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

FORM 10-Q

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

For the quarterly period ended December 31, 2015

OR

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

For the transition period from to

Commission File Number: 000-54598

STELLAR BIOTECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada (State or other jurisdiction of incorporation or organization)	**N/A** (I.R.S. Employer Identification No.)
332 E. Scott Street **Port Hueneme, California** (Address of principal executive offices)	**93041** (Zip Code)

Registrant's telephone number, including area code: **(805) 488-2800**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 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 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of February 5, 2016, the registrant had 8,448,758 common shares issued and outstanding.

Stellar Biotechnologies, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended December 31, 2015

Table of Contents

PART I — FINANCIAL INFORMATION	3
Item 1. Financial Statements (Unaudited).	3
Condensed Interim Consolidated Balance Sheets – December 31, 2015 and September 30, 2015	3
Condensed Interim Consolidated Statements of Operations –Three Months Ended December 31, 2015 and 2014	4
Condensed Interim Consolidated Statements of Cash Flows – Three Months Ended December 31, 2015 and 2014	5
Notes to Condensed Interim Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	20
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	24
Item 4. Controls and Procedures.	24
PART II — OTHER INFORMATION	26
Item 1. Legal Proceedings.	26
Item 1A. Risk Factors.	26
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	26
Item 3. Defaults Upon Senior Securities.	26
Item 4. Mine Safety Disclosures.	26
Item 5. Other Information.	26
Item 6. Exhibits.	26

PART I — FINANCIAL INFORMATION

SPECIAL NOTE

All share numbers and share prices presented in this Quarterly Report on Form 10-Q have been adjusted to reflect the 1-for-10 reverse share split of Stellar Biotechnologies, Inc.'s common shares effected on September 2, 2015.

Item 1. Financial Statements.

Stellar Biotechnologies, Inc.
Consolidated Balance Sheets
(Unaudited)
(Expressed in U.S. Dollars)

	December 31, 2015	September 30, 2015
Assets:		
Current assets:		
Cash and cash equivalents	$ **3,887,550**	$ 3,955,503
Accounts receivable	**35,630**	157,597
Short-term investments	**5,016,800**	5,015,171
Inventory	**527,958**	557,280
Prepaid expenses	**224,614**	181,068
Total current assets	**9,692,552**	9,866,619
Noncurrent assets:		
Property, plant and equipment, net	**646,041**	503,408
Deposits	**15,900**	15,900
Total noncurrent assets	**661,941**	519,308
Total Assets	$ **10,354,493**	$ 10,385,927
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	$ **723,675**	$ 656,685
Deferred revenue	-	173,333
Warrant liability	-	1,550,630
Total Current Liabilities	**723,675**	2,380,648
Commitments *(Note 6)*		
Shareholders' equity:		
Common shares, unlimited common shares authorized, no par value, 8,448,758 and 7,984,758 issued and outstanding at December 31, 2015 and September 30, 2015, respectively	**41,336,056**	38,114,215
Accumulated share-based compensation	**5,259,880**	5,226,379
Accumulated deficit	**(36,965,118)**	(35,335,315)
Total Shareholders' Equity	**9,630,818**	8,005,279
Total Liabilities and Shareholders' Equity	$ **10,354,493**	$ 10,385,927

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

Stellar Biotechnologies, Inc.
Consolidated Statements of Operations
(Unaudited)
(Expressed in U.S. Dollars)

	Three Months Ended December 31, 2015	December 31, 2014
Revenues:		
Contract services revenue	$ **32,000**	$ 60,000
Product sales	**456,160**	152,661
	488,160	212,661
Expenses:		
Costs of sales and contract services	**312,063**	95,925
Costs of aquaculture	**84,913**	81,176
Research and development	**288,849**	418,821
General and administration	**1,109,689**	942,153
	1,795,514	1,538,075
Other Income (Loss)		
Foreign exchange gain (loss)	**(109,128)**	(161,112)
Gain (loss) in fair value of warrant liability	**(211,956)**	139,556
Investment income	**5,835**	13,293
	(315,249)	(8,263)
Loss Before Income Tax	**(1,622,603)**	(1,333,677)
Income tax expense	**7,200**	9,800
Net Loss	$ **(1,629,803)**	$ (1,343,477)
Loss per common share - basic and diluted	$ **(0.19)**	$ (0.17)
Weighted average number of common shares outstanding:		
Basic and diluted	**8,373,323**	7,946,101

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

Stellar Biotechnologies, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in U.S. Dollars)

	Three Months Ended December 31, 2015	December 31, 2014
Cash Flows Used In Operating Activities:		
Net loss	**$ (1,629,803)**	$ (1,343,477)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	**32,386**	37,535
Share-based compensation	**124,496**	86,865
Foreign exchange loss	**109,128**	161,112
(Gain) loss in fair value of warrant liability	**211,956**	(139,556)
Changes in working capital items:		
Accounts receivable	**121,945**	8,045
Inventory	**29,322**	(99,417)
Prepaid expenses	**(67,718)**	36,469
Accounts payable and accrued liabilities	**67,076**	(33,120)
Deferred revenue	**(173,333)**	-
Net cash used in operating activities	**(1,174,545)**	(1,285,544)
Cash Flows From Investing Activities:		
Acquisition of property, plant and equipment	**(175,019)**	(38,849)
Purchase of short-term investments	**(1,629)**	(1,222)
Proceeds on maturities of short-term investments	**-**	442,911
Net cash provided by (used in) investing activities	**(176,648)**	402,840
Cash Flows From Financing Activities:		
Proceeds from exercise of warrants and options	**1,368,260**	28,719
Net cash provided by financing activities	**1,368,260**	28,719
Effect of exchange rate changes on cash and cash equivalents	**(85,020)**	(153,657)
Net change in cash and cash equivalents	**(67,953)**	(1,007,642)
Cash and cash equivalents - beginning of period	**3,955,503**	8,768,459
Cash and cash equivalents - end of period	**$ 3,887,550**	$ 7,760,817
Cash (demand deposits)	**$ 3,887,550**	$ 4,319,406
Cash equivalents	**-**	3,441,411
Cash and cash equivalents	**$ 3,887,550**	$ 7,760,817

Supplemental disclosure of non-cash transactions *(Note 8)*

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

1. Nature of Operations

Stellar Biotechnologies, Inc. (the "Company") is organized under the laws of British Columbia, Canada. The Company's common shares are listed on the Nasdaq Capital Market under the trading symbol "SBOT" and on the TSX Venture Exchange as a Tier 2 issuer under the trading symbol "KLH." Prior to listing on Nasdaq effective November 5, 2015, the Company's common shares were quoted on the U.S. OTCQB Marketplace Exchange under the trading symbol SBOTF.

In April 2010, the Company changed its name to Stellar Biotechnologies, Inc. and completed a reverse merger transaction with Stellar Biotechnologies, Inc., a California corporation, which was founded in September 1999, and remains the Company's wholly-owned subsidiary and principal operating entity. The Company's executive offices are located at 332 E. Scott Street, Port Hueneme, California, 93041, USA, and its registered and records office is Royal Centre, 1055 West Georgia Street, Suite 1500, Vancouver, BC, V6E 4N7, Canada.

Nature of Operations

The Company's business is the aquaculture, research and development, manufacture and commercialization of Keyhole Limpet Hemocyanin ("KLH"). The Company markets and distributes its KLH products to biotechnology and pharmaceutical companies, academic institutions, and clinical research organizations primarily in Europe, the United States, and Asia.

Management Plans

For the three months ended December 31, 2015 and 2014, the Company reported net losses of approximately $1.6 million and $1.3 million, respectively. The most significant factor in the fluctuations in net income and losses relates to noncash changes in the fair value of warrant liability, which was a loss of $0.2 million and gain of $0.1 million for the three months ended December 31, 2015 and 2014, respectively. As of December 31, 2015, the Company had an accumulated deficit of approximately $37.0 million and working capital of approximately $9.0 million.

In the past, operations of the Company have primarily been funded by the issuance of common shares, exercise of warrants, grant revenues, contract services revenue, and product sales. Management believes these financial resources are adequate to support the Company's initiatives at the current level for at least 12 months. 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, additional equity financing and debt financing.

The accompanying condensed interim consolidated financial statements have been prepared on a 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.

Functional Currency

The condensed interim consolidated financial statements of the Company are presented in U.S. dollars, unless otherwise stated, which is the Company's functional currency.

2. Basis of Presentation

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended September 30, 2015.

The accompanying condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Stellar Biotechnologies, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three months ended December 31, 2015 are not necessarily indicative of the results that may be expected for other interim periods or the year ending September 30, 2016. The condensed interim consolidated financial data at September 30, 2015 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2015, as filed on December 14, 2015 with the SEC.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. Significant Accounting Policies

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 creates a new topic in the Accounting Standards Codification ("ASC") Topic 606 and establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, *Other Assets and Deferred Costs: Contracts with Customers*, to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance in ASU 2014-09 is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is not permitted. Management is in the process of assessing the impact of ASU 2014-09 on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The guidance in ASU 2014-15 is effective for annual reporting periods beginning after December 15, 2016, with early application permitted. Management is in the process of assessing the impact of ASU 2014-15 on the Company's consolidated financial statements.

In July 2015, FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*. ASU 2015-11 indicates that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU does not apply to inventory measured using LIFO or the retail inventory method. It does apply to all other inventory, including inventory measured using FIFO or average cost. The guidance in ASU 2015-11 is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods therein. The provisions should be applied prospectively with early application permitted. Management is in the process of assessing the impact of ASU 2015-11 on the Company's consolidated financial statements.

(Expressed in U.S. Dollars)

4. Inventory

Raw materials include inventory of manufacturing supplies. Work in process includes manufacturing supplies, direct and indirect labor, contracted manufacturing and testing, and allocated manufacturing overhead for inventory in process at the end of the period. Finished goods include products that are complete and available for sale. At December 31, 2015 and September 30, 2015, the Company recorded work in process and finished goods inventory only for those products with recent sales levels to evaluate net realizable value. At September 30, 2014 and prior, the Company recorded inventory only for custom manufacturing of products for specific customers, including manufacturing under supply agreements.

Inventory consisted of the following:

	December 31, 2015	September 30, 2015
Raw materials	$ 27,523	$ 42,549
Work in process	130,402	137,021
Finished goods	370,033	377,710
	$ 527,958	$ 557,280

5. Property, Plant and Equipment, net

Property, plant and equipment, net consisted of the following:

	December 31, 2015	September 30, 2015
Aquaculture system	$ 124,529	$ 124,529
Laboratory facilities	62,033	62,033
Computer and office equipment	78,936	78,936
Tools and equipment	749,394	714,764
Vehicles	10,997	10,997
Leasehold improvements	130,117	123,562
	1,156,006	1,114,821
Less: accumulated depreciation	(675,878)	(643,492)
Depreciable assets, net	480,128	471,329
Construction in progress	165,913	32,079
	$ 646,041	$ 503,408

Depreciation expense amounted to $32,386 and $37,535 for the three months ended December 31, 2015 and 2014, respectively.

(Expressed in U.S. Dollars)

6. Commitments

Operating leases

The Company leases three buildings and facilities used in its operations under sublease agreements with the Oxnard Harbor District. In June 2015, the Company exercised its option to extend these sublease agreements for an additional five-year term beginning in October and November 2015. The Company negotiated an option to extend the leases for two additional five-year terms.

The Company leases facilities used for executive offices and laboratories. The Company must pay a portion of the common area maintenance. In July 2014, the Company exercised its option to extend this lease for a two-year term.

The Company leases undeveloped land in Baja California, Mexico to assess the potential development of an additional aquaculture locale and expansion of production. The lease term is three years from June 2015 with options to extend the lease for 30 years. The Company may terminate early with 30 days' notice. The first two years of rent under the lease totaling $74,606 were prepaid in June 2015, and are not included in the future minimum lease payments below. The Company has a related agreement with the lessor to collaborate on the design, expansion and development of marine aquaculture resources and KLH production facilities on the leased property. Under that agreement, the Company is responsible for certain leasehold improvements including construction of structures and a power-generating facility, which will be owned by the Company. The Company will reimburse the lessor for local operational support. The collaboration agreement expires in June 2018, unless terminated earlier.

Future minimum lease payments are as follows:

		December 31, 2015
For The Year Ending September 30,		
2016	$	108,000
2017		143,000
2018		106,000
2019		106,000
2020		106,000
Thereafter		6,000
	$	575,000

Rent expense on these lease agreements amounted to approximately $55,000, and $46,000 for the three months ended December 31, 2015 and 2014, respectively.

Purchase obligations

The Company has commitments totaling approximately $364,000 at December 31, 2015 for signed agreements with contract research organizations and consultants. The Company also has agreements to pay time and materials to contractors, which are estimated at approximately $13,000 at December 31, 2015. All purchase obligations are expected to be fulfilled within the next 12 months.

Supply agreements

The Company has two 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. One amended and restated supply agreement replaced two prior agreements that automatically renewed each year. This agreement is effective March 2015 through March 2020 and is renewable for one-year terms upon written request of the customer. The other customer supply agreement is effective October 2014 through October 2019 and is renewable for one-year terms upon written request of the customer.

Licensing fees

In July 2013, the Company acquired the exclusive, worldwide license to certain patented technology for the development of human immunotherapies against *Clostridium difficile* infection ("C. diff"). The license agreement required an initial, non-refundable license fee of $25,000, which was paid in fiscal August 2013, and payment of an aggregate of $200,000 in delayed license fees, which were paid in fiscal August 2014. Beginning September 2014, the terms also require a license fee of $20,000 to be paid annually, creditable against royalties due, if any. Royalties are payable for a percentage of related net sales, if any. License fees are also payable for a percentage of related non-royalty sublicensing revenue, if any. No royalties have been incurred to date. The Company also reimbursed patent filing costs of approximately $11,000 and $11,000 in the three months ended December 31, 2015 and 2014, respectively, and will reimburse certain future patent filing, prosecution, and maintenance costs. License fees and patent cost reimbursements have been accounted for as research and development expense in the accompanying condensed interim consolidated statements of operations.

The license agreement expires when the last valid patent claim licensed under the license agreement expires, which is currently 2030. Prior to that time, the license agreement can be terminated by the licensor upon certain conditions. The Company will have 30 days after written notice from the licensor to cure the problem prior to termination of the license agreement. The Company can terminate the agreement with three months' prior written notice.

Upon execution of the license agreement, the Company issued 37,120 common shares and warrants to purchase up to 27,840 of the Company's common shares to the licensor. The warrants expired on January 23, 2015 and were not exercised. The value of the shares and warrants were recorded as research and development expense.

The license agreement provides for the Company to pay up to an aggregate of $6,020,000 in milestone payments to the licensor upon achievement of various financing and development targets up to the first regulatory approval. Remaining contingent milestone payments to the licensor totaling $57,025,000 are related to achievement of sales targets. A financing milestone was met during the year ended August 31, 2014, and accordingly, the Company made a milestone payment of $100,000. No other milestones have been met to date and there can be no assurance that any of the remaining milestones will be met in the future.

Retirement savings plan 401(k) contributions

The Company sponsors a 401(k) retirement savings plan that requires an annual non-elective safe harbor employer contribution of 3% of eligible employee wages. All employees over 21 years of age are eligible beginning the first payroll after 3 consecutive months of employment. Employees are 100% vested in employer contributions and in any voluntary employee contributions. Contributions to the 401(k) plan were approximately $17,000 and $20,000 for the three months ended December 31, 2015 and 2014, respectively.

Related party commitments

Patent r*oyalty agreement*

On August 14, 2002, through its California subsidiary, the Company entered into an agreement with a director and officer of the Company, whereby he would receive royalty payments in exchange for assignment of his patent rights to the Company. The royalty is 5% of gross receipts from products using this invention in excess of $500,000 annually. The Company's current operations utilize this invention. There was no royalty expense incurred during the three months ended December 31, 2015 and 2014.

Collaboration agreement

In December 2013, the Company entered into a collaboration agreement with a privately-held Taiwanese biopharmaceuticals manufacturer which expired in December 2015. Under the terms of the agreement, the Company was responsible for the production and delivery of GMP grade KLH for evaluation as a carrier molecule in the collaboration partner's potential manufacture of OBI-822 active immunotherapy. The Company was also responsible for method development, product formulation, and process qualification for certain KLH reference standards. The collaboration partner was responsible for development objectives and product specifications. The agreement provided for the collaboration partner to pay fees for certain expenses and costs associated with the collaboration. Subject to certain conditions and timing, the collaboration also provided for the parties to negotiate a commercial supply agreement for Stellar KLH™ in the future. However, there can be no assurance that any such negotiations will lead to successful execution of any further agreements related to this collaboration.

The privately-held Taiwanese biopharmaceuticals manufacturer is a beneficial owner of over 5% of the Company's common shares. In addition, a member of the Company's Board of Directors currently serves as General Manager and chair of its board of directors.

7. Share Capital

On September 2, 2015, the Company effected a share consolidation (reverse split) of the Company's common shares at a ratio of 1-for-10. As a result of the reverse split, every ten shares of the issued and outstanding common shares, without par value, consolidated into one newly-issued outstanding common share, without par value. Each fractional share remaining after the reverse split that was less than one-half of a share was cancelled and each fractional share that was at least one-half of a share was changed to one whole share. The reverse split reduced the number of common shares outstanding from 79,847,550 to 7,984,758 after fractional share rounding. The number of warrants, broker units, and options were proportionately adjusted by the split ratio and the exercise prices correspondingly increased by the same split ratio. All shares and exercise prices are presented on a post-split basis in these condensed interim consolidated financial statements.

(Expressed in U.S. Dollars)

The Company had the following transactions in share capital:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Number of common shares issued	464,000	12,680
Proceeds from exercise of warrants	$ 1,368,260	$ 938
Transfer to common shares on exercise of warrants	1,853,581	426
Proceeds from exercise of options	-	27,781
Transfer to common shares on exercise of options	-	27,619
Share-based compensation	124,496	86,865

Performance shares

There were 1,000,000 common shares allotted as performance shares to be issued to certain officers, directors and employees of the Company 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 under a performance share plan. Share-based compensation was recorded over the estimated vesting period ending in August 2012.

At December 31, 2015, there are 383,838 performance shares reserved for issuance.

Black-Scholes option valuation model

The Company uses the Black-Scholes option valuation model to determine the fair value of warrants, broker units and share options. Option valuation models require the input of highly subjective assumptions including the expected price volatility. The Company has used historical volatility to estimate the volatility of the share price. Changes in the subjective input assumptions can materially affect the fair value estimates, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s warrants, broker units and share options.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance - September 30, 2015	1,022,761	CDN$12.12
Granted	40,000	CDN$4.00
Exercised	(424,000)	CDN$4.00
Expired	(40,000)	CDN$4.00
Balance - December 31, 2015	598,761	$13.33

As a result of the exercise and expiration of warrants in the quarter ended December 31, 2015, there are no outstanding warrants with exercise prices denominated in Canadian dollars.

The weighted average contractual life remaining on the outstanding warrants at December 31, 2015 is 8.4 months.

The following table summarizes information about the outstanding warrants at December 31, 2015:

Exercise Price	Number of Warrants	Expiry Date	
$13.50	470,190	September 9, 2016	
$10.50	20,000	September 9, 2016	Broker warrants
$13.50	95,238	September 20, 2016	
$10.50	13,333	September 20, 2016	Broker warrants
	598,761		

Warrant liability

All warrants with exercise prices denominated in Canadian dollars were exercised or expired. Therefore there is no outstanding warrant liability at December 31, 2015.

Equity offerings conducted by the Company in prior years included the issuance of warrants with exercise prices denominated in Canadian dollars. The Company's functional currency is the U.S. dollar. 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 operations. As these warrants are exercised, the fair value of the recorded warrant liability on date of exercise is included in common shares 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 valuation 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.

(Expressed in U.S. Dollars)

The fair value of warrants exercised was determined using the Black-Scholes option valuation model, using the following weighted average assumptions:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Risk free interest rate	0.48%	1.12%
Expected life (years)	0.04	0.01
Expected share price volatility	92%	97%

The fair value of warrants granted was determined using the Black-Scholes option valuation model, using the following weighted average assumptions:

	Three Months Ended December 31, 2015
Risk free interest rate	0.52%
Expected life (years)	0.01
Expected share price volatility	91%
Expected dividend yield	0%

There were no warrants granted during the three months ended December 31, 2014.

Broker units

The Company granted broker units as finders' fees in conjunction with equity offerings in prior years. Broker units are fully vested when granted and allow the holders to purchase equity units. Each unit consists of one common share and one warrant to purchase a common share.

A summary of broker units activity is as follows:

	Number of Units	Weighted Average Exercise Price
Balance - September 30, 2015	46,600	CDN$2.50
Exercised	(40,000)	CDN$2.50
Balance - December 31, 2015	6,600	CDN$2.50

The weighted average contractual life remaining on the outstanding broker units is 4 days.

(Expressed in U.S. Dollars)

The following table summarizes information about the outstanding broker units at December 31, 2015:

Exercise Price	Number of Units	Expiry Date
CDN$2.50	6,600	January 4, 2016 *
	6,600	

*Subsequently expired without being exercised.

There were no broker units granted during the three months ended December 31, 2015 and 2014.

Options

The Company has a fixed share option plan adopted in 2013 (the "Plan") administered by the Board of Directors, which has the discretion to grant up to an aggregate of 1,000,000 options. The exercise price of an option is set at the closing price of the Company's common shares on the date of grant. Share 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 date of grant; and

(c) One-third shall vest 18 months from the date of grant.

Share options granted to investor relations consultants 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 prior vesting.

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

	Number of Options	Weighted Average Exercise Price
Balance - September 30, 2015	557,638	CDN$6.93
Granted	47,700	$7.24
Expired	(6,667)	$18.30
Expired	(41,501)	CDN$5.38
Balance - December 31, 2015	557,170	CDN$7.18

The weighted average contractual life remaining on the outstanding options is 3.2 years.

(Expressed in U.S. Dollars)

The following table summarizes information about the options under the Plan outstanding and exercisable at December 31, 2015:

Number of Options	Exercisable at December 31, 2015	Range of exercise prices	Expiry Dates
292,110	292,110	CDN$0.01 - 5.00	Apr 2017-Dec 2019
146,360	143,027	CDN$5.01 - 10.00	Oct 2017-Jun 2022
47,700	15,900	$5.01 - 10.00	Dec 2022
21,500	17,667	CDN$15.01 - 20.00	Nov 2018-Nov 2021
49,500	49,500	$15.01 - 20.00	Nov 2020
557,170	518,204		

The estimated fair value of the share options granted during the three months ended December 31, 2015 and 2014 was determined using a Black-Scholes option valuation model with the following weighted average assumptions.

	Three Months Ended December 31, 2015	December 31, 2014
Risk free interest rate	1.05%	1.71%
Expected life (years)	7	7
Expected share price volatility	108%	116%
Expected dividend yield	0%	0%

The weighted average fair value of share options awarded during the three months ended December 31, 2015 and 2014 was CDN$9.42 and CDN$13.43, respectively.

As of December 31, 2015, the Company had approximately $219,000 of unrecognized share-based compensation expense, which is expected to be recognized over a period of 1.5 years.

The intrinsic value of the options exercised during the three months ended December 31, 2014 was CDN$11.50. There were no options exercised during the three months ended December 31, 2015. The intrinsic value of the vested options at December 31, 2015 was $3.89.

(Expressed in U.S. Dollars)

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

Supplemental disclosure of cash flow information follows:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Cash paid during the period for taxes	$ 7,200	$ 9,800

Supplemental disclosure of noncash financing and investing activities follows:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Transfer to common shares on exercise of warrants	$ 1,853,581	$ 426
Transfer to common shares on exercise of options	-	27,619

9. Fair Value of Financial Instruments

The Company uses the fair value measurement framework for valuing financial assets and liabilities measured on a recurring basis in situations where other accounting pronouncements either permit or require fair value measurements.

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of certain financial instruments such as accounts receivable, accounts payable, accrued liabilities, and deferred revenue approximates fair value due to the short-term nature of such instruments.

The Company follows the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1:	Quoted prices in active markets for identical or similar assets and liabilities.
Level 2:	Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets and liabilities.
Level 3:	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company records its short-term investments in mutual fund debt securities at fair value using Level 1 inputs in the fair value hierarchy. The Company records its warrant liability at fair value using Level 2 inputs using the Black-Scholes option valuation model and assumptions disclosed in Note 7.

(Expressed in U.S. Dollars)

The following table summarizes fair values for those assets and liabilities with fair value measured on a recurring basis:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
December 31, 2015				
Assets				
Short-term investments in mutual fund debt securities	$ 5,016,800	$ -	$ -	$ 5,016,800
September 30, 2015				
Assets				
Short-term investments in mutual fund debt securities	$ 5,015,171	$ -	$ -	$ 5,015,171
Liabilities				
Warrant liability, current portion	-	1,550,630	-	1,550,630

10. Concentrations of 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 and cash equivalents, mutual fund debt securities and accounts receivable. The Company estimates its maximum credit risk at the amount recorded on the balance sheet.

Management's assessment of the Company's credit risk for cash and cash equivalents is low as they are held in major financial institutions believed to be credit worthy. The Company limits its exposure to credit loss for short-term investments by using a mutual fund that invests in high-quality, U.S. dollar-denominated short-term fixed-, floating- and variable-rate debt securities that have received either a minimum short-term rating of at least A-1 (or its equivalent) or a minimum long-term rating of A minus (or its equivalent), by one or more Nationally Recognized Statistical Ratings Organizations, or, if unrated, that are deemed by the fund to be of comparable quality at the time of purchase. Based on credit monitoring and history, the Company considers the risk of credit losses due to customer non-performance on accounts receivable to be low.

The Company had the following concentrations of revenues by customers:

	Three Months Ended	
	December 31, 2015	December 31, 2014
Product sales and contract services revenue	85% from 3 customers	71% from 2 customers

(Expressed in U.S. Dollars)

The Company had the following concentrations of revenues by geographic areas:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Europe	37%	54%
Asia	61%	31%
U.S.	2%	15%

The Company had the following concentrations of accounts receivable:

	Three Months Ended December 31, 2015	Year Ended September 30, 2015
Accounts receivable	86% from 2 customers	91% from 2 customers

13. Reclassifications

Certain reclassifications have been made to the prior period to conform with the current period's presentation. These include the Company's reclassification of a mutual fund investing in short-term debt securities from cash equivalents to short-term investments and reclassification of costs related to aquaculture to present such costs separately from costs of sales and contract services. There was no impact on total assets, total shareholders' equity, accumulated deficit, total expenses or net income (loss) resulting from these reclassifications. The statement of cash flows reflects the mutual fund activity as cash flows from investing activities rather than changes in cash.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q as of December 31, 2015 and our audited consolidated financial statements for the year ended September 30, 2015 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 14, 2015.

This Quarterly Report on Form 10-Q contains forward-looking statements. When used in this report, the words "expects," "anticipates," "suggests," "believes," "intends," "estimates," "plans," "projects," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would" and similar expressions are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in this report, the risks described in our Annual Report on Form 10-K for the year ended September 30, 2015 and other reports we file with the Securities and Exchange Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made. We do not intend to update any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations, except as required by law.

The discussion and analysis of our financial condition and results of operations are based on our unaudited condensed interim consolidated financial statements as of December 31, 2015 and September 30, 2015, and for the three months ended December 31, 2015 and 2014 included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate such estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Overview

Stellar Biotechnologies, Inc. ("Stellar," the "Company," "we," "our" and "us") is a biotechnology company engaged in the aquaculture, research and development, manufacture and commercialization of Keyhole Limpet Hemocyanin, or KLH, protein. KLH is a high molecular weight, immune-stimulating protein with an extensive history (over 40 years) of safe and effective use in immunological applications.

KLH can be used as an active pharmaceutical ingredient ("API") and combined with a disease-targeting agent to create immunotherapies targeting cancer, immune disorders, Alzheimer's disease, and inflammatory diseases, or it can be used as a finished, injectable product in the immunodiagnostic market for measuring immune response in patients and research settings. Our mission is to become the world leader in the sustainable manufacture of KLH and use our unique, proprietary methods and intellectual property to serve the growing demand for KLH in immunotherapeutic and immunodiagnostic markets.

Uplisting to The Nasdaq Capital Market

Our common shares began trading on The Nasdaq Capital Market under the symbol "SBOT" on November 5, 2015.

Change in Fiscal Year End

On June 3, 2014, the Company's Board of Directors approved a change in the Company's fiscal year end from August 31 to September 30 of each year, with effect from September 1, 2014. As a result, the Company had a one-month transition period from September 1, 2014 to September 30, 2014 ("Transition Period"), the results of which were initially included in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014, as filed with the Securities and Exchange Commission (the "SEC") on February 9, 2015. The audited financial statements for the Transition Period are included in our Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on December 14, 2015.

Significant Accounting Policies and Estimates

For a discussion of our significant accounting policies and estimates, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on December 14, 2015. There are no material changes in our significant accounting policies and estimates from the disclosure provided in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

Results of Operations

Comparison of Three Months Ended December 31, 2015 and 2014

Our net loss was $1,629,803, or $0.19 loss per basic share, for the three months ended December 31, 2015 compared to $1,343,477, or $0.17 loss per basic share, for the three months ended December 31, 2014. The increase in net loss was primarily due to fluctuations in noncash gain/loss in fair value of warrant liability.

Total revenues were $488,160 and $212,661 for the three months ended December 31, 2015 and 2014, respectively. Our product sales were $456,160 and $152,661 for the three months ended December 31, 2015 and 2014, respectively. The increase was due to an increase in customers and greater product sales volume including sales under supply agreements and custom manufactured products. Contract services revenue was $32,000 and $60,000 for the three months ended December 31, 2015 and 2014, respectively. The decrease was due to the expiration of a collaboration agreement mid-December 2015 and completion of services related to a supply agreement in December 2014.

Total expenses were $1,795,514 and $1,538,075 for the three months ended December 31, 2015 and 2014, respectively. Costs of sales and contract services were $312,063 and $95,925 for the three months ended December 31, 2015 and 2014, respectively. The increase was consistent with increased sales and contract services revenue. Our research and development expenses were $288,849 and $418,821 for the three months ended December 31, 2015 and 2014, respectively. The decrease was a result of the continued realignment of our focus from internal research and process development to manufacturing our Stellar KLH™ products in response to increased customer demand. Our general and administration expenses were $1,109,689 and $942,153 for the three months ended December 31, 2015 and 2014, respectively. The increase resulted from a combination of increased corporate expenses, including our Nasdaq listing fees; compensation increases; increased share based compensation, which is affected by the timing of option grants and assumptions used in the valuation model; and increased investor relations activity; offset by a reduction in business development travel.

Other income (loss) was an overall loss of $315,249 and a loss of $8,263 for the three months ended December 31, 2015 and 2014, respectively. The increased loss resulted primarily from the noncash gain/loss in fair value of warrant liability, which fluctuated to a loss of $211,956 for the three months ended December 31, 2015 from a gain of $139,556 in the prior period. These fair value gains and losses occur in inverse relation to changes in our share price that affect the valuation model. This increase was partially offset by a decrease in foreign exchange loss to $109,128 for the three months ended December 31, 2015, as compared to $161,112 for the prior period due primarily to changes in exchange rates for our Canadian cash and cash equivalents compared to the end of the prior quarters. The portion of foreign exchange loss realized in cash was $11,462 and $1,843 for the three months ended December 31, 2015 and 2014, respectively.

Capital Expenditures

Our capital expenditures, which primarily consist of scientific, manufacturing, and aquaculture equipment, and facility leasehold improvements for the three months ended December 31, 2015 and 2014 are as follows:

Assets Acquired	Three Months Ended December 31, 2015	December 31, 2014
Property, plant and equipment	$ 41,185	$ 38,849
Construction in progress	133,834	-

Liquidity and Capital Resources

Our working capital position at December 31, 2015 was $8,968,877, including cash and cash equivalents of $3,887,550 and short-term investments of $5,016,800. Management believes the current working capital is sufficient to meet our present requirements, including all contractual obligations and anticipated research and development expenditures for at least the next 12 months. We expect to finance our future expenditures and obligations through revenues from product sales, contract services income, grant revenues, and sales of common shares. We expect to continue incurring losses for the foreseeable future and may need to raise additional capital to pursue our business plan and continue as a going concern. We cannot provide any assurances that we will be able to raise additional capital. Our management believes that we have access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means, if needed; however, we have not secured any commitment for new financing at this time, nor can we provide any assurance that new financing will be available on commercially acceptable terms, if needed.

Three Months Ended December 31, 2015

Our working capital was $8,968,877 as of December 31, 2015, compared to working capital of $7,485,971 as of September 30, 2015. Working capital was reduced by the noncash current portion of our warrant liability in the amount of $1,550,630 at September 30, 2015. Because all warrants with Canadian dollar exercise prices have been exercised or expired, there was no warrant liability at December 31. 2015.

Our cash and cash equivalents totaled $3,887,550 at December 31, 2015, compared to cash and cash equivalents of $3,955,503 at September 30, 2015, which represented a decrease of $67,953. Our short-term investments totaled $5,016,800 at December 31, 2015, compared to short-term investments of $5,015,171 at September 30, 2015, which represented an increase of $1,629 over the three month period.

During the three months ended December 31, 2015, operating activities used cash of $1,174,545. Items not affecting cash included: depreciation and amortization of $32,386; share-based compensation related to the issuance and vesting of stock options of $124,496; unrealized foreign exchange loss of $109,128; and loss in fair value of warrant liability of $211,956 due to the adjustment to the fair value of warrants previously issued. Changes in noncash working capital items include a decrease in accounts receivable of $121,945; decrease in inventory of $29,322; increase in prepaid expenses of $67,718; increase in accounts payable and accrued liabilities of $67,076; and decrease in deferred revenue of $173,333.

Investing activities used cash of $176,648. The acquisition of property, plant and equipment used cash of $175,019 related to improvements in manufacturing and aquaculture facilities. Purchase of short-term investments used cash of $1,629. The effect of fluctuations in exchange rates on cash and cash equivalents was a reduction of $85,020 due to a decline in the Canadian dollar relative to the U.S. dollar.

Financing activities provided cash of $1,368,260 related to proceeds from the exercise of warrants, broker units and options. As a result of such exercises, 464,000 common shares were issued during the period.

Three Months Ended December 31, 2014

Our working capital was $9,064,895 as of December 31, 2014, as compared to working capital of $13,751,301 as of September 30, 2014. Working capital was reduced by the noncash current portion of our warrant liability in the amount of $3,318,103 and $460 at December 31, 2014 and September 30, 2014, respectively.

Our cash and cash equivalents totaled $7,760,817 at December 31, 2014, compared to cash and cash equivalents of $8,768,459 at September 30, 2014, which represented a decrease of $1,007,642. Our short-term investments totaled $5,002,716 at December 31, 2014, as compared to short-term investments of $5,450,126 at September 30, 2014, which represented a decrease of $447,410 over the three month period.

During the three months ended December 31, 2014, operating activities used cash of $1,285,544. Items not affecting cash included: depreciation and amortization of $37,535; share-based compensation related to the issuance and vesting of stock options of $86,865; unrealized foreign exchange loss of $161,112; and gain in fair value of warrant liability of $139,556 due to the adjustment to the fair value of warrants previously issued. Changes in non-cash working capital items include a decrease in accounts receivable of $8,045; increase in inventory related to custom manufacturing orders in process of $99,417; decrease in prepaid expenses of $36,469; and decrease in accounts payable and accrued liabilities of $33,120.

Investing activities provided cash of $402,840. The acquisition of property, plant and equipment used cash of $38,849. Purchase of short-term investments used cash of $1,222. Proceeds on maturities of short-term investments provided cash of $442,911. The effect of exchange rate changes on cash and cash equivalents was a reduction of $153,657 due to a decline in Canadian dollars relative to U.S. dollars.

Financing activities provided cash of $28,719 related to proceeds from the exercise of warrants, broker units and options. As a result of such exercises, 12,680 common shares were issued during the period.

Geographic Concentrations

The geographic markets of our customers are principally Europe, the United States and Asia. We had the following concentrations of revenues by geographic areas:

	Three Months Ended	
	December 31, 2015	**December 31, 2014**
Europe	37%	54%
Asia	61%	31%
U.S.	2%	15%

The increase in revenues from Asia for the three months ended December 31, 2015 is due to sales of custom manufactured products for an Asian customer.

Research and Development

Our core business is developing and commercializing Keyhole Limpet Hemocyanin for use in immunotherapy and immunodiagnostic applications. Our internal research includes, among other activities, continual improvement of methods for the culture and growth of Giant Keyhole Limpet, innovations in aquaculture systems and infrastructure, biophysical and biochemical characterization of the KLH molecule, analytical processes to enhance performance of our products, KLH manufacturing process improvements, new KLH formulations, and early development of potential new KLH-based immunotherapies. However, from time to time we may engage in non-related research and development activities as opportunities arise.

Research and development costs, including materials and salaries of employees directly involved in research and development efforts, are expensed as incurred.

The following table includes our research and development costs for each of the three months ended December 31, 2015 and 2014:

	Three Months Ended	
	December 31, 2015	December 31, 2014
Research and development expense	$ 288,849	$ 418,821

Disclosure of Contractual Obligations

We lease three buildings and facilities used in our operations under sublease agreements with the Oxnard Harbor District. In June 2015, we exercised our option to extend these sublease agreements for an additional five-year term beginning in October and November 2015. We negotiated an option to extend the leases for two additional five-year terms.

We lease facilities used for executive offices and laboratories, and we must pay a portion of the common area maintenance. In July 2014, we exercised our option to extend this lease for a two-year term.

We lease undeveloped land in Baja California, Mexico to assess the potential development of an additional aquaculture locale and expansion of production. The lease term is three years beginning June 2015, with an option to extend for 30 years if we proceed with site development. We may terminate the lease early upon 30 days' notice. Under a related collaboration agreement, we are responsible for certain improvements to the leased undeveloped land, and for reimbursement to the lessor for local operational support. The collaboration agreement expires in June 2018, unless terminated earlier.

We have purchase commitments for contract research organizations, consultants and contractors.

There have been no material changes in our contractual obligations previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on December 14, 2015.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, including unrecorded derivative instruments, that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to financial market risks associated with foreign exchange rates, concentration of credit, and liquidity. In accordance with our policies, we manage our exposure to various market-based risks and where material, these risks are reviewed and monitored by our Board of Directors. For a discussion of our market risk exposure, refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on December 14, 2015. There are no material changes in market risk during the period covered by this Quarterly Report compared with the disclosure provided in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to our Company, including our consolidated subsidiaries, is made known to senior management, including our Chief Executive Officer and Chief Financial Officer, 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 December 31, 2015. Our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures, as of December 31, 2015, were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in legal proceedings, claims and litigation arising in the ordinary course of business, including contract disputes, employment matters and intellectual property disputes. We are not currently a party to any material legal proceedings or claims outside the ordinary course of business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

There have been no material changes in the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on December 14, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On October 22, 2015, a holder exercised 40,000 broker units at an exercise price of CDN$2.50 and the Company received an aggregate of $77,077. Each broker unit consisted of one common share and one warrant to purchase a common share. Accordingly, the Company issued 40,000 common shares and 40,000 warrants with an exercise price of CDN$4.00. The broker units were granted as finder’s fees in accordance with an option agreement entered into on October 25, 2012 concurrent with the closing of a private placement. The warrants were not exercised and expired on October 25, 2015.

The issuance of the Company’s common shares and warrants in connection with the exercise of previously-issued broker units were completed in a private transaction by the Company not involving any public offering pursuant to Section 4(a)(2) and Rule 506 of Regulation D of the Securities Act of 1933, as amended (the “Act”). The holders may not resell the shares and warrants unless such shares and warrants are registered or an exemption from registration is available.

During the three months ended December 31, 2015, warrant holders exercised warrants to purchase 424,000 common shares of the Company, at an exercise price of CDN$4.00. The Company received an aggregate of $1,291,183 as consideration for the exercise of the previously-issued warrants.

The issuance of the Company’s common shares in connection with the exercise of previously-issued warrants were completed in a private transaction by the Company not involving any public offering pursuant to Section 4(a)(2) and Rule 506 of Regulation D of the Act. The holders may not resell the shares unless such shares are registered or an exemption from registration is available.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with or incorporated by reference in this Quarterly Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 8, 2016	**STELLAR BIOTECHNOLOGIES, INC.**
	/s/ Kathi Niffenegger
	Kathi Niffenegger Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (*)
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (*)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

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

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frank R. Oakes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: February 8, 2016

By: /s/ Frank R. Oakes
Frank R. Oakes
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathi Niffenegger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: February 8, 2016

By: /s/ Kathi Niffenegger
Kathi Niffenegger
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Stellar Biotechnologies, Inc. (the “Company”) for the quarter ended December 31, 2015 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Frank R. Oakes, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2016	By:	/s/ Frank R. Oakes
		Frank R. Oakes
		President and Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Stellar Biotechnologies, Inc. (the “Company”) for the quarter ended December 31, 2015 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Kathi Niffenegger, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2016	By:	/s/ Kathi Niffenegger Kathi Niffenegger Chief Financial Officer (Principal Financial Officer)