Plan

The objectives of the Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any take-over bid for the Company. Take-over bids may be structured to be coercive or may be initiated at a time when the Board will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Shareholders receiving equal or fair treatment or full or maximum value for their investment. Under current Canadian securities legislation, a take-over bid is required to remain open for 35 days, a period of time that may be insufficient for the directors to:

(i) evaluate a take-over bid (particularly if it includes share or trust unit consideration);
(ii) explore, develop and pursue alternatives which are superior to the take-over bid and which could maximize Shareholder value; and
(iii) make reasoned recommendations to the Shareholders.

The Rights Plan discourages discriminatory, coercive or unfair take-overs of the Company and gives the Board time if, under the circumstances, the Board determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited take-over bid is made for all or a portion of the outstanding Common Shares. As set forth below, the Rights Plan discourages coercive hostile take-over bids by creating the potential that any Common Shares which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the Rights Plan provides that all holders of Common Shares who are not related to the bidder will be entitled to exercise rights issued to them under the Rights Plan and to acquire Common Shares at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any Rights (defined below) under the Rights Plan. Accordingly, the Rights Plan will encourage potential bidders to make take-over bids by means of a Permitted Bid (as defined below) or to approach the Board to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Rights Plan are designed to ensure that in any take-over bid for outstanding Common Shares of the Shareholders, all Shareholders are treated equally and are given adequate time to properly assess such take-over bid on a fully informed basis.

The Rights Plan was not proposed to prevent a take-over of the Company, to secure the continuance of management or the directors of the Company in their respective offices or to deter fair offers for the Common Shares.

Term

The Rights Plan (unless terminated earlier) will remain in effect until the close of business on the day immediately following the date of the Company's annual meeting of Shareholders in 2014 unless the term of the Rights Plan is extended beyond such date by resolution of Shareholders at such meeting.

Issuance of Rights

The Rights Plan provides that one right (a "Right") will be issued by the Company pursuant to the Rights Plan in respect of each Voting Share outstanding as of the close of business (Vancouver time) (the "Record Time") on the Effective Date. "Voting Shares" include the Common Shares and any other shares of the Company entitled to vote generally in the election of all directors. One Right will also be issued for each additional Voting Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time, subject to the earlier termination or expiration of the Rights as set out in the Rights Plan. As of the Effective Date, the only Voting Shares outstanding will be the Common Shares. The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per Common Share until the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders trade their Common Shares.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Common Shares issued after the Record Time. Rights are also attached to Common Shares outstanding on the Effective Date, although share certificates issued prior to the Effective Date will not bear such a legend. Shareholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the Common Shares and will not be exercisable or transferable separately from the Common Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the Common Shares.

Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "Separation Time" which is generally (subject to the ability of the Board to defer the Separation Time) the close of business on the tenth trading day after the earliest to occur of:

1. the first date of public announcement that a person or group of affiliated or associated persons or persons acting jointly or in concert has become an "Acquiring Person", meaning that such person or group has a "Permitted Bid" or a "Competing Permitted Bid" (as defined below); (i) acquisitions of Voting Shares in respect of which the Board has waived the application of the Rights Plan; or (ii) other specified exempt acquisitions and pro rata acquisitions in which shareholders participate on a *pro rata* basis;

2. the date of commencement of, or the first public announcement of an intention of any person (other than the Company or any of its subsidiaries) to commence a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Voting Shares; and

3. the date upon which a Permitted Bid or Competing Permitted Bid ceases to qualify as such.

Promptly following the Separation Time, separate certificates evidencing rights ("Rights Certificates") will be mailed to the holders of record of the Voting Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights.

Rights Exercise Privilege

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at an initial "Exercise Price" equal to three times the "Market Price" at the Separation Time. The Market Price is defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time. Following a transaction which results in a person become an Acquiring Person (a "Flip-In Event"), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares which have an aggregate Market Price (as of the date of the Flip-In Event) equal to twice the then Exercise Price of the Rights for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and other acting jointly or in concert therewith), or a transferee of any such person, will be null and void. A Flip-In Event does not include acquisitions approved by the Board or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

Permitted Bid Requirements
A bidder can make a take-over bid and acquire Voting Shares without triggering a Flip-In Event under the Rights Plan if the take-over bid qualifies as a Permitted Bid.

The requirements of a "Permitted Bid" include the following:

- the take-over bid must be made by means of a take-over bid circular;
- the take-over bid is made to all holders of Voting Shares on the books of the Company, other than the offeror;
- no Voting Shares are taken up or paid for pursuant to the take-over bid unless more than 50% of the Voting Shares held by Independent Shareholders: (i) shall have been deposited or tendered pursuant to the take-over bid and not withdrawn; and (ii) have previously been or are taken up at the same time;
- no Voting Shares are taken up or paid for pursuant to the take-over bid prior to the close of business on the date that is no earlier than the later of: (i) 35 days after the date of the take-over bid (the minimum period required under securities law); and (ii) 60 days following the date of the take-over bid;
- Voting Shares may be deposited pursuant to such take-over bid at any time during the period of time between the date of the take-over bid and the date on which Voting Shares may be taken up and paid for and any Voting Shares deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and

if on the date on which Voting Shares may be taken up and paid for under the take-over bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the take-over bid and not withdrawn, the offeror makes a public announcement of that fact and the take-over bid is extended to remain open for deposits and tenders of Voting Shares for not less than 10 business days from the date of such public announcement.

The Rights Plan also allows for a Competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days (the minimum period required under Canadian securities laws).

Permitted Lock-Up Agreements
A person will not become an Acquiring Person by virtue of having entered into an agreement (a "Permitted Lock-Up Agreement") with a Shareholder whereby the Shareholder agrees to deposit or tender Voting Shares to a take-over bid (the "Lock-Up Bid") made by such person, provided that the agreement meets certain requirements including:

1. the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available not later than the date of the Lock-Up Bid or, if the Lock-Up Bid has not been made prior to the date on which such agreement is entered into, not later than the date of such agreement;

2. the Shareholder who has agreed to tender Voting Shares to the Lock-Up Bid made by the other party to the agreement is permitted to terminate its obligation under the agreement, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender Voting Shares to another take-over bid or transaction where: (i) the offer price or value of the consideration payable under the other take-over bid or transaction is greater than the price or value of the consideration per unit at which the Shareholder has agreed to deposit or tender Voting Shares to the Lock-Up Bid, or is greater than a specified minimum which is not more than 7% higher than the price or value of the consideration per unit at which the Shareholder has agreed to deposit or tender Voting Shares under the Lock-Up Bid; and (ii) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than all of the Voting Shares held by Shareholders (excluding Voting Shares held by the offeror), the other take-over bid or transaction would, if successful, result in all of the Shareholder's Voting Shares being purchased under the other take-over bid or transaction;

3. no break-up fees, top-up fees, or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another take-over bid or transaction shall be payable by the Shareholder if the Shareholder fails to deposit or tender Voting Shares to the Lock-Up Bid; and

4. any right to match a period of delay to give the person who made the Lock-up Bid an opportunity to match a higher price contained in another take-over bid or transaction, or other similar limitation on a Shareholder's right to withdraw Voting Shares from the agreement, must not preclude the Shareholder from withdrawing Voting Shares from the Lock-up Bid in order to tender Voting Shares to another take-over bid or to support another transaction that in either case will provide greater value to the Shareholder than the Lock-up Bid or which would result in all of the Shareholder's Voting Shares being purchased.

Waiver and Redemption

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a take-over bid by way of a take-over bid circular sent to all holders of Voting Shares on terms which the Board considers fair to all Shareholders. In such circumstances, the Board may waive the application of the Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Rights Plan in respect of a particular take-over bid shall also constitute a waiver of any other take-over bid which is made by means of a take-over bid circular to all holders of Voting Shares while the initial take-over bid is outstanding. The Board may also waive the application of the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence. With the prior consent of the holders of Voting Shares, the Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than pursuant to the foregoing, waive the application of the Rights Plan to such Flip-in Event.

The Board may, with the prior consent of the holders of Voting Shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of CDN$0.0001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a take-over bid in respect of which the Board has waived the application of the Rights Plan.

Protection against Dilution

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Shares, pro rata distributions to holders of Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

Exemptions for Investment Managers
Investment managers (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the Voting Shares are exempted from triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a take-over bid.

Duties of the Board
The adoption of the Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Company. The Board, when a take-over bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

Amendment
The Company may make amendments to the Rights Plan at any time to correct any clerical or typographical error and may make amendments which are required to maintain the validity of the Rights Plan due to changes in any applicable legislation, regulations or rules. The Company may, with the prior approval of Shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary, rescind or delete any of the provisions of the Rights Plan.

Voting Requirements
The approval of the Rights Plan was confirmed by a majority of the votes cast by Shareholders in person or by proxy at the annual general and special meeting of shareholders held on February 12, 2013. The Company is not aware of any Shareholder who was ineligible to vote on the approval of the Rights Plan at the Meeting.

A copy of this Rights Plan has been filed as an exhibit to the Company's 20-F Registration Statement.

C. Material Contracts

1. Under an agreement dated August 14, 2002 between the Company and Frank Oakes, Mr. Oakes agreed to assign certain patent rights to the Company in exchange for 5% of gross receipts in excess of $500,000 annually from products using this invention. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3 2012.

2. Pursuant to an employment agreement dated October 21, 2009 between the Company and Frank Oakes, Frank Oakes was retained to act as President and Chief Executive Officer of Stellar, effective January 1, 2010, at an annual salary of $100,000. Benefits also included two weeks vacation and optional coverage under the Company’s group health plan. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

3. Pursuant to a consulting agreement dated August 15, 2004 between the Company and Daniel E. Morse, Daniel Morse agreed to provide consulting services to the Company from time to time as specified by Stellar. Stellar agreed to pay Dr. Morse $3,945.42 per month for his services, and the agreement shall remain in full force and effect until notice of intent to terminate is given by either party, which many be given by either party at any time. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

4. Pursuant to an employment agreement dated October 21, 2009 between the Company and Daniel E. Morse, Daniel Morse was retained to act as Executive Vice President, Science and Technology of Stellar, effective January 1, 2010 at an annual salary of $100,000. Benefits also included two weeks vacation and optional coverage under the Company's group health plan. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

5. Pursuant to a service agreement dated January 1, 2012 between the Company and Daniel E. Morse, Daniel Morse agreed to act as a member of the Company's Scientific Advisory Board. In consideration for his services he was to be paid an annual fee of $4,000 per year of service, payable quarterly. In addition, Dr. Morse was to receive stock options to purchase 50,000 common shares effective immediately, with additional stock options to purchase 50,000 common shares at the anniversary of each successive term of service, for two subsequent years. All stock options are subject to the Company's Non-Qualified Stock Option Agreement. The Service Agreement was for a term of one year, renewable automatically for one-year periods for up to three years, with a right to termination by either party without cause upon thirty day's written notice. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

6. Pursuant to an employment agreement dated January 8, 2010 between the Company and Darrell Brookstein, Darrell Brookstein was retained to act as Executive Vice – President, Financial and Business Development at an annual salary of $135,000. Benefits also included two weeks vacation and optional coverage under the Company's group health plan. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

7. Pursuant to a consulting agreement dated July 10, 2009 between the Company and Darrell Brookstein, Darrell Brookstein was to be paid a fee of $7,000 for each one month period of service until September 10, 2009, increasing to $10,000 per month thereafter. The consulting agreement was for an initial term of six months, renewable at the mutual agreement of both parties. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

8. Pursuant to a service agreement between the Company and Malcolm Gefter dated June 15, 2010, Mr. Gefter, a Director of the Company, was appointed as a member of the Advisory Board to assist the Company in evaluation of its research and development and business activities. In consideration for his services Mr. Gefter was to be paid an annual fee of $4,000 per year of service, payable quarterly. In addition, Mr. Gefter was to receive stock options to purchase 50,000 common shares effective immediately, with additional stock options to purchase 50,000 common shares at the anniversary of each successive term of service, for two subsequent years. All stock options are subject to the Company's Fixed Share Option Plan and the policies of the TSX Venture Exchange. The Service Agreement was for a term of one year, renewable automatically for one-year periods for up to three years, with a right to termination by either party without cause upon thirty day's written notice. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

9. Pursuant to a consulting agreement between the Company and Malcolm Gefter dated June 15, 2010, Mr. Gefter would receive an annual retainer of $12,000 per year of service, payable in twelve monthly installments, plus an hourly fee of $300 for services in excess of his role as Advisory Board Member. Pursuant to the terms of the Consulting Agreement, Mr. Gefter also received stock options to purchase 20,000 common shares effective immediately, with subsequent grants of 20,000 stock options at the anniversary date of each successive term. The Consulting Agreement was for a term of one year, renewable automatically for additional one-year periods for up to three years, with a right to termination by either party without cause upon thirty day's written notice. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

10. Under two sublease agreements between the Company and the Port Hueneme Surplus Property Authority, the Company leases three buildings in Port Hueneme, California. The combined monthly base rents total $7,071 effective November 1, 2010, for a term of 5 years with rents adjusted by the CPI index every November 1st. The Company has an option to extend the lease for an additional five years. Copies of these lease agreements have been filed as exhibits to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

11. Under a lease agreement between the Company and Beachport Center, the Company leases facilities in Port Hueneme, California. The combined monthly base rents total $5,126 effective July 1, 2011, for a term of 3 years with rents adjusted by 3% cost of living every July 1st. The Company has an option to extend the lease for an additional two years. Copies of this lease agreement have been filed as exhibits to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

12. Under a promissory note agreement between the Company and Frank Oakes dated September 9, 2009, Mr. Oakes agreed to loan the Company the sum of $15,000. A copy of this agreement has been filed as an exhibit to the Company's Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

13. Under a supply agreement between the Company and Neovacs S.A. effective January 1, 2008, the Company agreed to provide Neovacs with subunit KLH for use in vaccines. The initial term was through January 1, 2010 and automatically renews annually unless terminated with notice. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to this request, and a redacted copy has been filed as an exhibit to the Company's amended Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

14. Under a second supply agreement between the Company and Neovacs S.A. effective January 1, 2008, the Company agreed to provide Neovacs with KLH raw material for use in vaccines. The initial term was through January 1, 2010 and automatically renews annually unless terminated with notice. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to this request, and a redacted copy has been filed as an exhibit to the Company's amended Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

15. Under an agreement dated August 27, 2009 between the Company and Bayer Innovation GmbH ("Bayer"), the Companies entered into a research collaboration agreement which included two non-recurring payments of $250,000 from Bayer to access the Company's information on suKLH, including manufacturing methods and analytical data, in order to demonstrate the feasibility of improving process yields. The research collaboration agreement terminated August 31, 2011 and there are no further milestone payments. The agreement also included a payment of $200,000 from the Company to Bayer for a license fee on the improved suKLH production method. The licensing rights do not have a fixed term or termination provisions. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to this request, and a redacted copy has been filed as an exhibit to the Company's amended Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

16. Under an agreement dated May 17, 2011 between the Company and SAFC, a division of Sigma-Aldrich, SAFC purchased certain KLH products from the Company for processing and resale by SAFC to its customers. The initial term was through June 23, 2013 and then may extend for an additional one-year term with written agreement. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to this request, and a redacted copy has been filed as an exhibit to the Company's amended Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

17. Under an agreement between the Company and Life Diagnostics effective October 18, 2011 the Company engaged Life Diagnostics to manufacture Stellar-brand KLH test kits. The initial term is through October 18, 2015 and automatically renews for 24-month periods unless terminated with notice. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to this request, and a redacted copy has been filed as an exhibit to the Company's amended Form 20-F Registration Statement, as filed with the Securities and Exchange Commission on February 3, 2012.

18. Under a license agreement between the Company and the University of Guelph dated July 24, 2013, the Company was granted the exclusive, worldwide license to patented technology for the development of human immunotherapies against *Clostridium difficile* infection. The agreement requires the Company to pay to Guelph license fees of $25,000 during the year ended August 31, 2013, $200,000 in 2014 and $20,000 annually thereafter, creditable against royalties due, if any. Royalties are payable for a mid-single digit percentage of related net sales, if any. License fees are also payable for a low-double digit percentage of related non-royalty sublicensing revenue, if any. The Company reimbursed past patent filing costs of approximately $50,000 during the year ended August 31, 2013, and will reimburse future patent prosecution costs. The license agreement does not have a fixed term or termination provisions. The license agreement required the Company to issue 371,200 shares of common stock and 278,400 non-transferable share purchase warrants. The license agreement provides for milestone payments upon achievement of financing, development and sales targets totaling up to $63,045,000 over the term of the agreement. The Company requested confidential treatment for certain portions of this exhibit. A copy of this document has been filed separately with the Commission pursuant to a Confidential Treatment request, and a redacted copy has been filed as an exhibit to the Company's Form 6-K as filed with the Securities and Exchange Commission on August 30, 2013.

D. Exchange Controls And Other Limitations Affecting Security Holders

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed in Item 10, ”Taxation" below.

Restrictions on Share Ownership by Non-Canadians: There are no limitations under the laws of Canada or in the organizing documents of Stellar on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

E. Taxation

The following summary of the material Canadian federal income tax consequences are stated in general terms and are not intended to be advice to any particular shareholder. Each prospective investor is urged to consult his or her own tax advisor regarding the tax consequences of his or her purchase, ownership and disposition of shares of Common Shares. The tax consequences to any particular holder of common shares will vary according to the status of that holder as an individual, trust, corporation or member of a partnership, the jurisdiction in which that holder is subject to taxation, the place where that holder is resident and, generally, according to that holder’s particular circumstances.

This summary is applicable only to holders who are resident in the United States, have never been resident in Canada, deal at arm’s length with the Company, hold their common shares as capital property and who will not use or hold the common shares in carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a United States holder that is an issuer that carries on business in Canada and elsewhere.

This summary is based upon the provisions of the Income Tax Act of Canada and the regulations thereunder (collectively, the "Tax Act" or “ITA”) and the Canada-United States Tax Convention (the “Tax Convention”) as at the date of the Annual Report and the current administrative practices of Canada Customs and Revenue Agency. This summary does not take into account provincial income tax consequences.

Management urges each holder to consult his own tax advisor with respect to the income tax consequences applicable to him in his own particular circumstances.

Canadian Income Tax Consequences

Disposition of Common Shares

The summary below is restricted to the case of a holder (a “Holder”) of one or more common shares (“Common Shares”) who for the purposes of the Tax Act is a non-resident of Canada, holds his Common Shares as capital property and deals at arm’s length with the Company.

Dividends

A Holder will be subject to Canadian withholding tax ("Part XIII Tax") equal to 25%, or such lower rates as may be available under an applicable tax treaty, of the gross amount of any dividend paid or deemed to be paid on his Common Shares. Under the Tax Convention, the rate of Part XIII Tax applicable to a dividend on Common Shares paid to a Holder who is a resident of the United States is, if the Holder is a company that beneficially owns at least 10% of the voting stock of the Company, 5% and, in any other case, 15% of the gross amount of the dividend. The Company will be required to withhold the applicable amount of Part XIII Tax from each dividend so paid and remit the withheld amount directly to the Receiver General for Canada for the account of the Holder.

Disposition of Common Shares

A Holder who disposes of Common Shares, including by deemed disposition on death, will not be subject to Canadian tax on any capital gain thereby realized unless the common Share constituted "taxable Canadian property" as defined by the Tax Act. Generally, a common share of a public corporation will not constitute taxable Canadian property of a Holder unless he held the common share as capital property used by him carrying on a business in Canada, or he or persons with whom he did not deal at arm's length alone or together held or held options to acquire, at any time within the 60 months preceding the disposition, 25% or more of the issued shares of any class of the capital stock of the Company.

A Holder who is a resident of the United States and realizes a capital gain on disposition of Common Shares that was taxable Canadian property will nevertheless, by virtue of the Treaty, generally be exempt from Canadian tax thereon unless (a) more than 50% of the value of the Common Shares is derived from, or from an interest in, Canadian real estate, including Canadian mineral resources properties, (b) the Common Shares formed part of the business property of a permanent establishment that the Holder has or had in Canada within the 12 months preceding disposition, or (c) the Holder (i) was a resident of Canada at any time within the ten years immediately preceding the disposition, and for a total of 120 months during any period of 20 consecutive years, preceding the disposition, and (ii) owned the Common Shares when he ceased to be resident in Canada.

A Holder who is subject to Canadian tax in respect of a capital gain realized on disposition of Common Shares must include one half of the capital gain ("taxable capital gain") in computing his taxable income earned in Canada. The Holder may, subject to certain limitations, deduct one half of any capital loss ("allowable capital loss") arising on disposition of taxable Canadian property from taxable capital gains realized in the year of disposition in respect to taxable Canadian property and, to the extent not so deductible, from such taxable capital gains of any of the three preceding years or any subsequent year.

United States Federal Income Tax Consequences

The following is a discussion of material United States Federal income tax consequences, under the law, generally applicable to a U.S. Holder (as defined below) of common shares of the Company. This discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended ("the Code"), Treasury Regulations, published Internal Revenue Service ("IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possible on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company. Each holder and prospective holder of common shares of the Company is advised to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company applicable to their own particular circumstances.

U.S. Holders

As used herein, a ("U.S. Holder") includes a holder of common shares of the Company who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described in Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the U.S. dollar, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services.

This summary is limited to U.S. Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

Distribution on Common Shares of the Company

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States Federal Income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States Federal taxable income by those individuals who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Dividend income will be taxed at marginal tax rates applicable to ordinary income while preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale of other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss.

Dividends paid on the common shares of the Company will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Company (unless the Company qualifies as a "foreign personal holding company" or a "passive foreign investment company", as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Company. The availability of this deduction is subject to several complex limitations that are beyond the scope of this discussion.

Under current Treasury Regulations, dividends paid on the Company's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of the Company's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 28% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

Foreign Tax Credit

For individuals whose entire income from sources outside the United States consists of qualified passive income, the total amount of creditable foreign taxes paid or accrued during the taxable year does not exceed $300 ($600 in the case of a joint return) and an election is made under section 904(j), the limitation on credit does not apply.

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign income taxes (or taxes in lieu of income tax) paid by (or withheld from) the U.S. Holder during the year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his/her or its worldwide taxable income in the determination of the application of this limitation. The various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. Dividends distributed by the Company will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and management urges holders and prospective holders of common shares of the Company to consult their own tax advisors regarding their individual circumstances.

Disposition of Common Shares of the Company

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders, which are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are capital assets in the hands of the U.S. Holder, which will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted, but individuals may not carry back capital losses. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

In the following circumstances, the above sections of the discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of common shares of the Company.

Foreign Personal Holding Company

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Company's outstanding shares is owned, actually or constructively, by five or fewer individuals who are citizens or residents of the United States and 60% (50% after the first tax year) or more of the Company's gross income for such year was derived from certain passive sources (e.g. from interest income received from its subsidiaries), the Company would be treated as a "foreign personal holding company." In that event, U.S. Holders that hold common shares of the Company would be required to include in gross income for such year their allocable portions of such passive income to the extent the Company does not actually distribute such income.

The Company does not believe that it has the status of a "foreign personal holding company". However, there can be no assurance that the Company will not be treated as a foreign personal holding company for the current or any future taxable year.

Foreign Investment Company

If 50% or more of the combined voting power or total value of the Company's outstanding shares are held, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31), and the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Company might be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Company to be treated as ordinary income rather than capital gains.

The Company does not believe that it has the status of a "foreign investment company". However, there can be no assurance that the Company will not be treated as a foreign investment company for the current or any future taxable year.

Passive Foreign Investment Company

As a foreign corporation with U.S. Holders, the Company could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1297 of the Code, depending upon the percentage of the Company's income which is passive, or the percentage of the Company's assets which is held for the purpose of producing passive income.

Certain United States income tax legislation contains rules governing PFICs, which can have significant tax effects on U.S. shareholders of foreign corporations. These rules do not apply to non-U.S. shareholders. Section 1297 (a) of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is "passive income", which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the company is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. The taxation of a US shareholder who owns stock in a PFIC is extremely complex and is therefore beyond the scope of this discussion. Management urges US persons to consult with their own tax advisors with regards to the impact of these rules.

The Company does not believe that it has the status of a “passive foreign investment company”. However, there can be no assurance that the Company will not be treated as a passive foreign investment company for the current or any future taxable year.

Controlled Foreign Corporation

A Controlled Foreign Corporation (CFC) is a foreign corporation more than 50% of whose stock by vote or value is, on any day in the corporation’s tax year, owned (directly or indirectly) by U.S. Shareholders. If more than 50% of the voting power of all classes of stock entitled to vote is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own actually or constructively 10% or more of the total combined voting power of all classes of stock of the Company could be treated as a “controlled foreign corporation” under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC, which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC’s Subpart F income and are also subject to current U.S. tax on their pro rata shares of the CFC’s earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts.

In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Corporation which is or was a United States Shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company (accumulated in corporate tax years beginning after 1962, but only while the shares were held and while the Company was “controlled”) attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to the United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. The PFIC provisions continue to apply in the case of PFIC that is also a CFC with respect to the U.S. Holders that are less than 10% shareholders. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. Management urges US persons to consult with their own tax advisors with regards to the impact of these rules and to review IRS Forms 5471 and 8938.

The amount of any backup withholding will not constitute additional tax and will be allowed as a credit against the U.S. Holder’s federal income tax liability.

The Company does not believe that it has the status of a “controlled foreign corporation”. However, there can be no assurance that the Company will not be treated as a controlled foreign corporation for the current or any future taxable year.

Filing of Information Returns. Under a number of circumstances, United States Investor acquiring shares of the Company may be required to file an information return with the Internal Revenue Service Center where they are required to file their tax returns with a duplicate copy to the Internal Revenue Service Center, Philadelphia, PA 19255. In particular, any United States Investor who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply, and management urges United States Investors to consult their own tax advisors concerning these requirements.

F. Dividends and Paying Agents

Not Applicable

G. Statement by Experts

The Company's auditors for its financial statements as at August 31, 2013, 2012 and 2011 were D+H Group LLP, Chartered Accountants. Their audit report is included with the related financial statements included in this Annual Report.

H. Documents on Display

All documents incorporated in this 20-F Annual Report may be viewed at the Company's United States offices located at 332 E. Scott Street, Port Hueneme, California, 93041.

I. Subsidiary Information

Not Applicable

Item 11. Disclosures about Market Risk

The Company conducts a portion of its business with companies located outside the United States, and may be subject to foreign currency fluctuations. The Company does not currently conduct any hedging or other active strategies to reduce or mitigate these risks, as management has determined there is limited sensitivity to foreign exchange rates and pose limited risks to the Company's operations and overall financial condition.

Item 12. Description of Other Securities

Not Applicable

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not Applicable

Item 14. Material Modifications to the Rights of Securities Holders and Use of Proceeds

Not Applicable

Item 15. Controls and Procedures

Disclosure Controls and Procedures
The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management, including Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended) as of August 31, 2013. The Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of August 31, 2013, were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the Chief Executive Office and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS. The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. Management reviewed the results of their assessment with the Company's Audit Committee.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, Management has used the Internal Control - Integrated Framework, which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of August 31, 2013.

Limitations on the Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Attestation Report of the Registered Accounting Firm.
This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 20-F Annual Report.

Changes in Internal Control over Financial Reporting
There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

The Company had identified Mayank (Mike) Sampat as the Company's Audit Committee Financial Expert. Mr. Sampat is the Chairman of the Company's audit committee and has extensive financial experience He received an MBA in Finance from Mercer University and has served in several financial positions with other companies, including several years as Chief Financial Officer for a medical equipment manufacturer. Mr. Sampat is considered to be "independent" as defined pursuant to the rules of the NYSE MKT Stock Exchange.

Item 16B. Code of Ethics

The Company has not adopted a formal written code of ethics. The Board of Directors expects that fiduciary duties placed on individual directors by the British Columbia *Business Corporations Act*, the rules of the TSX Venture Exchange, and the common law, as well as provisions under corporate legislation for required disclosures by directors and senior officers to the Company of transactions with the Company in which they may have an interest and of any other conflicts of duties and interests, are sufficient to ensure that these persons conduct themselves in the best interests of the Company.

Item 16C. Principal Accountant Fees and Services

The Audit Committee is directly responsible for the appointment, compensation and oversight of auditors; the audit committee has in place procedures for receiving complaints and concerns about accounting and auditing matters; and has the authority and the funding to engage independent counsel and other outside advisors.

In accordance with the requirements of the US Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, the Company's Audit Committee Charter includes a procedure for the review and pre-approval of any services performed by the Company's auditor, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of the auditor for audit and permitted non-audit services are submitted to the finance and audit committee for approval prior to the beginning of any such services.

Fees, including reimbursements for expenses, for professional services rendered by D+H Group LLP are included in the following table.

Table No. 13
Principal Accountant Fees and Services

Type of Service		Fiscal Year 2013		Fiscal Year 2012
Audit Fees	CDN$	44,952	CDN$	75,531
Audit Related Fees		Nil		21,960
Tax Fees		4,342		4,694
All Other Fees		2,893		16,994
Total	CDN$	52,187	CDN$	119,179

Audit related fees were related to the review of November 30, 2011 condensed interim consolidated financial statements, the Company's first interim financial statements following transition to International Financial Reporting Standards. Tax fees were related to preparation of Canadian corporate tax returns. All other fees were related to consents and comments provided for the Form 20-F Registration Statement and prior Form 20-F Annual Report.

Item 16D. Exemptions from Listing Standards for Audit Committees

Not Applicable

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Not Applicable

Item 16F. Change in Registrant's Certifying Accountant

Not Applicable

Item 16G. Corporate Governance

Not Applicable

Item 16H. Mine Safety Disclosure

Not Applicable

Part III

Item 17. Financial Statements

Not Applicable

Item 18. Financial Statements

The Company's financial statements are stated in United States Dollars ($) and are prepared in accordance with International Financial Reporting Standards for the years ended August 31, 2013, 2012 and 2011. The financial statements as required under Item 18 are attached hereto and found immediately following the text of this Annual Report. The auditor's report of D+H Group LLP, Chartered Accountant, is included herein immediately preceding the financial statements.

Item 19. Exhibits

(A) Financial Statements

The financial statements as required under Item 18 are attached hereto and found immediately following the text of this Annual Report. The auditor's report of D+H Group LLP, Chartered Accountants, for the audited financial statements is included herein immediately preceding the audited financial statements.

Audited Financial Statements

Independent Auditors Report of D+H Group LLP, dated December 12, 2013.

Consolidated Statements of Financial Position at August 31, 2013 and August 31, 2012.

Consolidated Statements of Loss and Comprehensive Loss for the years ended August 31, 2013, August 31, 2012, and August 31, 2011.

Consolidated Statements of Cash Flows for the years ended August 31, 2013, August 31, 2012, and August 31, 2011.

Consolidated Statements of Changes in Equity for the years ended August 31, 2013 and 2012.

Notes to Financial Statements

(B) Index to Exhibits

Number	Description
1.1	Certificate of Incorporation dated June 12, 2007 (1)
1.2	Certificate of Amendment dated April 15, 2008 (1)
1.3	Certificate of Continuation (British Columbia) dated November 25, 2009 (1)
1.4	Certificate and Articles of Incorporation of Stellar CA dated September 13, 1999 (1)
1.5	Certificate of Amendment for Stellar CA dated October 1, 2001 (1)
1.6	Certificate of Name Change dated April 7, 2010 (1)
1.7	Notice of Articles dated April 7, 2010 (1)
1.8	Articles effective November 20, 2009 (1)
4.1	Patent Assignment Agreement between the Company and Frank Oakes dated August 14, 2002 (1)
4.2	Employment Agreement between the Company and Frank Oakes dated October 21, 2009 (1)
4.3	Consulting Agreement between the Company and Daniel E. Morse dated August 15, 2004 (1)
4.4	Employment Agreement between the Company and Daniel E. Morse dated October 21, 2009 (1)
4.5	Service Agreement between the Company and Daniel E. Morse dated January 1, 2012 (1)
4.6	Employment Agreement between the Company and Darrell Brookstein dated January 8, 2010 (1)
4.7	Consulting Agreement between the Company and Darrell Brookstein dated July 10, 2009 (1)
4.8	Service Agreement between the Company and Malcolm Gefter dated June 15, 2010 (1)
4.9	Consulting Agreement between the Company and Malcolm Gefter dated June 15, 2010 (1)

4.10	Sublease Agreement between the Company and the Port Hueneme Surplus Property Authority dated October 2, 2000 (1)
4.11	Sublease Agreement between the Company and the Port Hueneme Surplus Property Authority dated March 21, 2005 (1)
4.12	Lease Agreement between the Company and Beachport Center dated March 29, 2011 (1)
4.13	Promissory Note between the Company and Frank Oakes dated September 9, 2009 (1)
4.14	Supply agreement between the Company and Neovacs S.A. for subunit KLH effective January 1, 2008 #(2)
4.15	Supply agreement between the Company and Neovacs S.A. for KLH raw material effective January 1, 2008 #(2)
4.16	Research collaboration agreement between the Company and Bayer Innovation GmbH dated August 27, 2009 #(2)
4.17	Agreement for marketing and sale of chemicals between SAFC and the Company dated May 17, 2011 #(2)
4.18	Agreement between the Company and Life Diagnostics effective October 18, 2011 for the manufacture of Stellar-brand KLH test kits #(2)
4.19	License Agreement between the Company and University of Guelph dated July 24, 2013 #(3)
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
13.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *^
13.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *^
15.1	Copy of Share Option Plan as Amended December 13, 2011 (1)
15.2	Shareholder's Rights Plan dated December 13, 2011 (1)
15.3	Performance Share Plan dated April 9, 2010 (1)
15.4	CPC Escrow Agreement dated April 29, 2008 (1)
15.5	Escrow Agreement dated April 7, 2010 (1)
15.6	Notice of Annual General Meeting scheduled for January 17, 2012 (1)
15.7	Copy of Management Information Circular for the Annual General Meeting of Shareholders dated December 17, 2011 (1)
15.8	Form of Proxy for the Annual General Meeting of Shareholders to be held on January 17, 2012 (1)

* Filed herewith

\# Confidential treatment has been granted for certain portions of this exhibit. Original copies have been filed separately with the Securities and Exchange Commission pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

^ A signed original of this written statement required by Section 906 has been provided and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(1) Previously filed with Form 20-F Registration Statement on February 3, 2012
(2) Previously filed with Form 20-F Amendment No. 2 to Registration Statement on July 5, 2012
(3) Previously filed with Form 6-K on August 30, 2013

Consolidated Financial Statements
For the Years Ended August 31, 2013, 2012 and 2011

(In US Dollars)

Independent Auditor's Report

To the Board of Directors of Stellar Biotechnologies, Inc.

We have audited the accompanying consolidated financial statements of Stellar Biotechnologies, Inc., which comprise the consolidated statements of financial position as at August 31, 2013 and August 31, 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended August 31, 2013, August 31, 2012, and August 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stellar Biotechnologies, Inc. as at August 31, 2013 and August 31, 2012, and its financial performance and its cash flows for the years ended August 31, 2013, August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

"D&H Group LLP"

Vancouver, B.C.
December 12, 2013

Chartered Accountants

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Stellar Biotechnologies, Inc
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	August 31, 2013	August 31, 2012
Assets:		
Current assets:		
Cash and cash equivalents	**$ 7,859,889**	$ 998,998
Amounts receivable *(Note 4)*	**177,720**	16,924
Deferred financing costs *(Note 15)*	**62,027**	-
Prepaid expenses	**34,886**	32,228
Total current assets	**8,134,522**	1,048,150
Noncurrent assets:		
Property, plant and equipment *(Note 5)*	**246,269**	332,990
Licensing rights *(Note 6)*	**116,667**	145,238
Deposits	**15,900**	17,500
Total noncurrent assets	**378,836**	495,728
Total Assets	**$ 8,513,358**	$ 1,543,878
Liabilities and Shareholders' Equity (Deficiency):		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 454,063**	$ 434,654
Deferred revenue	**-**	127,477
Warrant liability, current portion *(Note 8)*	**3,454,745**	-
Total current liabilities	**3,908,808**	562,131
Long-term liabilities:		
Warrant liability, less current portion *(Note 8)*	**7,746,062**	130,137
Total Liabilities	**11,654,870**	692,268
Shareholders' equity (deficiency):		
Share capital *(Note 8)*	**13,180,677**	8,016,895
Shares subscribed *(Note 8)*	**5,155,674**	-
Shares to be issued *(Note 8)*	**1,493,637**	1,493,637
Share-based payment reserve *(Note 8)*	**2,232,526**	1,658,591
Deficit	**(25,204,026)**	(10,317,513)
Total shareholders' equity (deficiency)	**(3,141,512)**	851,610
Total Liabilities and Shareholders' Equity (Deficiency)	**$ 8,513,358**	$ 1,543,878

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Note 7)*
Events After the Reporting Period *(Note 15)*

These consolidated financial statements were approved for issuance by the Board of Directors on December 12, 2013 and are signed on its behalf by:

Director — Signed: *"Frank Oakes"*

Director — Signed: *"Mayank Sampat "*

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

Stellar Biotechnologies, Inc
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Year Ended		
	August 31, 2013	August 31, 2012	August 31, 2011
Revenues:			
Contract income	**$ 60,000**	$ 60,000	$ 60,000
Commercial sales	**76,055**	131,825	18,988
Grant revenue	**409,414**	94,229	618,199
	545,469	286,054	697,187
Costs of Production, Aquaculture and Grants:			
Costs of production and aquaculture	**167,114**	342,358	413,397
Grant costs	**409,414**	94,043	595,686
	576,528	436,401	1,009,083
Gross Margin (Loss)	**(31,059)**	(150,347)	(311,896)
Expenses:			
Salaries, wages and benefits	**709,319**	1,152,320	797,263
Research and development	**1,445,616**	1,825,585	825,887
Legal, consulting and professional services	**321,785**	602,865	363,753
Share-based payments *(Note 8)*	**627,025**	1,916,531	1,738,709
General and administration	**585,434**	801,259	747,883
Amortization and depreciation	**124,833**	112,144	87,325
Allocation of expenses to grant costs	**(166,612)**	(38,371)	(41,170)
	3,647,400	6,372,333	4,519,650
Other Income:			
Loss recovery *(Note 10)*	**-**	105,000	-
Foreign exchange loss	**(95,842)**	10,091	3,333
Change in fair value of warrant liability *(Note 8)*	**(11,116,402)**	1,206,812	1,220,437
Interest income	**4,990**	4,881	11,297
	(11,207,254)	1,326,784	1,235,067
Loss Before Income Tax	**(14,885,713)**	(5,195,896)	(3,596,479)
Income tax expense	**800**	800	800
Loss and Comprehensive Loss for the Year	**$ (14,886,513)**	$ (5,196,696)	$ (3,597,279)
Loss per common share - basic and diluted	**$ (0.29)**	$ (0.12)	$ (0.09)
Weighted average number of common shares outstanding	51,611,944	43,775,766	38,087,574

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

Stellar Biotechnologies, Inc
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year Ended		
	August 31, 2013	August 31, 2012	August 31, 2011
Cash Flows Used In Operating Activities:			
Loss for the period	**$ (14,886,513)**	$ (5,196,696)	$ (3,597,279)
Items not affecting cash:			
Amortization and depreciation	**124,833**	112,144	87,325
Share-based payments	**627,025**	1,916,531	1,738,709
Foreign exchange (gain) loss	**31,271**	(12,539)	(4,559)
Change in fair value of warrant liability	**11,116,402**	(1,206,812)	(1,220,437)
Fair value of shares issued for research license	**491,408**	-	-
Changes in non-cash working capital items:			
Amounts receivable	**(256,638)**	32,188	532,807
Deferred financing costs	**(62,027)**	-	-
Prepaid expenses	**(2,658)**	4,376	(13,664)
Accounts payable and accrued liabilities	**19,409**	275,517	(140,670)
Deferred revenue	**(127,477)**	127,477	-
Net cash used in operating activities	**(2,924,965)**	(3,947,814)	(2,617,768)
Cash Flows From Financing Activities:			
Proceeds from exercise of warrants and options	**1,582,739**	877,210	784,858
Share subscription proceeds	**8,271,549**	-	4,729,524
Share issuance costs	**(125,062)**	-	(312,103)
Repurchase dissenting shareholder shares	-	-	(125,025)
Payment of deposits	**1,600**	-	(8,734)
		-	
Net cash provided by financing activities	**9,730,826**	877,210	5,068,520
Cash Flows Used In Investing Activities:			
Acquisition of property, plant and equipment	**(9,541)**	(78,338)	(309,782)
Net cash used in investing activities	**(9,541)**	(78,338)	(309,782)
Effect of exchange rate changes on cash and cash equivalents	**64,571**	2,448	1,226
Net change in cash and cash equivalents	**6,860,891**	(3,146,494)	2,142,196
Cash and cash equivalents - beginning of period	**998,998**	4,145,492	2,003,296
Cash and cash equivalents - end of period	**$ 7,859,889**	$ 998,998	$ 4,145,492
Cash (demand deposits)	**$ 6,244,049**	$ 674,704	$ 3,226,553
Cash equivalents	**1,615,840**	324,294	918,939
Cash and cash equivalents	**$ 7,859,889**	$ 998,998	$ 4,145,492

Supplemental disclosure of non-cash transactions *(Note 12)*

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

Stellar Biotechnologies, Inc
Consolidated Statements of Changes in Equity
(Expressed in US Dollars)

	Number of Shares	Share Capital	Shares Subscribed	Shares to be Issued	Share-based Payment Reserve	Deficit	Total
Balance - August 31, 2011	41,611,831	$ 6,541,810	$ -	$ 651,000	$ 992,147	$ (5,120,817)	$ 3,064,140
Performance shares to be issued	-	-	-	1,209,000	-	-	1,209,000
Issuance of performance shares	1,313,130	366,363	-	(366,363)	-	-	-
Proceeds from exercise of warrants	2,318,600	830,716	-	-	-	-	830,716
Transfer to share capital on exercise of warrants	-	190,425	-	-	-	-	190,425
Proceeds from exercise of options	170,000	46,494	-	-	-	-	46,494
Transfer to share capital on exercise of options	-	41,087	-	-	(41,087)	-	-
Share-based payments	-	-	-	-	707,531	-	707,531
Loss for the year	-	-	-	-	-	(5,196,696)	(5,196,696)
Balance - August 31, 2012	45,413,561	$ 8,016,895	$ -	$ 1,493,637	$ 1,658,591	$ (10,317,513)	$ 851,610
Proceeds of private placements	9,258,400	3,115,875	-	-	-	-	3,115,875
Issuance costs of private placements	-	(275,956)	-	-	-	-	(275,956)
Fair value of warrants issued in private placements	-	(1,749,004)	-	-	-	-	(1,749,004)
Proceeds from exercise of warrants	2,738,000	1,510,336	-	-	-	-	1,510,336
Transfer to share capital on exercise of warrants	-	2,140,644	-	-	-	-	2,140,644
Proceeds from exercise of options	164,999	72,403	-	-	-	-	72,403
Transfer to share capital on exercise of options	-	53,090	-	-	(53,090)	-	-
Share-based payments	-	-	-	-	627,025	-	627,025
Shares issued to acquire license	371,200	491,408	-	-	-	-	491,408
Fair value of warrants issued to acquire license	-	(195,014)					(195,014)
Subscriptions received for private placement	-	-	5,155,674	-	-	-	5,155,674
Loss for the year	-	-	-	-	-	(14,886,513)	(14,886,513)
Balance - August 31, 2013	57,946,160	$ 13,180,677	$ 5,155,674	$ 1,493,637	$ 2,232,526	$ (25,204,026)	$ (3,141,512)

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

1. Nature of Operations and Going Concern

Stellar Biotechnologies, Inc. ("the Company", formerly CAG Capital Inc.) is listed on the TSX Venture Exchange ('the Exchange") as a Tier 2 issuer under the trading symbol KLH since April 19, 2010 (formerly under CAG.P) and in the US under the trading symbol SBOTF as of April 4, 2012, and uplisted to OTCQB effective January 14, 2013.

On April 7, 2010, the Company changed its name to Stellar Biotechnologies, Inc. On April 12, 2010, the Company completed a reverse merger transaction with Stellar Biotechnologies, Inc. ("Stellar CA") which is incorporated under the laws of the State of California, USA. The Company's head office is 332 E. Scott Street, Port Hueneme, California, 93041, USA, and the registered and records office is 401 – 1231 Barclay Street, Vancouver, BC, V6E 1H5, Canada.

The Company's business is to commercially produce and market Keyhole Limpet Hemocyanin ("KLH") as well as to develop new technology related to culture and production of KLH and subunit KLH ("suKLH") formulations. The Company markets KLH and suKLH formulations to customers in the United States and Europe.

The Company has received grants for the development of new technology from the National Institutes of Health, National Cancer Institute ("NIH"), the National Science Foundation ("NSF") including grants under its Technology Enhancement for Commercial Partnerships ("TECP") program, and Internal Revenue Service ("IRS") qualifying therapeutic discovery project grants.

For the year ended August 31, 2013, the Company reported a loss of $14,886,513 (2012 - $5,196,696, 2011 - $3,597,279), an accumulated deficit of $25,204,026 (2012 - $10,317,513, 2011 - $5,120,817) and working capital of $4,225,714 (2012 - $486,019, 2011 - $4,061,980).

In the past, operations of the Company have primarily been funded by the issuance of common shares, exercise of warrants, grant revenues, contract income, and commercial sales. Subsequent to August 31, 2013, the Company closed a private placement with gross proceeds of $12,000,000. Management believes these financial resources are adequate to support the Company's initiatives at the current level for the foreseeable future. Management is also continuing the ongoing effort toward expanding the customer base for existing marketed products, and the Company may seek additional financing alternatives, including nondilutive financing through grants, collaboration and licensing arrangements, and additional equity financing.

The accompanying financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The consolidated financial statements of the Company are presented in US dollars, unless otherwise stated, which is the functional currency.

2. Basis of Presentation

International Financial Reporting Standards and Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), applicable to the preparation of the financial statements. September 1, 2010 was the Company's transition date to IFRS.

2. Basis of Presentation (continued)

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Significant Accounting Policies

a) Principles of Consolidation

The consolidated financial statements have been prepared in accordance with IFRS and include the accounts of the Company and its wholly-owned subsidiary Stellar Biotechnologies, Inc. (“Stellar CA”). Intercompany balances and transactions are eliminated on consolidation.

b) Critical Judgements and Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgements

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgements or assessments made by management.
2) Management is required to assess the functional currency of each entity of the Company. In concluding that the US dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and

3. Significant Accounting Policies (continued)

services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

3) Management is required to assess impairment in respect of licensing rights and property, plant and equipment. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgements about whether there is any indication that an asset may be impaired. Management has determined that there were no indications of impairment and as such, no impairment estimates were performed.
4) Research is recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38 *Intangible Assets*. Management is required to make judgements about whether the activities are in the research or development phase and judgements about the existence of a market for the output of the intangible asset. Management performed an assessment of separately acquired development costs of a new product and determined that the Company cannot yet demonstrate the future economic benefits in order to capitalize and defer these development costs. All other research and development costs were assessed by management as being in the research phase and were expensed.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

1) Warrants issued with exercise prices denominated in a currency other than the Company's functional currency meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value with adjustments to fair value recognized through the consolidated statements of loss and comprehensive loss. The fair value of the warrants is estimated using the Black-Scholes option pricing model at the end of each reporting period. Such estimates are subject to change each period and the differences will affect the warrant liability provision in the period in which the estimate is made.
   Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability or a decrease in tax benefits could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
2) Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation/amortization rates. Should the asset life or depreciation/amortization rate differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions, money market accounts, and highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

3. Significant Accounting Policies (continued)

d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recorded on the straight-line method based on the following rates which approximate the useful life of the assets:

Aquaculture system	10-20%
Tools and equipment	20%
Leasehold improvements	10-14%
Laboratory	10-20%
Computer and office equipment	20%
Vehicles	20%

Maintenance and repairs are charged to operations as incurred.

e) Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Financial Instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value, and changes are recognized through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred.

3. Significant Accounting Policies (continued)

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

Available for sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company has classified its financial assets as follows:

- Cash and cash equivalents are classified as FVTPL.
- Amounts receivable are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value. Financial liabilities are classified into one of the following two categories:

Fair value through profit or loss ("FVTPL")

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Warrants which do not meet the criteria to be classified as an equity instrument are classified as fair value through profit or loss financial liabilities.

Other financial liabilities

Financial liabilities classified as other financial liabilities are measured at amortized cost.

The Company has classified its financial liabilities as follows:

- Accounts payable is classified as other financial liabilities.
- Warrant liability is classified as FVTPL.

3. Significant Accounting Policies (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

g) Revenue Recognition

Commercial Sales
The Company recognizes commercial sales revenue when KLH product is delivered assuming there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collectability is reasonably assured. In limited circumstances, the Company retains ownership until the product is received and inspected by the customer; revenue is recognized upon satisfaction of these conditions. The Company documents arrangements with customers with purchase orders and sales agreements.

Commercial sales revenue includes sales made under supply agreements with customers for a fixed price per gram of KLH products based on quantities ordered, including those produced from the customer's dedicated limpet colonies. The supply agreements are on a non-exclusive basis except within that customer's field of use.

Grants
The Company has taken the income approach to recognizing grant revenue. The Company recognizes grant revenue when there is reasonable assurance that the Company will comply with the conditions attached, the benefits have been earned and it is reasonably assured of collection. An appropriate amount in respect to earned revenue will be recognized as revenue in the period that the Company is assured of fulfilling the grant requirements. Grant advances received prior to revenue recognition are recorded as deferred revenue.

Contract income
Contract income is recognized when reasonable assurance exists regarding measurement and collectability. An appropriate amount in respect to earned revenue will be recognized as revenue in the period that the Company is assured of fulfilling the contract requirements.

Contract income is earned on both the initial set up fee for establishment of limpet colonies dedicated to meet the needs of the customer and monthly fees to maintain those dedicated limpet colonies. The Company also has the right to use raw material produced from dedicated limpet colonies at no cost with prior written consent.

h) Research and Development

The Company is involved in research and development. Research costs, including materials and salaries of employees directly involved in research efforts, are expensed as incurred. Development costs are expensed in the period incurred, unless they meet criteria for technical, market and financial feasibility, in which case they are deferred and amortized over the estimated life of related products. Research and development

3. Significant Accounting Policies (continued)

expenses are shown as a separate line item on the consolidated statements of loss and comprehensive loss. As at August 31, 2013, the Company had no deferred development costs.

i) Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and perform research and development activities. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

j) Share-Based Payments

The Company grants share options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

For employees, the fair value of share options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period using graded vesting. Consideration paid for the shares on the exercise of share options is credited to share capital and the related share-based compensation is reclassified from the share-based payment reserve to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based payment reserve is transferred to accumulated losses (deficit).

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services rendered.

k) Foreign Exchange

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent and its subsidiary is the US dollar.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

3. Significant Accounting Policies (continued)

l) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will be probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

m) Loss Per Share

Basic earnings (loss) per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

n) New Accounting Pronouncements Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective in future years. The Company does not expect to adopt any of these standards before their effective dates. The following new standards have not been applied in preparing these consolidated financial statements:

- IFRS 9 - *Financial Instruments*. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes principles for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after January 1, 2015.

- IFRS 10 - *Consolidated Financial Statements*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated – Special Purpose Entities*.

(Expressed in US Dollars)

3. Significant Accounting Policies (continued)

- IFRS 11 - *Joint Arrangements*. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This standard supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

- IFRS 12 - *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 13 - *Fair Value Measurement*. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 is applicable for fiscal years beginning on or after January 1, 2013. The standard, which may be early adopted, will apply prospectively from the beginning of the annual period in which it is adopted.

The Company continues to evaluate the impact of these standards on its accounting policies and consolidated financial statements. The extent of the effects of the new accounting standards on the consolidated financial statements has not been determined.

4. Amounts Receivable

	August 31, 2013	August 31, 2012
Amounts receivable	$ 12,623	$ 9,318
Contract receivable	5,025	5,000
Grants receivable	157,297	-
GST or HST receivable	2,775	2,606
	$ 177,720	$ 16,924

5. Property, Plant and Equipment

Cost:	**Aquaculture System**	**Laboratory**	**Computer and Office Equipment**	**Tools and Equipment**	**Vehicles**	**Leasehold Improvements**	**Total PP&E**
Balance - August 31, 2011	$ 47,770	$ 62,033	$ 33,195	$ 340,286	$ 10,997	$ 59,107	$ 553,388
Additions	11,153	-	23,515	43,670	-	-	78,338
Balance - August 31, 2012	$ 58,923	$ 62,033	$ 56,710	$ 383,956	$ 10,997	$ 59,107	$ 631,726
Additions	-	-	-	9,541	-	-	9,541
Balance - August 31, 2013	$ 58,923	$ 62,033	$ 56,710	$ 393,497	$ 10,997	$ 59,107	$ 641,267

(Expressed in US Dollars)

5. Property, Plant and Equipment (continued)

Accumulated depreciation:	Aquaculture System	Laboratory	Computer and Office Equipment	Tools and Equipment	Vehicles	Leasehold Improvements	Total PP&E
Balance - August 31, 2011	$ (43,543)	$ (62,033)	$ (6,684)	$ (72,295)	$ (1,100)	$ (29,509)	$ (215,164)
Additions	(1,260)	-	(8,294)	(66,682)	(2,199)	(5,137)	(83,572)
Balance - August 31, 2012	$ (44,803)	$ (62,033)	$ (14,978)	$ (138,977)	$ (3,299)	$ (34,646)	$ (298,736)
Additions	(3,033)	-	(11,626)	(74,266)	(2,200)	(5,137)	(96,262)
Balance - August 31, 2013	$ (47,836)	$ (62,033)	$ (26,604)	$ (213,243)	$ (5,499)	$ (39,783)	$ (394,998)

Carrying Value:	Aquaculture System	Laboratory	Computer and Office Equipment	Tools and Equipment	Vehicles	Leasehold Improvements	Total PP&E
Balance - August 31, 2011	$ 4,227	$ -	$ 26,511	$ 267,991	$ 9,897	$ 29,598	$ 338,224
Balance - August 31, 2012	$ 14,120	$ -	$ 41,732	$ 244,979	$ 7,698	$ 24,461	$ 332,990
Balance - August 31, 2013	$ 11,087	$ -	$ 30,106	$ 180,254	$ 5,498	$ 19,324	$ 246,269

6. Licensing Rights

During 2010 the Company paid a $200,000 license fee for intellectual property arising under a research collaboration agreement to a customer for licensing rights outside the customer's field of use. The customer and the Company jointly own the rights to practice the resulting intellectual properties within specified fields of use. The research collaboration agreement terminated August 31, 2011 and there are no further milestone payments. The related licensing rights do not have a fixed term or termination provisions. The license rights are amortized over the estimated useful life of seven years and are shown net of accumulated impairment losses, if any.

	Licensing Rights	Accumulated Amortization	Carrying Amount
Balance at August 31, 2011	$ 200,000	$ (26,190)	$ 173,810
Amortization expense	-	(28,572)	(28,572)
Balance at August 31, 2012	$ 200,000	$ (54,762)	$ 145,238
Amortization expense	-	(28,571)	(28,571)
Balance at August 31, 2013	$ 200,000	$ (83,333)	$ 116,667

(Expressed in US Dollars)

6. Licensing Rights (continued)

During the year ended August 31, 2013, the Company entered into a license agreement for exclusive rights to patented technology to develop, manufacture and sell human immunotherapies to treat Clostridium difficile infection ("C. diff"). The agreement provides for license fees of $25,000 during the year ended August 31, 2013, $200,000 in 2014 and $20,000 annually thereafter, creditable against royalties due, if any. Royalties are payable for a mid-single digit percentage of related net sales, if any. License fees are also payable for a low-double digit percentage of related non-royalty sublicensing revenue, if any. The Company reimbursed past patent filing costs of approximately $50,000 during the year ended August 31, 2013, and will reimburse future patent prosecution costs. The license agreement does not have a fixed term or termination provisions. License fees and patent cost reimbursements during the year ended August 31, 2013, have been accounted for as research expense in accordance with IAS 38 *Intangible Assets*.

After execution of the license agreement, the Company issued 371,200 shares of common stock and 278,400 non-transferable share purchase warrants as described in Note 8.

The license agreement provides for milestone payments totaling $63,045,000 upon achievement of various financing, development and sales targets. No milestones were met during the year ended August 31, 2013, and there can be no assurance that the milestones will be met in the future.

7. Commitments

The Company leases three buildings and facilities under sublease agreements with the Port Hueneme Surplus Property Authority. On September 1, 2010, the Company exercised its option to extend the three buildings and facilities sublease agreements. The Company has an option to extend the lease for another five years.

The Company also leases office facilities effective July 1, 2011 for a term of three years with the option to extend for an additional two years. The Company must also pay a portion of the common area maintenance.

Future minimum lease payments are as follows:

For The Year Ending August 31,	**August 31, 2013**	August 31, 2012
2013	**$ -**	$ 148,531
2014	**143,735**	139,238
2015	**89,349**	84,852
2016	**14,892**	14,142
	$ 247,976	$ 386,763

Rent expense on these lease agreements for the year ended August 31, 2013 was $178,329 (2012 - $171,459, 2011 - $99,894).

The Company has purchase order commitments totalling approximately $45,000 as at August 31, 2013, for contracts and consultants (2012 - $157,000).

The Company has three commitments under certain supply agreements with customers for fixed prices per gram on a non-exclusive basis except within that customer's field of use. Two of the agreements automatically renew each January unless terminated in writing by either party. One agreement terminated June 2013 without being extended.

8. Share Capital

Authorized: unlimited common shares without par value.

Private Placements During the Year Ended August 31, 2013:

a) In October 2012, the Company issued 4,000,000 units at a price of CDN$0.25 per unit for gross proceeds of $1,007,900 (CDN$1,000,000). Each unit comprised one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.40 exercisable on or before October 25, 2015. The warrants were valued at $830,975. Agent's options were issued to acquire 400,000 units of the Company (valued at $90,995) under the same terms of the private placement and are exercisable at CDN$0.25 on or before October 25, 2015. The Company paid $50,395 of cash share issuance costs in relation to the private placement.

b) In January 2013, the Company issued 1,998,400 units at a price of CDN$0.25 per unit for gross proceeds of $502,098 (CDN$499,600). Each unit comprised one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.40 exercisable on or before January 4, 2016. The warrants were valued at $448,240. Agent's options were issued to acquire 97,200 units of the Company (valued at $23,693) under the same terms of the private placement and are exercisable at CDN$0.25 on or before January 4, 2016. The Company paid $24,422 of cash share issuance costs in relation to the private placement.

c) In April 2013, the Company issued 3,260,000 units at a price of CDN$0.50 per unit for gross proceeds of $1,605,877 (CDN$1,630,000). Each unit comprised one common share of the Company and one half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of CDN$0.75 exercisable on or before October 2, 2014. The warrants were valued at $469,789. Agent's options were issued to acquire 102,000 units of the Company (valued at $36,206) under the same terms of the private placement and are exercisable at CDN$0.50 on or before October 2, 2014. The Company paid $50,245 of cash share issuance costs in relation to the private placement.

Escrow Shares

An aggregate of 2,500,000 common shares were held in escrow pursuant to an Escrow Agreement dated April 29, 2008. Of these shares, as at August 31, 2013, Nil shares remain in escrow.

An aggregate of 4,119,386 common shares were held in escrow pursuant to an Escrow Agreement dated April 7, 2010. The shares were subject to release provisions, with 10% being released upon closing of the reverse takeover and the balance as to 15% every six months. Of these shares, as at August 31, 2013, Nil remain in escrow. The remaining 5,880,614 common shares were subject to resale restrictions over a period of three years, with 10% being free-trading, and the remaining shares subject to resale restrictions, as to 15% becoming free-trading every six months. Of these shares, as at August 31, 2013, Nil remain subject to resale restrictions.

Performance Shares

There were 10,000,000 performance shares set aside for officers, directors and employees of Stellar based on meeting milestones related to completion of method development for commercial-scale manufacture of KLH, compilation and regulatory submittal of all required chemistry, manufacturing and control data and completion of preclinical toxicity and immunogenicity testing of products.

During the year ended August 31, 2011, the Company reached the first performance share milestone and issued 3,333,335 shares of the Company to the individuals named in the Performance Share Plan. Accordingly, $930,000 was transferred from shares to be issued to share capital.

(Expressed in US Dollars)

8. Share Capital (continued)

During the year ended August 31, 2012, the Company reached the final two share milestones and issued 1,313,130 shares of the Company to non-director individuals named in the Performance Share Plan. Accordingly, $366,363 was transferred from shares to be issued to share capital. As at August 31, 2013, there are 5,353,535 performance shares outstanding to be issued.

During the year ended August 31, 2013, $Nil (2012 - $1,209,000, 2011 - $1,116,000) was recorded as share-based payments representing the measurement of vested performance shares during the year.

License Agreement

During the year ended August 31, 2013, the Company entered into a license agreement and issued 371,200 shares of the Company and 278,400 non-transferable share purchase warrants. Each warrant entitles the holder to purchase one common share in the share capital of the Company at a price of CDN$1.25 per share on or before January 23, 2015. The common shares are subject to the Exchange four month hold policy that ends on November 25, 2013. The value of the shares and warrants has been recorded as research and development expense.

Warrants

A summary of the Company's outstanding warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		CDN $
Balance, as at August 31, 2011	13,079,326	$ 0.65
Exercised	(2,318,600)	0.37
Expired	(2,702,126)	0.40
Balance, as at August 31, 2012	8,058,600	$ 1.01
Granted	8,507,500	0.49
Exercised	(2,738,000)	0.57
Expired	(1,905,600)	0.54
Balance, as at August 31, 2013	11,922,500	$ 0.58

The weighted average trading price at the date the warrants were exercised during the year ended August 31, 2013 was CDN$1.30 (2012 - CDN$0.41). The weighted average contractual life remaining on the outstanding warrants is 1.24 years.

8. Share Capital (continued)

The following table summarizes information about the warrants outstanding as at August 31, 2013:

Exercise Price	Number of Warrants	Expiry Date	
CDN $			
$ 0.71	4,678,000	November 14, 2013	
$ 0.75	1,571,500	October 2, 2014	
$ 0.50	99,000	October 2, 2014	Agent options
$ 1.25	278,400	January 23, 2015	
$ 0.40	4,000,000	October 25, 2015	
$ 0.25	400,000	October 25, 2015	Agent options
$ 0.40	798,400	January 4, 2016	
$ 0.25	97,200	January 4, 2016	Agent options
	11,922,500		

Agent options are convertible into units. A unit consists of one common share and either one whole warrant or one half warrant.

Warrant Liability

Equity offerings were completed in the current and previous years whereby warrants were issued with exercise prices denominated in Canadian dollars. The Company's functional currency is in US dollars. As a result of having exercise prices denominated in other than the Company's functional currency, these warrants meet the definition of derivatives and are therefore classified as derivative liabilities measured at fair value with adjustments to fair value recognized through the consolidated statements of loss and comprehensive loss. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in profit or loss, as part of the change in fair value of warrant liability. There is no cash flow impact as a result of this accounting treatment.

The fair value of the warrants is determined using the Black-Scholes option pricing model at the end of each reporting period. Upon exercise of the warrants, the fair value of warrants included in derivative liabilities is reclassified to equity.

The fair value of warrants exercised during the years ended August 31, 2013, 2012 and 2011 was determined using the Black-Scholes option pricing model, using the following assumptions:

	2013	2012	2011
Risk free interest rate	1.23%	2.49%	3.14%
Expected life (years)	1.17	0.11	0.73
Expected share price volatility	111%	110%	106%

(Expressed in US Dollars)

8. Share Capital (continued)

The fair value of warrants granted was determined using the Black-Scholes option pricing model, using the following weighted average assumptions at the end of each reporting period:

	2013	2012	2011
Risk free interest rate	1.18%	N/A	1.61%
Expected life (years)	2,76	N/A	1,10
Expected share price volatility	123%	N/A	107%
Expected dividend yield	N/A	N/A	0%

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

Options

The Company has a stock option plan ("the Plan") to be administered by the Board of Directors, which has the discretion to grant options for up to a maximum of 20% of the issued and outstanding share capital amount and subject to a maximum of 8,785,000 shares. The exercise price of an option is subject to a minimum of CDN$0.05 preceding the grant date. Stock options granted to directors, officers, employees and consultants are subject to the following vesting schedule:

(a) One-third shall vest immediately;

(b) One-third shall vest 12 months from the Effective Date; and

(c) One-third shall vest 18 months from the Effective Date.

Stock options granted to investor relations vest over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting.

Options have been issued under the Plan allowing the holders to purchase common shares of the Company as follows:

	Number of Options	Weighted Average Exercise Price
		CDN $
Balance, as at August 31, 2011	4,254,600	$ 0.43
Granted	1,809,600	0.40
Exercised	(170,000)	0.28
Forfeited	(105,000)	0.77
Balance, as at August 31, 2012	5,789,200	$ 0.42
Granted	1,200,000	0.43
Exercised	(164,999)	0.45
Forfeited	(235,333)	0.49
Balance, as at August 31, 2013	6,588,868	$ 0.42

(Expressed in US Dollars)

8. Share Capital (continued)

The weighted average trading price at the date the options were exercised during the year ended August 31, 2013 was CDN$1.13 (2012 - CDN$0.33). The weighted average contractual life remaining on the outstanding options is 4.75 years.

The following table summarizes information about the options under the Plan outstanding and exercisable as at August 31, 2013:

CDN Exercise Price	Number of Options	Exercisable at August 31, 2013	Expiry Date
$ 0.25	250,000	187,500	October 23, 2015
$ 0.28	2,265,000	2,265,000	April 9, 2017
$ 0.25	55,000	55,000	May 17, 2017
$ 0.28	20,000	20,000	June 28, 2017
$ 0.28	70,000	70,000	July 13, 2017
$ 0.64	70,000	70,000	October 25, 2017
$ 1.00	60,000	60,000	February 10, 2018
$ 0.65	1,239,600	1,239,600	August 8, 2018
$ 0.50	5,000	5,000	September 26, 2018
$ 0.40	71,667	71,667	December 22, 2018
$ 0.42	1,667	1,667	February 16, 2019
$ 0.42	1,090,934	806,400	April 13, 2019
$ 0.42	50,000	33,333	April 26, 2019
$ 0.29	90,000	60,000	June 18, 2019
$ 0.37	150,000	100,000	August 9, 2019
$ 0.37	150,000	100,000	August 16, 2019
$ 0.25	75,000	25,000	October 23, 2019
$ 0.25	215,000	71,667	December 19, 2019
$ 0.58	560,000	186,667	May 14, 2020
$ 0.58	100,000	33,333	May 23, 2020
	6,588,868	5,461,834	

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The estimated fair value of the stock options granted during the years ended August 31, 2013, 2012 and 2011 was determined using a Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012	2011
Risk free interest rate	1.55%	1.63%	2.76%
Expected life (years)	6.17	7.0	7.0
Expected share price volatility	123%	147%	110%
Expected dividend yield	0%	0%	0%

The average fair value of stock options awarded during the period was CDN$0.38, CDN$0.40 and CDN$0.51 respectively.

(Expressed in US Dollars)

9. Related Party Disclosures

The Company had the following transactions with key management personnel including directors and officers of the Company and their family members. There are no other related parties as defined by IAS 24.

	August 31, 2013	August 31, 2012	August 31, 2011
Salaries	**$ 528,117**	$ 602,167	$ 603,250
Short-term employee benefits	**85,230**	47,932	48,313
Director fees	**16,200**	51,616	5,350
Consulting fees	**19,875**	54,950	76,749
Professional fees	**53,460**	59,944	37,018
Share-based payments	**387,886**	1,493,347	1,290,413
	$ 1,090,768	$ 2,309,956	$ 2,061,093

Share-based payments are the fair value of the options granted plus the vested value of performance shares.

As at August 31, 2013, $2,800 (2012 - $3,900) of these amounts remained unpaid and are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

On August 14, 2002, the Company entered into an agreement to pay royalties to a director and officer in exchange for assignment of patent rights to the Company. The royalty is 5% of gross receipts in excess of $500,000 annually from products using this invention. The Company's current operations utilize this invention. The royalties for the year ended August 31, 2013 were $Nil (2012 - $Nil, 2011 -$Nil).

10. Loss Recovery

A shipment of KLH was damaged by a vendor. The vendor agreed to reimburse the Company for the value of the KLH. In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the loss recovery was recorded during the year ended August 31, 2012 when the realization of income was virtually certain.

11. Income Taxes

Deferred income tax assets and liabilities of the Company as at August 31, 2013, 2012 and 2011 are as follows:

	August 31, 2013	August 31, 2012	August 31, 2011
Deferred income tax assets:			
Non-capital loss carry-forwards	**$ 4,426,800**	$ 3,409,600	$ 1,595,200
Research and development tax credits	**450,400**	267,900	166,600
Deferred expenses	**65,100**	39,400	-
Share issuance costs	**63,300**	73,400	106,300
Deferred income tax liabilities:			
US federal benefit of state taxes	**(350,600)**	(265,200)	(125,100)
Property, plant and equipment	**(33,400)**	(32,700)	(14,500)
Unrecognized benefits of deferred tax assets	**(4,621,600)**	(3,492,400)	(1,728,500)
Net deferred income tax asset (liability)	**$ -**	$ -	$ -

(Expressed in US Dollars)

11. Income Taxes (continued)

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	August 31, 2013	August 31, 2012	August 31, 2011
Combined federal and provincial tax rates	**25.0%**	28.5%	28.5%
Expected income tax (recovery)/expense	**$ (3,721,400)**	$ (1,480,800)	$ (1,025,000)
Nondeductible share-based payments	**287,100**	548,000	494,400
Nondeductible change in fair value of warrant liability	**2,947,300**	(334,200)	(385,400)
Effect of higher income tax rate in US	**(308,400)**	(426,700)	(284,200)
Foreign currency differences	**(26,300)**	9,000	(69,900)
Other	**(322,400)**	(137,300)	(14,100)
Unrecognized benefit of loss carry forwards	**1,144,900**	1,822,800	1,285,000
Income tax expense	**$ 800**	$ 800	$ 800

As at August 31, 2013, the Company had accumulated Canadian non-capital losses of approximately CDN$2,591,900 and US net operating losses of approximately $8,904,900 which can be carried forward and charged against future taxable income, expiring from 2028 through 2033.

12. Supplemental Disclosure of Cash Flow and Non-Cash Transactions

Supplemental disclosure of cash paid for taxes and interest and non-cash financing and investing activities include the following:

	August 31, 2013	August 31, 2012	August 31, 2011
Financing activities:			
Share issuance costs - agent's options	**$ 150,894**	$ -	$ 276,448
Fair value of shares issued for acquisition of license	**491,408**	-	-
Warrant valuations on private placements	**1,749,004**	-	3,003,870
Warrant valuation on acquisition of license	**195,014**	-	-
Transfer to share capital on exercise of warrants	**2,140,644**	190,425	1,329,817
Transfer to share capital on exercise of options	**53,090**	41,087	-
Transfer to share capital on issuance of performance shares	-	366,363	930,000
Cash paid during the period for taxes	**800**	800	800
Cash paid during the period for interest	**-**	-	-

13. Financial Instruments and Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, foreign exchange risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at August 31, 2013, the Company does not have any debt and is not subject to externally imposed capital requirements.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions included in the Company's cash and cash equivalents are subject to a floating rate of interest.

The interest rate risks on cash are not considered significant.

Foreign Exchange Risk

The Company incurs operating expenses and capital expenditures mostly in US dollars, with some operating expenses incurred in Canadian dollars which are subject to foreign currency fluctuations. The fluctuation of the US dollar in relation to Canadian dollars will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At August 31, 2013, the US dollar was equal to 1.05322 Canadian dollars. The currency risk is considered to be insignificant.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and amounts receivable. Management's assessment of the Company's credit risk for cash and cash equivalents is low as cash and cash equivalents are held in financial institutions believed to be credit worthy. The Company limits its exposure to credit loss by placing its cash with major financial institutions and invests only in short-term obligations.

Approximately 73% of the Company's commercial sales and contract income during the year ended August 31, 2012 were from two customers (2012 - 90% from two customers, 2011 - 88% from one customer). All of the grant revenue during the year ended August 31, 2013 was received from NSF (2012 - 100% from NSF, 2011 - 79% from IRS grants and 21% from NSF).

Approximately 10% of the Company's amounts receivables at August 31, 2013, were from six customers (2012 - 77% from three customers), 88% from NSF grants (2012 - Nil%) and 6% from GST refund (2012 - 15%).

13. Financial Instruments and Risk Management (continued)

While the Company is exposed to credit losses due to the non-performance of its counterparties, the Company considers the risk of this remote. The Company estimates its maximum credit risk for amounts receivable at the amount recorded on the statement of financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at August 31, 2013, the Company had a cash and cash equivalents balance of $7,859,889 (2012 - $998,998) to settle current liabilities of $454,063 exclusive of $3,454,745 noncash current portion of warrant liability (2012 - $562,131).

Fair Value

The fair value of the Company's financial instruments is believed to equal the carrying amounts due to the short terms to maturity.

Fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's fair value of cash and cash equivalents under the fair value hierarchy is measured using Level 1 inputs and fair value of the warrant liability is measured using Level 2 inputs.

(Expressed in US Dollars)

14. Segment Information

The Company operates in one reportable segment, the aquaculture, research and development, production and marketing of KLH products. The Company's operations are in California, USA, and its corporate assets, comprising mainly cash, are located in Canada.

	KLH Operations (USA)	Corporate (Canada)	Total
	August 31, 2013		
Total assets	$ 6,381,898	$ 2,131,460	$ 8,513,358
Current liabilities	403,217	3,505,591	3,908,808
Warrant liability	-	7,746,062	7,746,062
Revenues from external parties	545,469	-	545,469
Net loss	(2,083,241)	(12,803,272)	(14,886,513)
	August 31, 2012		
Total assets	$ 927,917	$ 615,961	$ 1,543,878
Current liabilities	510,246	51,885	562,131
Warrant liability	-	130,137	130,137
Revenues from external parties	286,054	-	286,054
Net loss	(3,774,548)	(1,422,148)	(5,196,696)
	August 31, 2011		
Total assets	$ 4,328,913	$ 421,738	$ 4,750,651
Current liabilities	84,933	74,204	159,137
Warrant liability	-	1,527,374	1,527,374
Revenues from external parties	697,187	-	697,187
Net loss	(2,518,269)	(1,079,010)	(3,597,279)

15. Events After the Reporting Period

Subsequent to August 31, 2013, the Company:

a) Granted incentive stock options to consultants, officers and directors to purchase 495,000, 100,000 and 100,000 common shares, exercisable at a price of $1.83, CDN$1.87 and $1.84 per share for a period of seven, five and seven years respectively.

b) Closed a private placement and issued 11,428,570 units for total gross proceeds of $12,000,000, completed in two closings. The private placement included a brokered portion sold to institutional and accredited investors totaling $5,000,000 (4,761,903 units) (the "Brokered Offering") and a non-brokered portion totalling $7,000,000 (6,666,667 units) (the "Non-brokered Offering"). The non-brokered offering included a $5,000,000 investment by a privately-held company and contract manufacturer. Each unit, sold for $1.05, comprises one share of the Company's common stock and one half of a share purchase warrant (each whole warrant, a "Warrant"). Each warrant entitles the holder to purchase one additional share of the Company's common stock at a purchase price of $1.35 for a period of three years from the issuance date of the warrants. A broker received $346,325 and 333,333 agent warrants (the "Agent Warrants"). Each agent warrant entitles the holder to purchase one additional share of the Company's common stock at a purchase price of $1.05 for a period of three years from the issuance date of the agent warrants. Subject to additional requirements imposed by the US Securities Act requiring longer hold-periods on certain of the securities for resale by US subscribers in the US market and a lock-up agreement with certain holders of the

15. Events After the Reporting Period (continued)

securities, the securities issued in the Initial Closing (2,857,143 brokered offering units, 6,666,667 non-brokered offering units, and 200,000 agent warrants) are subject to a hold period expiring January 10, 2014 and the securities issued in the Final Closing (1,904,760 brokered offering units and 133,333 agent warrants) are subject to a hold period expiring January 21, 2014.

c) Issued 5,503,200 common shares upon the exercise of warrants for gross proceeds of CDN$3,797,730 and issued 849,167 common shares upon the exercise of stock options for gross proceeds of CDN$262,642.

d) Entered into a collaboration agreement with a privately-held Taiwan biopharmaceuticals manufacturer to develop and evaluate methods for the manufacture of OBI-822 active immunotherapy using Stellar's GMP grade Keyhole Limpet Hemocyanin ("KLH"). Under the terms of the agreement, the Company will be responsible for the production and delivery of GMP grade KLH for evaluation as a carrier molecule in OBI-822 immunotherapy and will also be responsible for method development, product formulation, and process qualification for certain KLH reference standards. The partner will be responsible for development objectives and product specifications. The agreement provides for the partner to pay fees for certain expenses and costs associated with the development program. Subject to certain conditions and timing, the collaboration also provides for the companies to negotiate a commercial supply agreement for Stellar KLH™ in the future.

Signature Page

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Stellar Biotechnologies Inc.

Registrant

Dated: **December 31, 2013** **Signed:** ***/s/ "Frank Oakes"***

Frank Oakes,
President and CEO

CERTIFICATIONS

I, Frank Oakes, certify that:

1. I have reviewed this annual report on Form 20-F of Stellar Biotechnologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: December 31, 2013

By: */s/ "Frank Oakes"*

Frank Oakes
President and CEO

CERTIFICATIONS

I, Kathi Niffenegger, certify that:

1. I have reviewed this annual report on Form 20-F of Stellar Biotechnologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: December 31, 2013

By: */s/ "Kathi Niffenegger"*

Kathi Niffenegger
Chief Financial Officer

CERTIFICATIONS
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of Stellar Biotechnologies Inc. (the "Company") does hereby certify, to the best of such officer's knowledge and belief, that:

1. The Annual Report on Form 20-F of the Company for the year ended August 31, 2013 (the "Form 20-F"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 31, 2013

/s/ "Frank Oakes"
Frank Oakes,
President and Chief Executive Officer

This certificate shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.

CERTIFICATIONS
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of Stellar Biotechnologies Inc. (the "Company") does hereby certify, to the best of such officer's knowledge and belief, that:

1. The Annual Report on Form 20-F of the Company for the year ended August 31, 2013 (the "Form 20-F"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 31, 2013

/s/ "Kathi Niffenegger"
Kathi Niffenegger,
Chief Financial Officer

This certificate shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.