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

FORM 10-QSB

(Mark One)

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

For the period ended June 30, 2005

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 0-31198

STELLAR PHARMACEUTICALS INC.
(Exact name of registrant as specified in its charter)

ONTARIO, CANADA	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

544 Egerton St
London, Ontario Canada
N5W 3Z8
(Address of principal executive offices)

(519) 434-1540
(Registrant's Telephone Number, Including Area Code)

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 X No ___

The number of outstanding common shares, no par value, of the Registrant at:

June 30, 2005: 23,127,263

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

STELLAR PHARMACEUTICALS INC.

Date: August 2, 2005

By: /s/ Peter Riehl

Name: Peter Riehl
Title: Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document was prepared on August 2, 2005 and should be read in conjunction with the June 30, 2005 financial statements of the Company.

FORWARD-LOOKING STATEMENTS

Readers are cautioned that actual results may differ materially from the results projected in any "forward-looking" statements included in the foregoing report, which involve a number of risks or uncertainties. Forward-looking statements are statements that are not historical facts, and include statements regarding the Company's planned research and development programs, anticipated future losses, revenues and market shares, planned clinical trials, expected future expenditures, the Company's intention to raise new financing, sufficiency of working capital for continued operations, and other statements regarding anticipated future events and the Company's anticipated future performance. Forward-looking statements generally can be identified by the words "expected", "intends", "anticipates", "feels", "continues", "planned", "plans", "potential", "with a view to", and similar expressions or variations thereon, or that events or conditions "will", "may", "could" or "should" occur, or comparable terminology referring to future events or results.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors, including those listed under "Risks and Uncertainties", any of which could cause actual results to vary materially from current results or the Company's anticipated future results. The Company assumes no responsibility to update the information contained herein.

OVERVIEW

Stellar Pharmaceuticals Inc. (formerly Stellar International Inc. "Stellar" or the "Company"), founded in 1994, is a Canadian pharmaceutical company involved in the development and commercialization of high quality, polysaccharide-based therapeutic products used in the treatment of osteoarthritis and certain types of cystitis. Stellar also markets a test kit that confirms the existence of bladder lining defects in interstitial cystitis ("IC") (an inflammatory disease of the urinary bladder wall) patients and identifies those patients who should respond positively to the Company's proprietary therapeutic product. Stellar's product development strategy focuses on seeking novel applications for its product technologies in markets where its products demonstrate true cost effective therapeutic advantages. Stellar is also building revenues through in-licensing products for Canada that are focused on similar niche markets and out-licensing to international markets.

Stellar has developed and is marketing three products in Canada based on its core polysaccharide technology:

(i) NeoVisc®, for the treatment of osteoarthritis;
(ii) Uracyst®; for the treatment of IC, and;
(iii) Uracyst® Test Kit, Stellar's patented technology for the diagnosis of IC.

Stellar also has acquired the exclusive Canadian marketing and distribution rights for:

(i) Millenium Biologix Inc.'s Skelite™, a proprietary synthetic bone grafting product; and
(ii) Matritech's, NMP22® BladderChek®, a proteomics-based diagnostic test for the diagnosis and monitoring of bladder cancer.

Stellar began selling Skelite to the Canadian market in February 2004 and NMP22 BladderChek in Canada, in October 2004. NMP22 BladderChek will have a growing impact on 2005 sales and is expected to play a larger part in the sales mix going forward.

Effective December 2001, Stellar entered into a strategic licensing agreement with G. Pohl-Boskamp GmbH & Co. ("Pohl-Boskamp") for the sale of Uracyst products in Europe. In December of 2003, Pohl-Boskamp received approval to begin selling Uracyst in Europe. Stellar is pleased to report that Pohl-Boskamp continues to make excellent sales progress in the European markets in which it currently sells Uracyst (Germany, Netherlands, Austria and the

Scandinavian countries).

In June 2003, Stellar entered into distribution agreements with CMI Canada Medical Inc. and BurnsAdler Pharmaceuticals to sell Stellar's products in the Middle East, Latin America and the Caribbean.

In March 2004, Supply and License Agreements were signed with Leitner Pharmaceuticals, LLC (formerly SJ Pharmaceuticals, Inc.) of Bristol, Tennessee for NeoVisc and Uracyst in the United States markets. Once regulatory approval is received these agreements will provide Stellar with additional milestone payments and an ongoing royalty stream from future sales of these products in the United States. Leitner Pharmaceuticals, LLC., will be responsible for conducting clinical trials and obtaining regulatory approvals for the products in the United States.

In June 2004, Stellar entered into a NeoVisc licensing agreement with Triptibumis Sdn. Bhd. for Malaysia, Singapore and Brunei. The first shipment to this market was initiated in October 2004. Although a smaller market, this agreement adds to Stellar's global expansion.

An additional licensing agreement was signed with Pharmore GmbH in August 2004 for NeoVisc in the German market. Subsequently, in July 2005, Stellar agreed to release Pharmore from this licensing agreement due to a significant change in Pharmore's business environment. Pharmore agreed to pay a portion of the costs to continue the registration process in Germany and Stellar expects to have a German registration and a CE mark by the end of 2005. The CE mark will allow NeoVisc to quickly enter other European markets.

In June 2005, Stellar entered into an exclusive licensing agreement with INNOGEN ILAÇ SAN. TIC. LTD. STI. ("Innogen") for the sale of NeoVisc in Turkey. Sales of NeoVisc will not commence until the receipt of all required approvals from Turkish authorities. Stellar believes that sales of NeoVisc in Turkey should commence in late 2006, with Stellar recognizing revenues from such sales in the fourth quarter of 2006. Viscosupplementation therapy is well established in Turkey, representing a market value in excess of US $12,000,000 per year.

Stellar markets its products in Canada through its own direct sales force of commissioned and salaried sales people. The Company's focus on product development continues to be both in-licensing and out-licensing for immediate impact on the revenue stream allowing Stellar to fund its own in-house product development for future growth and stability.

SECOND QUARTER 2005 HIGHLIGHTS

Revenues for the three month period ended June 30, 2005, from all sources increased 26.1 % to $496,341 compared to $393,532 in the same period during 2004. This increase was driven in part by NeoVisc sales and royalty growth from the sale of Uracyst in Europe. The launch of Uracyst in the United Kingdom in May has not impacted revenues in 2005 to date, due to a delay in active selling. Stellar has been informed that this situation should be rectified by early August, at which time active market promotion will be fully implemented. Canadian sales, which continued to show a double digit growth in the second quarter, are expected to continue to show healthy growth in the second half of 2005 as Uracyst and BladderChek are expected to experience increased market acceptance. Stellar's gross profit for the second quarter was up 22.9% to $404,755 compared to $329,371 over the same period for 2004. The operating loss for the second quarter was $364,746, as compared to $330,041 for the same period in 2004.

Business development activities continue to focus on negotiations for in-licensing and out-licensing opportunities. In June 2005, the Company signed a licensing agreement with Innogen (as stated above) for the sale of NeoVisc in Turkey. It is important to note the Company continues to experience costs associated with such negotiations for licensing agreements, with little off-setting revenues to date. Stellar expects an inflow of revenue from many of these agreements to start in late 2005 with revenues building in 2006.

RESULTS OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

For the six month period ended June 30, 2005, total revenues from all sources decreased 3.5% to $921,639, compared

to $954,692 for the same period in 2004. Included in the 2004 total revenues, were licensing fee revenues of $267,220. Adjusting for the licensing fee would mean that Stellar's revenue for the first six months of 2004 would be $687,472, therefore resulting in a realized increase of 34.1% in Stellar's revenue in the same period of 2005. The Company's sales growth continues to be driven by the increased demand for NeoVisc, sales for the six month period increased 21.1% compared to the same period in 2004. The Company anticipates NeoVisc sales growth to remain strong given the continuing medical debate around the prescription products used in this treatment of osteoarthritis.

European sales of Uracyst continue to grow in current markets. Royalty revenues for the six month period ended June 30, 2003 increased by 283.7% to $140,725 compared to $36,681 in the same period during 2004. As stated above, the launch of Uracyst in the United Kingdom has experienced a short term delay in active promotion and sales are expected to commence in August.

NMP22 BladderChek continues to generate excellent response from the Urology market; supported by the February 2005 Journal of the American Medical Association (JAMA) published a clinical trial, which concluded that NMP22 BladderChek vastly outperforms cytology, the current adjunctive test for bladder cancer. Once reimbursement approvals are in place, Stellar expects this pent-up demand to result in accelerated sales growth.

Skelite sales remain flat as the formulary process in larger institutions continues to impact its growth. The lack of larger, peer-reviewed clinical data has continued to present a challenge, which is difficult to overcome. Without the required commitment from the supplier to perform these trials, it is unlikely that Stellar will make inroads in the major institutions.

Uracyst sales increased by 1.1% for the three months ended June 30, 2005 compared to the same period in 2004, but remains behind in the six month period by 2.9%. It is expected that growth of Uracyst experienced in the second quarter will continue into the last half of 2005.

The operating loss for the six month period ended June 30, 2005, was $872,721 compared to $365,309. The loss for the same period in 2004 was positively impacted by the one time licensing fee revenues of $267,220.

During the last six month period ended June 30, 2005, the Company incurred non-cash expenses totaling $188,619, of which $120,937 were for share options issued to consultants; this cost has been expensed to consulting fees in the period. The balance of $67,682 has been expensed to amortization. Stellar also incurred non-recurring costs of $44,808, which includes $21,288 for obsolete materials which were expensed to manufacturing costs. The balance of these expenditures were related to legal costs associated to the Company's name change and licensing agreements.

Contributing to the increased costs were: R&D expenses include $267,490 for development work on products and $18,706 for a Uracyst trial which started in May 2005; additions to personnel resulting in an increased wage and benefits expense of $90,188 for two sales representatives and two internal staff; as well as, new directors' fees of $21,666.

Cost of Sales

Cost of sales for the sixth month period ended June 30, 2005, was $185,620 or 23.8 % of product sales compared to $114,710 or 17.6% of product sales in 2004. During the second quarter of 2005, the cost of sales improved to 21.8% from 26.2% in the first quarter of 2005. While the move of the Company's manufacturing facilities together with certain transitional costs associated with the move have contributed to an increase in cost of goods sold, the Company does not expect this increase to be ongoing and foresees benefits from its new manufacturing processes and economies of scale later in 2005.

Research and Development

Stellar continues to invest in research, which is essential to advancing the use of its products in Canada and in international markets. In the sixth month period ended June 30, 2005, the Company incurred $284,685 in research costs compared to $222,847 in 2004. Research and development tax refunds of $11,212 were recorded in 2005

compared $45,063 recorded for the same period in 2004; these refunds were recorded to the research and development expense.

In the first quarter of 2005, Stellar began the process of implementing an open-label, community-based, clinical trial for Uracyst, which will assist Stellar in demonstrating the effectiveness of Uracyst to physicians in the treatment of GAG deficient cystitis, such as IC. To date, Stellar has spent $18,706 in developing this trial, which is being conducted by Queen's University with Dr. J. Curtis Nickel acting as the principal investigator. The remaining $10,000 was incurred to conduct a pharmico-economic review of BladderChek, for use in assisting the Company in attaining reimbursement programs for the product.

Business Development

Progress continues to be made as Stellar focuses on a number of business development activities associated with out-licensing Stellar's current products in other international markets, in-licensing products for the Canadian market and developing additional products.

Selling, General and Administrative expenses

Selling, general and administrative expenses for the six month period ended June 30, 2005 were $1,256,374 compared to $943,766 for the same period in 2004. This increase includes the cost of $120,937 related to non-cash expenses for options issued acquire common shares ("Common Shares") in the capital of the Company to consultants. In addition, the Company had non-recurring costs of $44,808 related to legal costs associated to the Company's name change and licensing agreements. During this period, the Company incurred fee expenses to members of the board of directors, which totaled $21,666. These expenses did not occur in the same period in 2004.

The Company's ongoing commitment to increase sales and marketing activity in order to improve in-market sales has resulted in direct selling costs increasing by $45,842 over the same period in 2004, which includes costs for increased market sales development and the addition of two (2) sales representatives in the Canadian market. These expenditures were in furtherance of the Company's growth and are expected to aid Stellar considerably in attaining its long-term goals.

INTEREST AND OTHER INCOME

Interest and other income during the six month period ended June 30, 2005 was $70,754 as compared to loss of $40,825 during the same period in 2004. This amount includes the investment of dividends, interest received on a short-term loan and gain on sale of short term investments. Funds will be maintained in liquid investments.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenues	Net loss	Loss per share
30-Jun-05	$ 496,341	$ (347,312)	$ (0.02)
31-Mar-05	425,298	(454,655)	(0.02)
31-Dec-04	499,192	(374,488)	(0.02)
30-Sep-04	378,441	(564,487)	(0.03)
30-Jun-04	393,532	(372,427)	(0.01)
31-Mar-04	561,160	(33,707)	(0.002)
31-Dec-03	301,654	(300,905)	(0.02)
30-Sep-03	226,530	(256,089)	(0.01)

SELECTED FINANCIAL RESULTS AND HIGHLIGHTS

Income Statement for the year ended	**2004**	**2003**	**2002**
Total Revenue	$ 1,832,325	$ 1,109,431	$ 854,705
Cost of Goods Sold	340,123	216,609	177,651
Expenses	2,845,088	1,623,920	1,458,239
Loss before interest, amortization and other income	$ (1,352,886)	$ (731,098)	$ (781,185)
Net loss (1) (2)	$ (1,345,109)	$ (803,801)	$ (795,176)
- basic	(0.06)	(0.05)	(0.06)
- fully diluted	n/a	n/a	n/a

Notes: (1) The fully diluted loss per share has not been computed, as the effect would be anti-dilutive.

(2) In 2004, the Company's loss per share increased by approximately (.01) as a result of the requirement to expense stock options in 2004 ((Section 3870), "Stock-Based Compensation and Other Stock-Based Payments" of CICA handbook).

Balance Sheet as at	**Dec. 31, 2004**	**Dec. 31, 2003**	**Dec. 31, 2002**
Cash and cash equivalents	$ 3,172,870	$ 255,237	$ 189,468
Total assets	4,815,384	899,735	606,555
Total liabilities	596,447	540,012	215,490
Cash Dividend declared per share	-	-	-
Shareholders' Equity			
- options and warrants	441,975	307,208	134,563
- capital stock and contributed surplus	7,720,873	2,651,317	2,051,503
- deficit	(3,943,911)	(2,598,802)	(1,795,001)
TOTAL	$ 4,815,384	$ 899,735	$ 606,555

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term investments totaled $2,588,333 at June 30, 2005 as compared with $3,172,870 at December 31, 2004. During the sixth month period ended June 30, 2005, the Company received aggregate exercise proceeds of $144,068 for in respect of 394,890 Common Shares issued upon the exercise of previously granted options.

At June 30, 2005, the Company did not have any outstanding indebtedness for borrowed money.

In June 2004, the Company entered into an agreement to acquire land and a building for $450,000, and the purchase was financed from its available cash resources. The Company moved into the upper office area of the building on

October 22, 2004. Renovations to the building have totaled $176,759. The Company has delayed incurring expenses in relation to the start up the packaging plant area until the latter part of 2005, when it is anticipated that off-shore demand for Stellar's products will then require this investment.

While the Company has generated royalty revenue and revenue from the distribution of pharmaceutical products in Canada, this revenue has been insufficient to fund the Company's research, development and marketing activities. The Company continued to incur losses in the first half of 2005 and drew from its holdings of cash, cash equivalents and short-term investments; however, the Company expects to reach a profitable status in 2006, thereby funding its future growth form the sale of its products, from milestone payments and from the royalty income resulting from out-licensing agreements for at least the next 24 months.

The Company may seek additional funding, primarily by way of one or more equity offerings, to carry out its business plan and to minimize risks to its operations. The market for equity financing for companies such as Stellar is challenging and there can be no assurance that additional funding will become available by way of equity financing. Any additional equity financing may result in significant dilution to the existing shareholders at the time of such financing. The Company may also seek additional funding from other sources, including technology licensing, co-development collaborations, and other strategic alliances. Such funding, if obtained, may reduce the Company's interest in its projects or products. Regardless, there can be no assurance that any alternative sources of funding will be available.

OFF-BALANCE SHEET ARRANGEMENTS

The Company, as part of its ongoing business, does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPE), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2005, the Company was not involved in any material unconsolidated SPE transaction.

RELATED PARTY TRANSACTIONS

The Company entered a fiscal advisory and consulting agreement on December 10, 2004, with LMT Financial Inc. ("LMT") (a company owned by the spouse of a director) for services to be provided in 2005. Compensation under the agreement is $6,000 per month or $ 72,000 for fiscal 2005.

CAPITAL STOCK

The Company has authorized an unlimited number of Common Shares, without par value. There are no other classes of shares. During the six month period, the Company issued for cash 394,890 Common Shares to employees, directors, and consultants, who exercised stock options, with an average price per share of $0.36. As of the date of this report, the Company had 23,257,263 Common Shares outstanding.

As of the date of this report, the Company had 1,650,110 Common Share options outstanding at various exercise prices and expiry dates.

SIGNIFICANT CUSTOMERS

During the second quarter, the Company had one significant customer, a national wholesaler, which represented 33.8% of sales, in comparison to 40.3% in the same period for 2004.

OUTLOOK

As at August 2, 2005, the Company is debt free and had working capital of $2,585,999. Management remains confident that it can continue to fund its ongoing operations from several sources, including the sale of its products,

milestone payments and royalty income resulting from out-licensing agreements for at least the next 24 months.

As discussed above under the heading "Liquidity and Capital Resources," the Company may seek additional funding, primarily by way of one or more equity offerings, to carry out its business plan and to minimize risks to its operations. The market for equity financings for companies such as Stellar is challenging, and there can be no assurance that additional funding by way of equity financing will be available. The failure of the Company to obtain additional funding on a timely basis may result in the Company reducing or delaying one or more of its planned research, development and marketing programs and reducing related personnel, any of which could impair the current and future value of the business. Any additional equity financing, if secured, may result in significant dilution to the existing shareholders at the time of such financing. The Company may also seek additional funding from other sources, including technology licensing, co-development collaborations, and other strategic alliances, which, if obtained, may reduce the Company's interest in its projects or products. There can be no assurance, however, that any alternative sources of funding will be available.

With second quarter revenues from ongoing sources up by 26.1% over the same period in 2004, management looks forward to continued growth in revenues in the remaining quarters of 2005.

RISKS AND UNCERTAINTIES

Stellar is subject to risks, events and uncertainties, or "risk factors", associated with being both a publicly-traded company operating in the biopharmaceutical industry, and as an enterprise with several projects in the research and development stage. Such risk factors could cause reported financial information to not necessarily indicate future operating results or future financial position. The Company cannot predict all of the risk factors nor can it assess the impact, if any, of such risk factors on its business, or the extent to which any factor, or combination of factors, may cause future results or financial position to differ materially from those reported or those projected in any forward-looking statements. Accordingly, reported financial information and forward-looking statements should not be relied upon as a prediction of future actual results.

Some of the risks and uncertainties affecting the Company, its business, operations and results include, but are not limited to: the Company's dependence on a few customers and a few suppliers, the loss of any of which would negatively impact the Company's operations; the need to develop and commercialize new products which will require further time-consuming and costly research and development, the success of which cannot be assured; the Company's dependency on third parties for manufacturing, materials and for research, development and commercialization assistance and support; the Company's dependency on assurances from third parties regarding licensing of proprietary technology owned by others; government regulation and the need for regulatory approvals for both the development and commercialization of products, which are not assured; uncertainty that the Company's products will be accepted in the marketplace; rapid technological change and competition from pharmaceutical companies, biotechnology companies and universities, which may make the Company's technology or products obsolete or uncompetitive; the need to attract and retain skilled employees; risks associated with claims of infringement of intellectual property and of proprietary rights; risks inherent in manufacturing (including upscaling) and marketing; product liability and insurance risks; risks associated with clinical trials, including the possibility that trials may be terminated early, delayed or unsuccessful; exchange rate fluctuations; political, economic and environmental risks; the need for performance by buyers and suppliers of products; the Company's dependency on performance by its licensees regarding the sale of our licensed-out products, NeoVisc and Uracyst; and the risk of unanticipated expenses or unanticipated reductions in revenue, or both, any of which could cause the Company to reduce, delay or divest one or more of its research, development or marketing programs.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEC at www.sec.gov or visit Stellar's website at www.stellarint.com.

STELLAR PHARMACEUTICALS INC.

INTERIM FINANCIAL STATEMENTS

(Canadian Funds)

(Unaudited)

JUNE 30, 2005

STELLAR PHARMACEUTICALS INC.

JUNE 30, 2005

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INTERIM FINANCIAL STATEMENTS

STELLAR PHARMACEUTICALS INC.

BALANCE SHEET
(Canadian Funds)

ASSETS

	Unaudited As at 30-Jun-05	Audited As at 31-Dec-04
CURRENT		
Cash and cash equivalents (Note 2)	$ 2,588,333	$ 3,172,870
Accounts Receivable	134,987	143,629
Inventories (Note 3)	189,905	336,491
Tax Recoverable	-	38,131
Prepaid, deposits, and sundry receivables (Note 4)	189,487	155,972
	3,102,712	3,847,093
PROPERTY, PLANT, AND EQUIPMENT (Note 5)	988,911	951,860
OTHER ASSETS (Note 6)	20,326	16,431
	$ 4,111,949	$ 4,815,384

LIABILITIES

CURRENT		
Accounts payable	$ 248,059	$ 342,624
Accrued liabilities	42,344	32,503
Deferred revenues	139,572	221,320
	429,975	596,447

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 7)			
AUTHORIZED			
Unlimited	Non-voting, convertible, redeemable, and retractable preferred shares with no par value		
Unlimited	Common shares with no par value		
ISSUED			
23,197,263 Common shares (2004 – 22,802,373)		7,864,941	7,720,873
Paid-in capital options and warrants - outstanding		495,648	374,712
	- expired	67,263	67,263
DEFICIT		(4,745,878)	(3,943,911)
		3,681,974	4,218,937
		$ 4,111,949	$ 4,815,384

See accompanying notes to financial statements.

Approved on behalf of the Board:

/s/ Peter Riehl
DIRECTOR

/s/Arnold Tenney
DIRECTOR

STELLAR PHARMACEUTICALS INC.

INTERIM STATEMENTS OF OPERATIONS AND DEFICITS
(Canadian Funds)

(Unaudited)

	For the Three Month Period Ended June 30		For the Six Month Period Ended June 30	
	2005	**2004**	**2005**	**2004**
REVENUE (Note 8)				
Product sales	$ 420,616	$ 359,778	$ 779,271	$ 649,727
Miscellaneous revenue	843	1,064	1,643	1,064
	421,459	360,842	780,914	650,791
COST OF GOODS SOLD	91,586	64,161	185,619	114,710
	329,873	239,401	595,295	536,081
ROYALTY AND LICENSING REVENUES	74,882	32,690	140,725	303,901
GROSS PROFIT	404,755	329,371	736,020	839,982
EXPENSES				
Selling, general, and administrative	643,370	503,115	1,256,375	943,766
Research and development	91,450	136,884	284,685	222,847
Amortization	34,681	19,413	67,682	38,678
	769,501	659,412	1,608,741	1,205,291
LOSS FROM OPERATIONS	(364,746)	(330,041)	(872,721)	(365,309)
INTEREST AND OTHER INCOME	17,434	(42,386)	70,754	(40,825)
NET LOSS FOR THE PERIOD	(347,312)	(372,427)	(801,967)	(406,134)
DEFICIT, beginning of period	(4,398,566)	(2,632,509)	(3,943,911)	(2,598,802)
DEFICIT, end of period	$ (4,745,878)	$ (3,004,936)	$ (4,745,879)	$ (3,004,936)
LOSS PER SHARE (Note 9)	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 7)	23,159,131	21,716,749	23,089,571	20,083,229

See accompanying notes to financial statements.

STELLAR PHARMACEUTICALS INC.

INTERIM STATEMENT OF CASH FLOWS
(Canadian Funds)

(Unaudited)

	For the Three Month Period Ended June 30		For the Six Month Period Ended June 30	
	2005	**2004**	**2005**	**2004**
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	$ (347,312)	$ (372,427)	$ (801,967)	$ (406,134)
Amortization	34,681	19,411	67,682	38,676
Issuance of shares and options for services rendered	67,851	466	120,936	82,848
	(244,780)	(352,550)	(613,349)	(284,610)
Change in non-cash operating assets and liabilities				
Accounts receivable	15,658	(20,345)	8,642	(81,565)
Inventories	47,144	(49,090)	146,586	(73,774)
Tax recoverable	12,049	(66,273)	38,131	46,384
Prepaid deposits and sundry receivables	22,056	(216,589)	(33,515)	(222,947)
Accounts payable and accrued liabilities	(53,573)	343,338	(84,724)	340,412
Deferred revenue	(43,324)	(17,289)	(81,748)	(19,569)
	(244,770)	(378,798)	(619,977)	(295,670)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(74,066)	(89,098)	(104,136)	(92,283)
Additions to other assets	-	-	(4,492)	(10,351)
	(74,066)	(89,098)	(108,629)	(102,634)
FINANCING ACTIVITIES				
Issuance of common stock	25,100	340,291	144,068	4,700,665
CHANGE IN CASH AND CASH EQUIVALENTS	(293,736)	(127,606)	(584,537)	4,302,361
CASH AND CASH EQUIVALENTS, beginning of period	2,882,069	4,685,204	3,172,870	255,237
CASH AND CASH EQUIVALENTS, end of period	$ 2,588,333	$ 4,557,598	$ 2,588,333	$ 4,557,598

See accompanying notes to financial statements.

STELLAR PHARMACEUTICALS INC.

NOTES TO INTERIM FINANCIAL STATEMENTS
(Canadian funds)

(Unaudited)

JUNE 30, 2005

1. BASIS OF PRESENTATION

These interim financial statements should be read in conjunction with the financial statements for the Company's most recently completed fiscal year ended December 31, 2004. They do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with United States general accepted accounting principles. These financial statements have been prepared using the same accounting policies, and methods as those used by the Company in the annual financial statements at the December 31, 2004 accounts and the year then ended.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring adjustments), which are necessary to present fairly the financial position as at June 30, 2005 and December 31, 2004, and the results of operations and cash flows for the six month periods ended June 30, 2005 and 2004.

a) Cash and cash equivalents include cash and all highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase. Substantially all cash and cash equivalents are under the custodianship of two Canadian financial institutions.

b) The preparation of interim financial statements in conformity with United States generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements and the revenues and expenses during the reporting period. Actual results may differ from those estimates.

c) Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components and requires restatement of all previously reported information for comparative purposes. For the six month periods ended June 30, 2005 and 2004, comprehensive income was the same net earnings.

2. CASH AND CASH EQUIVALENTS

	Unaudited 30-Jun-05	Audited 31-Dec-04
Cash	$ 271,992	$ 2,145,387
Short-term investments	2,316,341	1,027,483
	$ 2,588,333	$ 3,172,870

(Canadian funds)

3. INVENTORIES

	Unaudited 30-Jun-05	Audited 31-Dec-04
Raw material	$ 5,857	$ 135,922
Finished goods	94,660	38,545
Packaging materials	25,687	45,299
Work in process	63,701	116,725
	$ 189,905	$ 336,491

Inventory costs of $21,288 which had become obsolete were removed from inventory; the Company expensed this cost to selling, general, and administrative as these costs were directly related to the Company's name change.

4. PREPAID, DEPOSITS AND SUNDRY RECEIVABLES

	Unaudited 30-Jun-05	Audited 31-Dec-04
Prepaid operating expenses	$ 63,683	$ 19,476
Deposit on goods to be manufactured	38,025	38,025
Materials for use in clinical trials	77,138	82,138
Accrued interest receivable	10,641	-
Directors fees	-	16,333
	$ 189,487	$ 155,972

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2005		
	Cost	Accumulated Amortization	Net Carrying Amount
Land	$ 90,000	$ -	$ 90,000
Building	536,759	17,364	519,395
Office Equipment	39,394	24,287	15,107
Manufacturing Equipment	519,662	215,635	304,027
Computer Equipment	83,431	23,049	60,382
	$ 1,269,246	$ 280,335	$ 988,911

(Canadian funds)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited 31-Dec-04		
	Cost	Accumulated Amortization	Net Carrying Amount
Land	$ 90,000	$ -	$ 90,000
Building	520,989	4,286	516,703
Office Equipment	39,394	22,554	16,840
Manufacturing Equipment	480,476	166,787	313,689
Computer Equipment	34,252	19,624	14,628
	$ 1,165,111	$ 213,251	$ 951,860

6. OTHER ASSETS

	Unaudited 30-Jun-05		
	Cost	Accumulated Amortization	Net Carrying Amount
Patents	$ 22,586	$ 2,261	$ 20,325
Goodwill	1	-	1
	$ 22,587	$ 2,261	$ 20,326

	Audited 31-Dec-04		
	Cost	Accumulated Amortization	Net Carrying Amount
Patents	$ 18,091	$ 1,661	$ 16,430
Goodwill	1	-	1
	$ 18,092	$ 1,661	$ 16,431

(Canadian funds)

7. CAPITAL STOCK

(a) Common Shares

During the six month period, 394,890 Common Shares were issued to consultants, employees and directors who exercised stock options with an average price per share of $0.36 for cash.

	Number of Shares	$ Amount
Balance, December 31, 2004	22,802,373	$ 7,685,010
Issued for cash consideration	324,890	118,968
Balance, March 31, 2005	23,127,263	$ 7,803,978
Issued for cash consideration	70,000	25,100
Balance, June 30, 2005	23,197,263	$ 7,829,078

(b) Paid-in Capital Options and Warrants

The changes to the paid-in capital options and warrants are as follows:

Balance, December 31, 2004	$ 374,172
Options issued to consultants	53,085
Balance, March 31, 2005	$ 427,792
Options issued to consultants	67,852
Balance, June 30, 2005	$ 495,648

(c) Stock Options

During the six months ended June 30, 2005, the Company granted 145,000 options to employees, directors and officers, each of which entitles the holder to purchase one Common Share of the Company for $1.66 per share at any time until May 12, 2008 (2004 - 315,000 at an average price of $2.03). During the first half of the year, 130,000 options previously granted to consultants vested, with a weighted average fair value of $.93 (June 30, 2004 - $.49). The Company recorded $120,937 (June 30, 2004-$23,100) as consulting expenses in the first half of the year. The total number of options outstanding as at June 30, 2005 was 1,710,110.

The average fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions.

Risk-free interest rate	3.59%
Expected life	2.5years
Expected volatility	5.70%
Dividend yield	0%

On June 29, 2005, the Company increased the number of options in the plan to 4,629,452 from 4,157,841

(Canadian funds)

7. (d) Paid in Capital Options

Paid in Capital Options includes outstanding stock options amounting to $495,648 and expired stock options of $67,263 at June 30, 2005 (December 31, 2004 - $374,712 and $67,263 respectively).

8. REVENUES

Revenue for the six months ended June 30, 2005 includes products sold in Canada, international sales of products and revenue received with regard to a sign rental contract for a sign located on the property. Revenue earned is as follows:

	Unaudited June 30,	
	2005	2004
Products sales		
Domestic sales	$ 748,739	$ 621,873
International sales	30,532	27,854
	779,271	649,727
Royalties & licensing revenue		
Licensing fees	-	267,220
Royalty payments	140,725	36,681
	140,725	303,901
Miscellaneous revenue		
Miscellaneous items	1,643	1,064
Total Revenue	$ 921,639	$ 954,692

9. LOSS PER SHARE

Loss per share is calculated on the basis of the weighted average number of Common Shares outstanding for the six months ended June 30, 2005 totaling 23,089,571 Common Shares (June 30, 2004-20,083,229).

The diluted loss per share has not been computed, as the effect would be anti-dulitive. The following table sets forth the computation of loss per share for the six months ended June 30:

	2005	2004
Numerator for loss per share available to shareholders	$ (801,967)	$ (406,134)
Denominator for basic earnings (loss) per share – Weighted average shares outstanding	23,089,571	20,083,229
Loss per share	$ (0.03)	$ (0.02)

10. INVESTMENT TAX CREDITS RECEIVABLE AND MEASUREMENT UNCERTAINTY

Investment tax credits are earned in connection with research and development activities. At June 30, 2005, all cash tax credit amounts had been received in full (December 31, 2004 - $38,131).

The provincial portion of the research and development claim for 2002 of $12,049 has been received and this amount has been recorded as a credit to related expenses.

The unrecorded research and development claims for 2003 and 2004 will be filed in due course. The extent of the overall claim is dependent upon the qualification of each individual project under strict technical criteria, and amounts may vary upon review by Canada Revenue Agency. Adjustments to the claim, if any, will be accounted for in the year of assessment.

11. CONTINGENCIES AND COMMITMENTS (continued)

(a) Royalty Agreement

In September 2000, the Company entered into a royalty agreement for sales of Uracyst. The agreement involves royalty payments, which are based on 2% of the total sales of Uracyst until the end of the agreement on September 30, 2008. Royalty payments for the six months ended June 30, 2005 were $140,725 (June 30, 2004 - $36,681).

In February 2002, the Company entered into a royalty agreement for products which were introduced to Stellar by a consultant. The agreement involves royalty payments, which will be paid based on gross dollar sales. The schedule for royalty payments is presently calculated on Skelite sales as follows:

First $1,000,000 in sales - 3%
Second $1,000,000 in sales - 2%
All sales over $2,000,000 - 1% out to the 5^{th} year.

(b) License Agreement

In June 2005 Stellar entered into an exclusive licensing agreement with INNOGEN ILAÇ SAN. TIC. LTD. STI. ("Innogen") for the sale of NeoVisc® in Turkey. Sales of NeoVisc will not commence until the receipt of all required approvals from Turkish authorities. The term of this agreement will continue for a period of three years and will be renewable for an additional three years, unless earlier terminated by either party in accordance with the agreement.

(c) Distribution Agreement

There are no changes to the distribution agreements as disclosed in Note 13(d) of the annual financial statements for the 2004 fiscal year.

11. (d) Facilities

In June 2004, the Company entered into an agreement, to purchase a 10,000 sq ft building in London, Ontario, Canada. The total purchase price was $450,000, of which $90,000 was estimated to be the value of the land. The building has sufficient space to accommodate the packaging process, as well as provide warehousing and greater office space. The Company moved to the new location on October 22, 2004. The Company had renovation costs of $153,495 as of December 31, 2004 and additional costs of $15,770 during the first six months of 2005, which has been allocated as building costs. Of these costs $13,318 has been used in preparation of the new packaging area.

(e) Leases

The Company presently leases office equipment under operating leases. At June 30, 2005, the future minimum lease payments under operating leases are $5,600.

12. SIGNIFICANT CUSTOMERS

During the three month period ended June 30, 2005, the Company had one customer that represented 32.5% of sales (June 30, 2004 - 38.3%).

13. CHANGE OF NAME

Effective January 1, 2005 the Company changed its name from Stellar International Inc. to Stellar Pharmaceuticals Inc. This name change is being made so that the Company’s name better reflects its underlying business.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

CERTIFICATION
Pursuant to Rule 13a-14

I, Peter Riehl, the Chief Executive Officer of Stellar Pharmaceuticals Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Stellar Pharmaceuticals Inc. for the interim period ending June 30, 2005.

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

    a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 9, 2005

By: /s/ Peter Riehl

Peter Riehl
Chief Executive Officer

CERTIFICATION

Pursuant to Rule 13a-14

I, Janice Clarke, the Chief Financial Officer of Stellar Pharmaceuticals Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Stellar Pharmaceuticals Inc. for the interim period ending June 30, 2005.

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

    a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 9, 2005

By: /s/Janice Clarke

Janice Clarke
Title Chief Financial Officer

Exhibit 99.1

CERTIFICATION 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 of Stellar Pharmaceuticals Inc. (the "Company") on Form 10-QSB for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter Riehl, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §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 this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2005

By: /s/ Peter Riehl

Peter Riehl
Title Chief Executive Officer

Exhibit 99.2

CERTIFICATION 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 of Stellar Pharmaceuticals Inc. (the "Company") on Form 10-QSB for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Janice Clarke, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §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 this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2005

By: /s/ Janice Clarke

Janice Clarke
Title Interim Chief Financial Officer