FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

*This management's discussion and analysis ("**MD&A**") of ESSA Pharma Inc. (the "**Company**" or "**ESSA**") for the years ended September 30, 2016, 2015 and 2014 is dated as of December 14, 2016.*

*This MD&A has been prepared with reference to National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended September 30, 2016, 2015 and 2014 and the related notes thereto. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.*

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Please refer to the discussion of forward-looking statements set out under the heading "Cautionary Note Regarding Forward-Looking Statements", located at the end of this document. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements.

*The Company's common shares trade on the Toronto Stock Exchange ("**TSX**") under the symbol "EPI" and the NASDAQ Capital Market ("**NASDAQ**") under the symbol "EPIX".*

OVERVIEW OF THE COMPANY

ESSA is a clinical stage pharmaceutical company focused on developing novel and proprietary therapies for the treatment of prostate cancer in patients whose disease is progressing despite treatment with current therapies, including abiraterone and enzalutamide. The Company believes its product candidate, EPI-506, can significantly expand the interval of time in which patients suffering from castration-resistant prostate cancer ("**CRPC**") can benefit from hormone-based therapies. Specifically, EPI-506 acts by disrupting the androgen receptor ("**AR**") signaling pathway, which is the primary pathway that drives prostate cancer growth. EPI-002, the primary metabolite of EPI-506, prevents AR activation by binding selectively to the N-terminal domain ("**NTD**") of the AR. A functional NTD is essential for activation of the AR. Blocking the NTD prevents activation of the AR by all of the known mechanisms of activation. In pre-clinical studies, blocking the NTD has demonstrated the capability to prevent AR activation and overcome the known AR-dependent mechanisms of CRPC.

The Company's Investigational New Drug ("**IND**") application to the U.S. Food and Drug Administration ("**FDA**") for EPI-506 to begin a Phase 1/2 clinical trial was accepted in September 2015 with the first clinical patient enrolled in November 2015. The Company's Canadian Clinical Trial Application ("**CTA**") submission was subsequently also accepted and the trial continues to enroll patients in the United States and Canada. In addition, applications to involve European investigators in the Phase 2 portion of the trial were submitted in March 2016 to the Medicine and Healthcare products Regulatory Agency ("**MHRA**") (United Kingdom), and the National Agency for the Safety of Medicines and Health Products ("**ANSM**") (France). These applications have received conditional approval pending review of the Phase 1 results, and initiation of participation on European sites is pending the completion of Phase 1 of the study. Through this Phase 1/2 clinical trial the Company is exploring the safety, tolerability, maximum tolerated dose and pharmacokinetics of EPI-506, in addition to tumor response rates in asymptomatic or minimally symptomatic patients with metastatic CRPC who are no longer responding to either abiraterone or enzalutamide treatments, or both. Efficacy endpoints include prostate specific antigen ("**PSA**") reduction, as well as other progression criteria including radiographic responses.

According to the American Cancer Society, in the United States, prostate cancer is the second most frequently diagnosed cancer among men, behind skin cancer. Approximately one-third of all prostate cancer patients who have been treated for local disease will subsequently have rising serum levels of PSA, which is an indication of recurrent or advanced disease. Patients with advanced disease often undergo androgen ablation therapy using analogues of luteinizing hormone releasing hormone ("**LHRH**") or surgical castration. Most advanced prostate cancer patients initially respond to androgen ablation therapy, however many experience a recurrence in tumor growth despite the reduction of testosterone to castrate levels, and at that point are considered to have CRPC. Following diagnosis of CRPC, patients are often treated with anti-androgens, which block the binding of androgens to the AR.

The growth of prostate tumors is mediated by an activated AR. Generally, there are three means of activating the AR. First, androgens such as dihydrotestosterone can activate AR by binding to its ligand-binding domain ("**LBD**").

Second, CRPC can be driven by constitutively-active variants of AR ("**vAR**") that lack a LBD and do not require androgen for activation. The third mechanism involves certain signaling pathways that activate AR independent of androgen activity. Current drugs for the treatment of prostate cancer work by focusing on the first mechanism and either interfering with the production of androgen or preventing androgen from binding to LBD, but this approach eventually fails and may not block the other two mechanisms of AR activation. By directly and selectively blocking all known means of activating the AR, the Company believes EPI-506 holds the potential to be effective in cases where current therapies have failed.

According to the Decision Resources Group, in 2014, there were approximately 213,000 prevalent cases of CRPC, and that prevalence is expected to increase to approximately 235,000 in 2023. The Company expects that EPI-506 could be effective for many of those patients. The Company intends to first focus on patients who have failed abiraterone or enzalutamide therapies for the following reasons:

- CRPC treatment remains the prostate cancer market segment with the greatest unmet therapeutic need and is therefore a potentially large market;
- the Company believes that the unique mechanism of action of its product candidate is well suited to treat patients who have failed androgen receptor ligand-binding domain ("AR-LBD") focused therapies; and
- the Company expects the large number of patients with unmet therapeutic needs in this area will facilitate timely enrollment in its clinical trials.

EPI-506 is a potent pro-drug of EPI-002, a stereoisomer of the discovery compound, EPI-001. A pro-drug is a drug which after administration is converted into an active form through a normal metabolic process. Pro-drugs are typically utilized to administer and more efficiently deliver another drug, which in this case is EPI-002. In pre-clinical studies, EPI-001 has been shown to shrink benign prostate tissue in mice, and both EPI-506 and EPI-002 have been demonstrated to inhibit prostate tumors in mice.

The NTD of AR is flexible with a high degree of intrinsic disorder making it extremely difficult to be used for crystal structure-based drug design. The Company is not currently aware of any success by other drug development companies in finding drugs that bind to this drug target. The nature of the highly specific binding of the EPI compounds to the NTD, and the biological consequences of that binding, have been defined in recent scientific studies.

The Company is currently conducting a Phase 1/2 clinical trial with the Phase 1 dose-escalation group being conducted at 5 sites in the United States, Canada, the UK, and France. Key enrollment criteria are progressive, metastatic CRPC for patients who are no longer responding to abiraterone or enzalutamide. Efficacy endpoints include PSA response and radiographic progression criteria. The Company will also assess biomarkers of resistance including the splice variant status of patients, as well as the presence of mutations in the DNA coding the androgen receptor. A biomarker is a measurable biological or chemical change that is believed to be associated with the severity or presence of a disease or condition. If the Phase 1/2 trial is successful, the Company expects FDA approval would be sought to commence a Phase 3 trial in a similar patient population.

The British Columbia Cancer Agency ("**BCCA**") and the University of British Columbia ("**UBC**") are joint owners of the intellectual property that constitutes the Company's primary asset. The Company has entered into a joint agreement with those two institutions which provides them with exclusive access to the issued patents and the patent applications to its EPI-series compounds, including EPI-506.

Strategy

The Company's therapeutic goal is initially to provide a safe and effective therapy for prostate cancer patients who have failed current therapies, and ultimately to treat all AR-dependent forms of prostate cancer. The Company intends to accomplish those objectives while maximizing shareholder value. Specific components of the Company's strategy include:

Advancing EPI-506 through clinical development and regulatory approval in CRPC patients

The Company is conducting a Phase 1/2 trial to determine the safety, tolerability, maximum tolerated dose, pharmacokinetics and potential therapeutic benefits of EPI-506 in CRPC patients. If the Phase 1 trial proceeds as planned to completion in Q1 of calendar 2017, the Company expects to complete the Phase 2 portion of the trial in Q1 of calendar 2018.

Developing EPI-506 as an essential component of a new standard of care for the treatment of pre-CRPC and expand usage earlier in the disease stage

The activated AR is required for the growth and survival of most prostate cancer; therefore, the Company believes the AR NTD is an ideal target for next-generation hormone therapy. If EPI-506 is successful in treating CRPC patients, it is reasonable to expect that EPI-506 may be effective in treating earlier stage patients. Therefore, the Company may conduct additional clinical studies potentially leading to approval of EPI-506 for use in prostate cancer patients at an earlier disease stage.

Identifying new indication areas with high unmet medical need

Several other diseases and conditions are impacted by activated AR, including certain sub-populations of breast cancer, Kennedy's disease (an orphan neurological condition) and male pattern baldness. While the Company's primary focus will remain the treatment of prostate cancer, the Company may explore such applications in the future.

Evaluating strategic collaborations to maximize value

The Company currently retains all commercial rights for its EPI-series drug portfolio. The Company intends to evaluate potential collaborations that could enhance the value of its prostate cancer program and allow us to leverage the expertise of strategic collaborators. The Company also intends to explore collaborations in order to develop applications of its product candidate outside prostate cancer.

CORPORATE UPDATE AND OVERALL PERFORMANCE

ESSA has entered the clinical development stage and does not currently generate revenue. During the year ended September 30, 2016, the Company incurred a comprehensive loss of $13,477,551 (2015 - $11,341,799; 2014 - $1,895,667). As of September 30, 2016, the Company had cash resources of $8,985,095 (2015 - $1,579,288; 2014 - $3,699,980) and working capital of $6,389,257 (2015 - $4,999,066; 2014 - $3,239,538).

This corporate update highlights significant events and transactions for the year ended September 30, 2016 and for the subsequent period to the date of this report.

Research and Development Milestones

Enrollment of First Patient in Phase 1/2 Trial for EPI-506

In November 2015, the Company opened its first clinical trial sites and enrolled the first patient in the Phase 1/2 clinical study of EPI-506. In its Phase 1/2 clinical trial, ESSA intends to demonstrate the safety, tolerability, maximum tolerated-dose, pharmacokinetics, and efficacy of EPI-506 in metastatic CRPC patients who have failed abiraterone or enzalutamide therapy or both.

As part of the clinical study, ESSA will collect molecular biomarker information which may provide useful context in understanding patient outcomes. Androgen receptor splice variant V7 data will be included in such information.

Details relating to the Phase 1/2 clinical trial are available on the US National Institutes of Health clinical trials website (see https://clinicaltrials.gov).

Corporate and Finance Highlights

Private Placements

On January 14, 2016, the Company completed a private placement (the "**January 2016 Financing**") of 4,545,452 units of the Company at $3.30 per unit for aggregate gross proceeds of approximately $15,000,000. Each unit consists of one common share of the Company, one seven-year cash and cashless exercise warrant and one-half of one two-year cash exercise warrant (collectively, the "**2016 Warrants**"). Each of the 2016 Warrants has an exercise price of $3.30. The Company intends to use the net proceeds from the January 2016 Financing for general corporate purposes, including funding research and development, preclinical and clinical expenses, and corporate costs.

On March 21, 2016, the Company completed a private placement (the "**March 2016 Financing**") of 1,666,666 common shares of the Company at $3.00 per share for aggregate gross proceeds of approximately $5,000,000. The Company intends to use the net proceeds from the March 2016 Financing for general corporate purposes, including financing research and development, preclinical and clinical expenses, and corporate costs.

In December 2015, ESSA filed a short form base shelf prospectus with securities regulatory authorities in British Columbia, Alberta and Ontario, and a corresponding shelf registration statement with the United States Securities and Exchange Commission (the "**SEC**") on Form F-10. The shelf prospectus and the Form F-10, subject to Canadian and U.S. securities regulatory requirements, respectively, provides for the potential offering from time to time over a 25-month period in Canada and the United States, of up to an aggregate of US$100 million of ESSA's common shares, warrants, debt securities and other securities. The shelf prospectus and the Form F-10 are intended to give ESSA the flexibility to take advantage of financing opportunities when market conditions are favorable. The terms of such future offerings, if any, will be established at the time of such offerings.

Additional details with respect to the January 2016 Financing and March 2016 Financing can be found in the material change reports of ESSA dated January 15 and March 30, 2016, respectively.

Senior Leadership Changes

On January 7, 2016, Dr. David R. Parkinson was appointed as the Company's President and Chief Executive Officer. Dr. Parkinson has significant experience in the development of novel approaches to cancer therapy. He has served as Vice President, Global Clinical Oncology for Novartis International AG ("Novartis"), and as Vice President, Oncology Development at Amgen, Inc ("Amgen"). During his tenures at Amgen and Novartis, Dr. Parkinson was responsible for clinical development activities leading to a series of successful global drug registrations for important cancer therapeutics, including Gleevec, Femara, Zometa, Kepivance, and Vectibix. In addition, Dr. Parkinson has also served as the Sr. Vice President, Oncology Research and Development at Biogen Idec and as the chief executive officer of the diagnostics company Nodality, Inc. Most recently he has been serving as a venture partner at New Enterprise Associates, Inc., and as a board director for several companies.

Dr. Parkinson replaced Mr. Robert Rieder who announced his departure from the Company and resignation from the board of directors of the Company.

On January 14, 2016, effective on the closing of the January 2016 Financing, Scott Requadt, Managing Director of Clarus Ventures, LLC, was appointed to the board of directors of the Company, pursuant to the nomination rights held by Clarus Lifesciences III, L.P. ("**Clarus**").

Pursuant to the terms of a subscription agreement between the Company and Clarus in connection with the January 2016 Financing, Clarus is entitled to nominate two directors to the board of directors of the Company, one of which must be an independent director and pre-approved by the Company. The nomination rights will continue for so long as Clarus holds greater than or equal to 1,060,606 common shares, subject to adjustment in certain circumstances. Claurs has not yet exercised its right to nominate a second director to the board of directors of the Company.

On August 1, 2016, the Company appointed Peter Virsik as Executive Vice-President and Chief Operating Officer. Mr. Virsik is a biopharmaceutical executive with over 20 years of experience in corporate development, new product planning, licensing and alliance management with global pharmaceutical organizations. He has served as Senior Vice-

President, Corporate Development, for XenoPort, Inc. ("**XenoPort**") (acquired by Arbor Pharmaceuticals, LLC), leading licensing, strategy, new product planning and alliance management for the company. During his tenure at XenoPort, Mr. Virsik played a role in the licensing and commercialization of Horizant (gabapentin enacarbil). Prior to XenoPort, Mr. Virsik worked for Gilead Sciences, Inc. ("**Gilead**") from 2000 through 2005 in corporate development, where he was involved in building Gilead's HIV franchise through the acquisition of Triangle Pharmaceuticals, Inc. and the licensing of Vitekta (elvitegravir). Before joining Gilead, Mr. Virsik worked at J.P. Morgan & Co. in the biotechnology equity research group and as a consultant for Ernst and Young. Mr. Virsik began his career in research and development at Genentech Inc.

Debt Financing

On November 18, 2016, the Company entered into a $10,000,000 capital term loan facility agreement with Silicon Valley Bank ("**SVB**"), pursuant to which the Company has initially drawn down $8,000,000, with a conditional option to receive an additional $2,000,000 by April 28, 2017 upon positive data for its ongoing Phase 1 clinical trial of EPI-506 and receipt of the third and final tranche of $5,422,000 of the grant (the "CPRIT Grant") under the Cancer Prevention Research Institute of Texas ("CPRIT") Program. The term loans bear an interest rate of Wall Street Journal Prime Rate plus 3% per annum and will mature on September 1, 2020. The loan agreement entered in with SVB requires a final payment of 8.6% of the amount advanced under the term loans, due upon the earlier of the maturity or termination of the term loan facility. The term loans are secured by perfected first priority lien on all the company's assets, with a negative pledge on intellectual property. The term loans are subject to standard events of default, including default in the event of a material adverse change. There are no financial covenants. Upon funding of the respective tranches, the Company granted to SVB warrants to purchase shares of the Company's common stock equal to 4% of the amount advanced, divided by the exercise price of the warrants, based on the five-day volume-weighted average trading price of the Company's common shares on the TSX, to be determined at the time of the issuance of the warrants. In connection with the initial $8,000,000 advance, the Company granted SVB and Life Sciences Loans II LLC an aggregate of 149,532 warrants, exercisable at a price of $2.14 per share for a period of seven years.

DISCUSSION OF OPERATIONS

Programs and Potential Products

EPI-Series Drugs

The Company's product candidate, EPI-506, is a selective, oral small molecule pro-drug that blocks the NTD of the AR. The AR is required for the growth and survival of most prostate cancer; therefore, the NTD of the AR is an ideal target for next-generation hormone therapy. Consistent with the inhibition of AR activity by other EPI compounds, experimentation conducted in a test-tube or in a controlled environment outside a living organism ("*in vitro*" studies) and experimentation done in or on the living tissue of a whole, living organism ("*in vivo*" studies) show that EPI-506 selectively blocks AR-dependent proliferation of human prostate cancer cells that express AR and do not inhibit the proliferation of cells that do not express functional AR or do not rely on the AR for growth and survival. By directly inhibiting the NTD of the AR, the Company believes EPI-506 may be able to overcome resistance mechanisms in CRPC.

The Company is currently conducting a Phase 1/2 clinical trial to determine the safety, tolerability, maximum tolerated dose, pharmacokinetics, and efficacy of EPI-506 in CRPC patients. In Phase 1, the trial will evaluate the safety, tolerability, pharmacokinetics, and maximum-tolerated dose of EPI-506, in multiple-dose escalations. The Phase 2 portion (dose expansion) of the trial will then evaluate activity in three patient cohorts: post-enzalutamide CRPC, post-abiraterone CRPC, and both post-enzalutamide and post-abiraterone CRPC.

The Company licensed the EPI- family of drugs from the UBC and BCCA whose initial lead compound was EPI-001. It is a mixture of four stereoisomers, each of which has the same chemical constitution, but different spatial orientation of its constituent atoms. While all the stereoisomers are active against the AR NTD, the most effective stereoisomer of EPI-001 that had been identified at the initiation of the program is EPI-002 and substantial experimentation with EPI-002 has been completed and published. EPI-506 is a pro-drug of EPI-002, meaning that EPI-506 metabolizes to EPI-002 in vivo once it is dosed orally.

Pre-clinical Studies

The Company is focused on developing EPI-506 as its clinical development candidate. The *in vivo* efficacy of EPI compounds has been demonstrated using human prostate cancer xenograft models.

The Company's initial work to support the CRPC indication consisted of pre-clinical studies and bioanalytical development, as well as Good Laboratory Practices ("**GLP**") and non-GLP toxicology trials in three species. Bioanalytical development for pre-clinical studies has been conducted in Vancouver, Canada.

To formally assess any potential safety issues related to EPI-506, the Company has conducted various dose-ranging non-GLP and IND enabling 28-day GLP toxicity trials in rodents and non-rodents, dose-ranging trials that lead to 28-day GLP toxicology trials. Consistent with the development of other oncology therapies at this early stage, no reproductive toxicology trials are required, given the patient population to be treated. The toxicology trials incorporate toxicokinetic data in order to correlate potential toxic effects with EPI-506 exposure. *In vitro* metabolism data using hepatocytes has been generated. A radiolabeled form of EPI-506 is available and will be used for further metabolism and distribution work *in vivo*.

The Company has used Southwest Research Institute in San Antonio, Texas for Current Good Manufacturing Practices ("**CGMP**") manufacturing of EPI-506 for early clinical trials. Manufacturing for the ongoing Phase 1 clinical trial is being conducted by Sigma Aldrich Fine Chemicals, Sheboygan Falls, Wisconsin. Formulation and cGMP production of the final drug product for clinical trials is performed by Catalent Pharma Solutions, St. Petersburg, Florida.

Planned Clinical Development Program

Phase 1/2 Clinical Trial Design for treating CRPC patients

The Company's IND application to the FDA for EPI-506 to begin a Phase 1/2 clinical trial to determine the safety, tolerability, maximum tolerated dose, pharmacokinetics and potential therapeutic benefits of EPI-506 in CRPC patients was accepted in September 2015 with the first clinical patient enrolled in November 2015. Additionally, the Company received a "no objection letter" from the Therapeutic Products Directorate of Health Canada in response to the CTA for EPI-506 allowing the clinical trial to be conducted in Canada. In addition, applications to involve European investigators in the Phase 2 portion of the trial were submitted in March 2016 to the MHRA (United Kingdom), and the ANSM (France) to expand Phase 2 of the program to Europe. These applications have received conditional approval pending review of the Phase 1 experience, and initiation of a participation on European sites is pending the completion of Phase 1 of the study.

The Phase 1 portion of the trial is expected to enroll approximately 30 patients with CRPC. Following single-dose evaluation, patients are expected to then receive once-daily oral dosing for 28 days to assess safety for dose escalation. Further, patients will continue to receive the trial drug for 12 weeks or longer to assess efficacy. The endpoints of this part of the trial will be to assess safety, tolerability, maximum tolerated dose and pharmacokinetics of EPI-506. Efficacy endpoints include PSA response and radiographic progression criteria. This Phase 1 portion of the trial is being conducted at five sites in the United States and Canada and the Company expects establishment of a dose for Phase 2 study to be completed by approximately Q1 of calendar 2017 depending on the enrollment rate and number of dose escalation steps. Depending on the results of the Phase 1 portion of the trial, additional patient cohorts may be added to address relevant questions on patients' tumor response and molecular profile (e.g. AR splice variant status).

Upon successful completion of the Phase 1 dose-escalation portion of the trial, the Phase 2 portion of the trial is currently expected to focus on CRPC patients with progressive metastatic disease and rising PSA who are no longer responding to abiraterone or enzalutamide, or both. The main outcomes to be measured are expected to be:

- PSA response (reduction in blood PSA level of 50% or more);
- PSA progression;
- radiographic progression; and
- objective responses.

The Company expects to collect circulating tumor cells so that the status of AR splice variant and other relevant biological markers related to AR signaling can be determined. If Phase 1 proceeds to completion in Q1 of calendar 2017 as planned, depending on the enrollment rate and dose-escalation steps, the Company expects to conduct the expanded Phase 2 portion of the trial in the United States, Canada, the UK, and France, and expects the study completion by Q1 of calendar 2018.

Phase 3 Clinical Trial

In order to obtain regulatory approval, the Company expects that it will be required to carry out at least one Phase 3 trial. At this time, the Company expects that these patients will be a similar population of CRPC patients that were enrolled in the Phase 1/2 trial. However, the results of the Phase 1/2 trial may suggest modification of the initial patient population based on response and biomarker assessment. In the Phase 3 clinical trials, the key end-point is expected to be overall survival relative to patients receiving the standard-of-care. It is expected the Phase 3 clinical trial will be conducted at many sites around the world.

SELECTED ANNUAL FINANCIAL INFORMATION

ESSA was incorporated on January 6, 2009 and did not engage in any material financial or commercial activity until commencing operations in 2010. The Company has not earned revenues or declared dividends as of September 30, 2016.

The following table sets forth selected consolidated financial information for the periods indicated. The selected consolidated financial information set out below for the years ended September 30, 2016, September 30, 2015, and September 30, 2014 have been derived from our audited consolidated financial statements and accompanying notes, in each case prepared in accordance with IFRS. Effective January 1, 2016, the Company changed its functional currency from the Canadian dollar to the United States dollar and in anticipation thereof, adopted the United States dollar as the presentation currency as of October 1, 2015 (see "Changes in or Adoption of Accounting Policies – Change in Functional and Presentation Currency").

The selected consolidated financial information set out below may not be indicative of ESSA's future performance.

	Year ended September 30, 2016	Year ended September 30, 2015	Year ended September 30, 2014
Revenue	$ Nil	$ Nil	$ Nil
Research and development expenses	13,060,201	4,975,928	671,600
Total operating expenses	19,642,164	10,328,849	1,824,537
Net loss	13,139,788	9,676,587	1,823,929
Comprehensive loss	13,477,551	11,341,799	1,895,667
Loss per share – basic and diluted	0.49	0.53	0.12
Total assets	10,402,562	7,539,773	4,201,833
Total long-term liabilities	7,309,467	993,099	Nil
Cash dividends declared per-share	Nil	Nil	Nil

Years ended September 30, 2016, 2015 and 2014

The Company incurred a comprehensive loss of $13,477,551 for the year ended September 30, 2016 compared to a comprehensive loss of $11,341,799 for the year ended September 30, 2015 and $1,895,667 for the year ended September 30, 2014. The January 2016 Financing gave issue to the 2016 Warrants which are derivative liabilities carried at fair value under the Black Scholes valuation methodology. Consequently, the major disparity in comprehensive loss between fiscal 2016 and 2015 is driven by a gain of $6,574,105 (2015 – loss of $907,598; 2014 - $nil) with respect to the fair value of the Company's derivative liabilities. In addition, the Company recognized recoveries of research and development expenditures of $nil, $5,438,964 and $1,285,921 in the years ended September 30, 2016, 2015 and 2014, respectively, resulting in increased research and development expenses in the current year.

Other significant changes in comprehensive loss are as follows:

Research and Development

- The overall Research and Development ("**R&D**") expense for the year ended September 30, 2016 was $13,060,201 compared to $4,975,928 for the year ended September 30, 2015 and $671,600 for the year ended September 30, 2014. The gross expense for the period was $13,060,201 (2015 - $10,414,892; 2014 - $1,957,521) before recognition of Scientific Research & Experimental Development ("**SR&ED**") tax credits of $nil (2015 - $59,666; 2014 - $215,984) and qualifying CPRIT Grant funds of $nil (2015 - $5,379,298; 2014 - $1,069,937). This reflects a significantly higher investment in research and development activities, inclusive of preclinical and clinical work, from the amounts expended in the comparative periods.

- In the fourth quarter of fiscal 2014, the Company established office space and began to hire staff in Houston, Texas in order to undertake the preclinical work needed for the IND submission as well as developing the clinical protocol for the Phase 1/2 study being be administered from ESSA's Houston office. In fiscal 2015, the Company was focused on the preclinical work needed for the IND submission as well as developing the clinical protocol for the Phase 1/2 study being administered from ESSA's Houston office. In January 2015, the Company issued 4,363,634 special warrants at a price of $2.75 per special warrant for gross proceeds of $11,999,994 (the "**2015 Special Warrant Financing**"), which enabled the Company to accelerate its work relating to the IND filing. The IND application was filed on March 31, 2015 with additional chemistry and pharmaceutical data work provided to the FDA in the following quarters. The IND was ultimately approved in September 2015 with the clinical trial beginning in November 2015. Consequently, the R&D spend in the year ended September 30, 2016 has been higher reflecting the investment in clinical work and overall higher level of sustained activity.

- Pharmacology costs of $866,527 (2015 - $1,420,276; 2014 - $385,260) have decreased compared to the comparative period in 2015 due to the completion of testing and experimentation on the Company's EPI-series drugs. The investment for the comparative period was significant as the Company worked with its research facility partners to complete the documentation and information to supplement its IND application as filed at the end of March 2015.

- Manufacturing costs of $3,601,407 (2015 - $3,417,551; 2014 - $411,078) have increased compared to the comparative periods in 2015 and 2014 as the Company has continued to manufacture and complete batches of EPI-506 for use in the clinical trial which commenced in November 2015.

- Clinical costs of $2,920,104 (2015 - $304,142; 2014 - $nil) have increased due to work performed by the clinical research organization in preparation for and conducting of the Phase 1/2 clinical trial, which commenced in November 2015.

- Consulting fees have increased to $1,333,323 (2015 - $1,072,039; 2014 - $309,610) as the Company has engaged qualified professionals to conduct specific R&D services for the Company in relation to the Phase 1/2 clinical trial, which commenced in November 2015, in addition to regular payments made to the Company's Chief Scientific Officer and Chief Technical Officer over the period.

- Legal patents and license fees have increased to $905,392 (2015 - $554,712; 2014 - $309,855) as the Company has submitted a number of patent applications for which the Company owns the rights. The Company has adopted a tiered patent strategy to protect its intellectual property as the pharmaceutical industry places significant importance to patents for the protection of new technologies, products and processes. The Company anticipates that there will be ongoing investment into patent applications.

- Salaries and benefits have increased to $2,194,047 (2015 - $1,671,567; 2014 - $92,799) and include the Company's Chief Medical Officer, Executive VP of Research and 14 preclinical and clinical staff in Texas. The Company has invested significantly to develop a team which efficiently advanced the IND application in fiscal 2015 and supported the ongoing Phase 1/2 clinical trial in fiscal 2016, which commenced in November 2015.

R&D expenses include the following major expenses by nature for the years ended September 30, 2016, 2015 and 2014:

	Year ended September 30, 2016	Year ended September 30, 2015	Year ended September 30, 2014
Clinical	$ 2,920,104	$ 304,142	$ -
Consulting	1,333,323	1,072,039	309,610
Legal patents and license fees	905,392	554,712	309,855
Manufacturing	3,601,407	3,417,551	411,078
Other	306,657	299,470	26,899
Pharmacology	866,527	1,420,276	385,260
Program administration	381,429	428,096	-
Royalties	46,228	30,550	36,722
Salaries and benefits	2,194,047	1,671,567	92,799
Share-based payments (Note 10*)	322,160	779,263	321,524
Travel	182,927	437,226	63,774
SR&ED tax credits	-	(59,666)	(215,984)
CPRIT grant claimed on eligible expenses (Note 18*)	-	(5,379,298)	(1,069,937)
Total	$ 13,060,201	$ 4,975,928	$ 671,600

* See the Notes set out in the accompanying consolidated financial statements for the year ended September 30, 2016.

Share-based payments expense of $322,160 (2015 - $779,263; 2014 - $321,524) relates to the value assigned to stock options granted to key management and consultants of the Company conducting research and development activities. The expense is recognized in relation to the grant and vesting of these equity instruments as measured by the Black-Scholes pricing model.

General and administrative

General and administration expenses for the year ended September 30, 2016 increased to $5,644,118 from $5,259,166 in the comparative period in 2015 and $1,065,350 in the comparative period in 2014. Significant components of the expense in the current period included:

- Director fees of $204,049 (2015 - $128,362; 2014 - $nil) commencing with the Company becoming publicly-listed on the TSX Venture Exchange ("**TSX-V**") in January 2015.

- Investor relations expense of $317,822 (2015 - $219,312; 2014 - $nil). The Company's initial listing on the TSX-V in January 2015 marked the engagement of several investor relations consultants and costs for shareholder communications and news releases. Following the Company's listing on the NASDAQ and graduation to the TSX in July 2015, the investment in shareholder communications has increased with the level of activity and exposure.

- Professional fees for legal and accounting services of $776,339 (2015 - $1,807,112; 2014 - $442,133) were incurred in conjunction with the corporate activities in fiscal 2016. These services have been engaged to support the Company's corporate activities. In the comparative period in 2015, the Company engaged these services for working towards listing on the TSX-V (occurred in January 2015), with a listing on the NASDAQ and graduation to the TSX completed in July 2015. The Company has worked with its professional service providers to develop corporate structures and compliance standards to meet new and developing reporting requirements as a public company. Consequently, regulatory fees and transfer agent costs have decreased to $131,302 (2015 - $535,088) in relation to annual listing fees; the Company incurred initial listing fees for the NASDAQ and the TSX in the prior period.

- Rent expense has increased to $620,023 (2015 - $278,570; 2014 $36,194) due primarily to the establishment of the Houston office.

- Salaries and benefits expense has increased to $1,634,380 (2015 - $815,544; 2014 - $87,365) due to corporate staffing such as the Chief Executive Officer, Chief Financial, and Chief Operating Officer, as disclosed under the heading "Related Party Transactions", and general administrative support staff.

- Insurance expense has increased to $422,066 (2015 - $121,986; 2014 - $14,910) due to increased insurance coverage for directors and officers upon the Company becoming a reporting issuer and publicly listed company in the United States.

General and administrative expenses include the following major expenses by nature for the years ended September 30, 2016, 2015 and 2014:

	Year ended September 30, 2016	Year ended September 30, 2015	Year ended September 30, 2014
Amortization	$ 66,181	$ 42,223	$ 23,385
Consulting and subcontractor fees	87,014	293,522	371,519
Director fees	204,049	128,362	-
Insurance	422,066	121,986	14,910
Investor relations	317,822	219,312	-
Office, IT and communications	288,968	275,200	34,072
Professional fees	776,339	1,807,112	442,133
Regulatory fees and transfer agent	131,302	535,088	9,456
Rent	620,023	278,570	36,194
Salaries and benefits	1,634,380	815,544	87,365
Share-based payments (Note 10*)	897,043	637,524	117,215
Travel and entertainment	198,931	225,182	12,797
CPRIT grant claimed on eligible expenses (Note 17*)	-	(120,459)	(83,696)
Total	$ 5,644,118	$ 5,259,166	$ 1,065,350

* See the Notes set out in the accompanying consolidated financial statements for the year ended September 30, 2016.

Share-based payments expense of $897,043 (2015 - $637,524; 2014 - $117,215) relates to the value assigned to stock options granted to key management and consultants of the Company. The expense is recognized in relation to the grant and vest of these equity instruments as measured by the Black-Scholes pricing model.

Derivative liabilities

At September 30, 2015, the Company recorded a derivative liability of $993,099 on 257,018 US dollar-denominated broker warrants issued in connection with the 2015 Special Warrant Financing. The Company recorded a gain of $382,649 with respect to this derivative liability during the three months ended December 31, 2015. On January 1, 2016, as part of the Company's functional currency change from the Canadian dollar to the US dollar, the Company de-recognized this derivative liability.

Concurrently on January 1, 2016, the Company recognized a derivative liability of $82,743 on 25,000 Canadian dollar-denominated broker warrants issued in connection with the 2014 Convertible Debenture. As these broker warrants are denominated in Canadian dollars and are exercisable into common shares of the Company which has a functional currency of US dollars, the instrument now contains an embedded derivative liability. During the year ended September 30, 2016, the Company recorded a gain of $40,541 (2015 - $Nil) with respect to this derivative liability.

The 2016 Warrants have increased the Company's exposure to fluctuations in the market price of the Company's common stock. Under a cashless exercise, the 2016 Warrants are exercisable for a variable number of common shares, resulting in an embedded derivative, for which the Company has recognized a derivative liability. These warrants are measured at fair value with changes recognized in the statement of loss and comprehensive loss at each reporting date. During the year ended September 30, 2016, the Company recorded the resulting change in fair value of $6,150,915 (2015 - $Nil) in the statement of loss and comprehensive loss.

Derivative warrant liabilities are discussed under the heading "Critical Accounting Estimates" and Note 8 of the accompanying consolidated financial statements for the year ended September 30, 2016.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected unaudited consolidated financial data for each of the last eight quarters, prepared in accordance with IFRS. The Company has not earned any revenues or declared dividends as of September 30, 2016. Effective January 1, 2016, the Company changed its functional currency from the Canadian dollar to the United States dollar and in anticipation thereof, adopted the United States dollar as the presentation currency as of October 1, 2015 (see "Changes in or Adoption of Accounting Policies – Change in Functional and Presentation Currency").

	For the Quarters Ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Total assets	$ 10,402,562	$ 13,666,625	$ 17,470,959	$ 4,622,698
Long-term liabilities	7,309,467	8,350,043	9,217,777	588,408
Research and development expense	3,951,799	3,362,948	2,544,517	3,200,937
General and administration	1,236,873	1,305,780	1,874,597	1,226,868
Comprehensive loss	(4,236,768)	(3,865,757)	(1,335,215)	(4,039,811)
Basic and diluted loss per share	(0.15)	(0.13)	(0.04)	(0.18)

	For the Quarters Ended			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Total assets	$ 7,539,773	$ 7,744,588	$ 10,979,382	$ 3,983,434
Long-term liabilities	993,099	2,239,274	880,516	296,975
Research and development expense	(791,822)	2,590,652	2,532,553	644,545
General and administration	2,177,188	1,065,563	1,320,088	696,327
Comprehensive loss	(469,155)	(4,858,400)	(4,569,637)	(1,444,608)
Basic and diluted loss per share	0.02	(0.29)	(0.20)	(0.08)

In the quarter ended March 31, 2016, the Company completed the January 2016 Financing and March 2016 Financing for gross proceeds of approximately $20,000,000. The January 2016 Financing resulted in the issuance of the 2016 Warrants which are recorded as derivative liabilities and increased the long-term liability balance in the period.

In the quarter ended September 30, 2015, the Company recorded a receivable of $3,786,667 for its second tranche of the CPRIT Grant, which was recognized as recoveries of research and development expenditures. The CPRIT Grant is detailed in the accompanying consolidated financial statements. The CPRIT Grant agreement was executed by the Chief Executive Officer of CPRIT on July 9, 2014 (the "**CPRIT Agreement**").

In the quarter ended December 31, 2014, the Company completed an offering of 679,640 special warrants at C$2.00 per special warrant for gross proceeds of $1,208,944 ("**2014 Special Warrant Financing**"). On January 16, 2015, the Company completed the 2015 Special Warrant Financing. Accordingly, with these additional resources, the Company accelerated its work relating to the IND filing resulting in a significant increase in comprehensive loss over prior periods. The IND application was filed on March 31, 2015 with additional chemistry and pharmaceutical data work provided to the FDA in the following quarters. The IND was ultimately approved in September 2015.

Three months ended September 30, 2016 and 2015

The Company incurred a comprehensive loss of $4,236,768 for the three months ended September 30, 2016 compared to a comprehensive loss of $469,155 for the three months ended September 30, 2015.

The Company has continued its clinical studies and has therefore increased investment in research and development costs. In the prior period, the Company was continuing advancement of chemistry and pharmaceutical data as required by the FDA for approval of the IND, resulting in higher manufacturing costs. Significant components of the expense in the current three-month period include:

- Pharmacology costs of $155,645 (2015 - $199,610) have decreased compared to the comparative period in 2015 due to the continuation of testing and experimentation on the Company's EPI-series drugs.

- Manufacturing costs of $1,432,291 (2015 - $1,054,444) have increased compared to the comparative period in 2015 as the Company has continued to manufacture and complete batches of EPI-506 for use in the clinical trial and associated dose escalation which commenced in November 2015.

- Clinical costs of $750,368 (2015 - $284,142) have increased due to work performed by the clinical research organization in the conducting of the Phase 1/2 clinical trial which commenced in November 2015.

- Consulting fees have increased to $449,372 (2015 - $286,574) as the Company has engaged qualified professionals to conduct specific R&D services for the Company in relation to the Phase 1/2 clinical trial, which commenced in November 2015, in addition to regular payments made to the Company's Chief Scientific Officer and Chief Technical Officer over the period.

- Legal patents and license fees have increased to $154,589 (2015 - $101,130) as the Company has submitted a number of patent applications for which the Company owns the rights. The Company has adopted a tiered patent strategy to protect its intellectual property as the pharmaceutical industry places significant importance to patents for the protection of new technologies, products and processes. The Company anticipates that there will be ongoing investment into patent applications.

- Salaries and benefits have increased to $676,990 (2015 - $559,588) and include a total of 16 preclinical and clinical staff in Texas, including the Company's Chief Medical Officer and Executive VP of Research, compared to a total of 10 preclinical and clinical staff in Texas in the comparative period in 2015. The Company has invested significantly to develop a team which efficiently advanced the IND application in fiscal 2015 and supported the ongoing Phase 1/2 clinical trial in fiscal 2016, which commenced in November 2015.

R&D expenses include the following major expenses by nature for the three months ended September 30, 2016 and 2015:

	Three months ended September 30, 2016	Three months ended September 30, 2015
Clinical	$ 750,368	$ 284,142
Consulting	449,372	286,574
Legal patents and license fees	154,589	101,130
Manufacturing	1,432,291	1,054,444
Other	29,729	189,562
Pharmacology	155,645	199,610
Program administration	188,546	-
Royalties	-	30,550
Salaries and benefits	676,990	559,588
Share-based payments (Note 10*)	87,017	221,985
Travel	27,252	146,392
SR&ED tax credits	-	(6,373)
CPRIT grant claimed on eligible expenses (Note 17*)	-	(3,859,426)
Total	$ 3,951,799	$ (791,822)

* See the Notes set out in the accompanying consolidated financial statements for the year ended September 30, 2016.

General and administrative expenses have increased over the prior period as the context of the Company has increased in corporate and financing activity. Following the listing on the NASDAQ, the Company has increased insurance costs. Professional fees in the prior period were higher in relation to the listing on the TSX-V and working toward the NASDAQ listing and TSX graduation in July 2015. Significant components of the expense in the current three-month period include:

- Professional fees for legal and accounting services of $224,151 (2015 - $567,625) were incurred in conjunction with the corporate activities in fiscal 2016. These services have been engaged to support the Company's corporate activities. In the comparative period in 2015, the Company engaged these services for working towards listing on the NASDAQ and graduation to the TSX completed in July 2015. The Company has worked with its professional service providers to develop corporate structures and compliance standards to meet new and developing reporting requirements as a public company.

- Rent expense has decreased to $124,586 (2015 - $157,715) due primarily to the sublease of the previous Houston office location in a prior period.

- Salaries and benefits expense has increased to $177,875 (2015 - $150,530) due to corporate staffing such as the Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer, as disclosed in "Related Party Transactions", and increased general administrative support staff in Houston.

General and administrative expenses include the following major expenses by nature for the three months ended September 30, 2016 and 2015:

	Three months ended September 30, 2016	Three months ended September 30, 2015
Amortization	$ 16,580	$ 18,243
Consulting and subcontractor fees	27,325	159,603
Director fees	21,041	53,812
Insurance	90,229	98,788
Investor relations	77,073	75,483
Office, IT and communications	56,375	38,227
Professional fees	224,151	567,625
Regulatory fees and transfer agent	3,044	470,540
Rent	124,586	157,715
Salaries and benefits	177,875	150,530
Share-based payments (Note 10*)	349,322	301,784
Travel and entertainment	69,272	84,838
Total	$ 1,236,873	$ 2,177,188

* See the Notes set out in the accompanying consolidated financial statements for the year ended September 30, 2016.

USE OF PROCEEDS

During the year ended September 30, 2016, the Company received total net proceeds of $18,919,803 from the following financings:

- In January 2016, the Company received net proceeds of $13,982,604 in relation to the January 2016 Financing.
- In March 2016, the Company received net proceeds of $4,937,201 in relation to the March 2016 Financing.

During the year ended September 30, 2015, the Company received total net proceeds of $12,057,008 from the following financings:

- In October 2014, the Company received net proceeds of $1,083,578 in relation to the 2014 Special Warrant Financing.
- In January 2015, the Company received net proceeds of $10,973,430 in relation to the 2015 Special Warrant Financing.

The following table sets out a comparison of how the Company used the proceeds following the closing dates, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	**Actual Use of Proceeds**
To continue the development of EPI-506 Phase 1/2 clinical program through Phase 1.	The proceeds have been used as intended to further the development of EPI-506 Phase 1/2 clinical program while meeting administrative requirements. During the year ended September 30, 2016, the Company incurred $13,060,201 in R&D costs, net of recoveries in relation to the development of the EPI-506 Phase 1/2 clinical program. An additional $5,644,118 has been incurred for general and

Intended Use of Proceeds	Actual Use of Proceeds
	administrative costs in support of the Company's research and development activities. During the year ended September 30, 2015, the Company incurred $4,975,928 in R&D costs, net of recoveries in relation to the development of the EPI-506 Phase 1/2 clinical program. An additional $5,259,166 has been incurred for general and administrative costs in support of the Company's research and development activities. As at September 30, 2016, the Company has not yet fully expended the funds raised in these financings towards the completion of the Phase 1/2 clinical program.

LIQUIDITY AND CAPITAL RESOURCES

Operational activities during the year ended September 30, 2016 were financed mainly by proceeds from equity financings completed in July 2014, October 2014, January 2015, January 2016, and March 2016, and the CPRIT Grant. At September 30, 2016, the Company had available cash reserves of $8,985,095 (2015 - $1,579,288; 2014 - $3,699,980) and $15,882 (2015 - $3,849,605 related primarily to the second CPRIT advance of $3,786,667 received immediately after year-end; 2014 - $64,503) in accounts receivable related primarily to GST input tax credits, to settle current liabilities of $3,629,952 (2015 - $2,091,162; 2014 - $587,353).

Cash used in operating activities for the year ended September 30, 2016 was $15,300,969 (2015 - $13,339,983; 2014 - $2,081,193). Working capital items generated cash of $2,329,835 (2015 - $92,951; 2014 - $303,327).

Cash used in investing activities for the year ended September 30, 2016 was $9,983 (2015 - $174,054; 2014 - $nil) as the Company invested in equipment in the ongoing establishment of its Houston office.

Cash generated by financing activities for the year ended September 30, 2016 was $22,744,129 (2015 - $12,591,482; 2014 - $5,658,680), including $19,999,992 gross proceeds received from the January 2016 and March 2016 Financing, as previously described above, $3,786,667 received from the CPRIT grant, $36,465 proceeds received on exercise of stock options and $1,194 proceeds received on exercise of warrants, offset by $1,080,189 cash used in share issuance costs in relation to the January 2016 Financing and March 2016 Financing. In fiscal 2015, the Company received gross proceeds of $13,208,938 from the 2014 Special Warrant Financing and 2015 Special Warrant Financing, as previously described above, $84,086 proceeds received on exercise of stock options and $168,099 proceeds received on exercise of warrants, offset by $869,641 in share issuance costs. In fiscal 2014, cash generated included the first CPRIT grant advance of $2,793,533, $2,183,270 in gross proceeds from issuance of 1,185,400 Preferred Shares at a price of C$2.00 per share (the "**July 2014 Financing**"), $911,000 in gross proceeds on the convertible debenture issuance (the "**2014 Convertible Debenture**"), offset by a total of $229,123 cash used in share issuance costs in relation to the July 2014 Financing and the convertible debenture issuance.

As described above, the Company completed the January 2016 Financing and March 2016 Financing during the year ended September 30, 2016, for gross proceeds of approximately $20,000,000. In November 2016, the Company also received $8,000,000 as the initial draw down in the SVB debt financing, with a conditional option for an additional $2,000,000 by April 30, 2017. The Company will need to raise funds from additional sources in order to execute its planned expenditures through the fiscal 2017 year.

The Company does not currently generate revenue. Future cash requirements may vary materially from those expected due to a number of factors, including the costs associated with Phase 1/2 clinical trials in 2015-2018 and to take advantage of strategic opportunities. Longer dose escalation to reach the maximum tolerated dose ("**MTD**") in Phase 1 could require drug manufacturing costs earlier than contemplated. Additional cohorts to reach MTD could prolong operating expenditures to complete Phase 1. As a result, it will be necessary to raise additional funds in the future. These funds may come from sources such as entering into strategic collaboration arrangements, the issuance of shares

from treasury, or alternative sources of financing. However, there can be no assurance that the Company will successfully raise funds to continue the development and commercialization of EPI-506 and its operational activities (see "Risk Factors").

CONTRACTUAL OBLIGATIONS

As of September 30, 2016, and in the normal course of business, the Company has the following obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligations	2017	2018	2019	2020	2021	After 5 years
Minimum annual royalty per License Agreement (CAD) [(1)]	$ 85,000	$ 85,000	$ 85,000	$ 85,000	$ 85,000	$ 765,000
Lease on Vancouver office space (CAD)	40,953	40,953	40,953	40,953	40,953	-
Total (in CAD)	$ 125,953	$ 125,953	$ 125,953	$ 125,953	$ 125,953	$ 765,000
Lease on US office spaces (USD)	$ 186,220	$ 172,235	$ 175,166	$ 44,474	$ -	$ -

Notes:

(1) ESSA has the worldwide, exclusive right to develop products based on "Licensed IP", as defined in, and pursuant to, the "License Agreement" dated December 22, 2010 among ESSA, UBC and BCCA, as amended. A copy of the License Agreement is available as Exhibit 4.2 to Amendment No. 1 to the Company's Form 20-F registration statement filed on June 11, 2015 (File No. 001-37410) on the SEC's Electronic Data Gathering and Retrieval System, or "**EDGAR**", at www.sec.gov. The Company must pay a minimum annual royalty of C$65,000 in the 2015 and 2016 calendar years, increasing to C$85,000 in 2017 and for each year thereafter. Additional milestone payments of C$50,000 and C$900,000, which have been excluded from the above table, are due upon the enrolment of the first patient in Phase 2 and Phase 3 of the clinical trial, respectively, which are expected to occur in 2017 and 2018, respectively.

OFF-BALANCE SHEET ARRANGEMENTS & PROPOSED TRANSACTIONS

The Company has no material undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are material to investors.

The Company has no material proposed transactions that have, or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are material to investors.

RELATED PARTY TRANSACTIONS

Compensation accrued and paid to key management personnel for the years ended September 30, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Salaries, consulting fees, and director fees	$ 2,651,651	$ 1,662,575	$ 439,239
Share-based payments [(1)]	1,029,878	764,565	419,229
Total compensation	$ 3,681,529	$ 2,427,140	$ 858,468

(1) Share-based payments to related parties represents the fair value of options granted and vested in the period to key management personnel.

Key management personnel include: Dr. David R. Parkinson, Chief Executive Officer ("**CEO**"); Robert Rieder, former Chief Executive Officer; David Wood, Chief Financial Officer ("**CFO**"); Peter Virsik, Executive Vice-President and Chief Operating Officer ("**COO**"); Dr. Frank Perabo, Chief Medical Officer ("**CMO**"); Paul Cossum, Executive Vice-President of Research and Development ("**EVP R&D**"); Dr. Marianne Sadar, Chief Scientific Officer; Dr. Raymond Andersen, Chief Technology Officer; Richard Glickman, Director and Chairman of the Board; Gary Sollis, Director; Franklin Berger, Director; and Scott Requadt, Director.

During the year ended September 30, 2016, the Company granted 890,000 (2015 – 250,000; 2014 – 970,000) options to key management personnel. The vesting of these options and options granted to key management personnel in prior periods were recorded as share-based payments expense in the statement of loss and comprehensive loss at a value of $1,029,878 (2015 - $1,154,548; 2014 - $419,229).

The balance of the share-based payments expense included in related party compensation in the period relates to the vesting of stock options granted in prior periods.

Included in accounts payable and accrued liabilities at September 30, 2016 is $276,399 (2015 – $82,414; 2014 - $21,709) due to related parties with respect to the transactions detailed above and expense reimbursements. Amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

Dr. Parkinson, CEO, is entitled to a payment of six months of base salary upon termination without cause and a payment of one year of base salary upon termination without cause after 12 months of employment. This amount increases to 18 months if the termination without cause occurs after a change of control event or within 60 days prior to a change of control event where such event was under consideration at the time of termination. Mr. Wood, CFO, is entitled to a payment of one year of base salary upon termination without cause, whether or not the termination was caused by a change of control event. Dr. Perabo, CMO, is entitled to a payment of six months of base salary upon termination without cause, and a payment of one year of base salary upon termination caused by a change of control event. Dr. Cossum, EVP R&D, is entitled to a payment of six months of base salary upon termination without cause, and a payment of one year of base salary upon termination caused by a change of control event. Mr. Virsik, COO, is entitled to a payment of six months of base salary upon termination without cause, increasing to one year following one year of employment. This amount increases to 18 months of salary if termination without cause occurs within 18 months after a change of control event. Stock options held by the CEO, CFO, CMO, EVP R&D, and COO vest immediately upon a change of control.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended September 30, 2016 are detailed in Notes 2 and 3 of the Company's annual consolidated financial statements for the year ended September 30, 2016:

Change in Functional and Presentation Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. From inception to December 31, 2015, the functional currency of the Company has been the Canadian dollar and its subsidiary's the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The January 2016 Financing and changes to the Company's operations have resulted in a change to the currency in which the Company's management conducts its operating, capital and financing decisions. Consequently, the functional currency of the Company became the US$ effective January 1, 2016.

The Company adopted the US$ as the presentation currency for the consolidated entity retrospectively. For comparative reporting purposes, historical financial statements were translated into the US$ reporting currency whereby assets and liabilities were translated at the closing rate in effect at the end of the comparative periods; revenues, expenses and cash flows were translated at the average rate in effect for the comparative periods and equity transactions were translated at historic rates. The historic translation had an impact of $1,765 as an unrealized foreign exchange as at October 1, 2013.

These financial statements are presented in United States dollars. All financial information is expressed in United States dollars unless otherwise stated.

New standards not yet adopted

IFRS 9 Financial Instruments (Revised)

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial instruments and financial statements has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 on the Company's financial instruments and financial statements has not yet been determined.

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases and financial statements has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors,

including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions that have been made, relate to the following key estimates:

Intangible assets – impairment

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Intangible assets – useful lives

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

Product development and relocation grant

Pursuant to the terms of the Company's CPRIT Grant, the Company must meet certain terms and conditions to qualify for the grant funding. The Company has assessed its performance relative to these terms as detailed in the accompanying unaudited consolidated financial statements (Note 15) and has judged that there is reasonable assurance the Company will meet the terms of the grant and qualify for the funding. The Company has therefore taken into income a portion of the grant that represents expenses the Company has incurred to date under the grant parameters. The expenses are subject to assessment by CPRIT for compliance with the grant regulations which may result in certain expenses being denied and incurred in a future period.

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. Prior to listing on the TSX-V, the fair value of the underlying common shares was assessed as the most recent issuance price per common share for cash proceeds. Following listing on the TSX-V, the Company makes reference to prices quoted on the TSX-V (TSX since ESSA's listing was graduated to the TSX). The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 10 of the accompanying unaudited consolidated financial statements.

Derivative financial instruments

Certain warrants are treated as derivative financial liabilities. The estimated fair value, based on the Black-Scholes model, is adjusted on a quarterly basis with gains or losses recognized in the statement of net loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield, expected term and liquidity discounts as detailed in Note 8 of the accompanying consolidated financial statements. On January 1, 2016, as part of the Company's functional currency change from the Canadian dollar to the US dollar, the Company de-recognized a derivative liability on US dollar-denominated warrants and recognized a new liability on Canadian dollar-denominated warrants; see discussion under the heading "Selected Annual Financial Information - Derivative Liabilities."

FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and derivative liability. Cash is measured based on level 1 inputs of the fair value hierarchy. The fair value of receivables and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity. The derivative liability is measured using level 3 inputs.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily due from refundable GST and investment tax credits. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Credit risk with respect to investment tax credits and GST is minimal as the amounts are due from government agencies.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had working capital of $6,389,257. During the year ended September 30, 2016, the Company completed financings totaling approximately $20,000,000 as described above. Subsequent to September 30, 2016, the Company entered into a term loan facility agreement of $10,000,000, pursuant to which the Company has initially drawn down $8,000,000. All of the Company's current financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not generate revenue and will be reliant on equity financing and proceeds from the CPRIT Grant to fund operations. Equity financing is dependent on market conditions and may not be available on favorable terms. The CPRIT Grant is dependent on the Company completing all the milestones (see accompanying consolidated financial statements for details with respect to the CPRIT Grant terms).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and, as of September 30, 2016, no interest-bearing debt and therefore is not exposed to risk in the event of interest rate fluctuations.

(b) Foreign currency risk

Historically, the Company has been exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in US dollars as the Company was financed and functioning in Canadian dollars. Over time, the Company has become increasingly exposed to the US dollar due to the financings completed in US dollars, the US dollar-denominated CPRIT Grant (Note 17 of the accompanying consolidated financial statements) and movement of operations to Houston pursuant to the terms of the CPRIT Grant; accordingly, the Company adopted the US dollar as its functional currency from the Canadian dollar as of January 1, 2016, so that the Company's foreign currency risk exposure now relate to net monetary assets denominated in Canadian dollars. A 10% change in the foreign exchange rate between the Canadian and U.S. dollar would result in a fluctuation of $42,190 in the net loss realized for the period. The Company does not currently engage in hedging activities.

(c) Price risk

The Company is exposed to price risk with respect to equity prices. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

ADDITIONAL INFORMATION

Additional information can be found on SEDAR at www.sedar.com, the website of the SEC at www.sec.gov and the Company's website at www.essapharma.com.

OUTSTANDING SHARE CAPITAL

Equity instruments outstanding as of the date of this MD&A:	
Common shares	29,096,889
Stock options	4,062,519
Warrants	7,249,073

RISK FACTORS

Prior to making an investment decision investors should consider the investment, operational and intellectual property risks set out in the Company's Annual Report on Form 20-F located on SEDAR at www.sedar.com and the SEC's EDGAR website at www.sec.gov, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out in the Form 20-F to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors of the Company are currently unaware, or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Cautionary Note Regarding Forward-Looking Statements."

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures ("DC&P")

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the disclosure controls and procedures as required under Canadian securities laws, as at September 30, 2016. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed by the Company in its annual filings, interim filings, and other reports that it files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified and that such information is accumulated and communicated to the Company's management, including the certifying officers, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that while the Company's certifying officers believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting ("ICFR")

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at September 30, 2016, the Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the design and operating effectiveness of the Company's internal control over financial reporting, as required under Canadian securities laws. Based on such evaluation, the Company's certifying officers concluded that the Company's internal control over financial reporting was effective.

The Company ceased to be a venture issuer, as defined by National Instrument ("**NI**") 51-102 – Continuous Disclosure Obligations on July 9, 2015 as a result of completing its listing on the NASDAQ. The Company's Audit Committee is comprised of Franklin Berger (chair), Richard Glickman, and Gary Sollis, all of whom are "financially literate" as defined in NI 52-110 – Audit Committees ("**NI 52-110**") and the rules of NASDAQ. Each member of the Audit Committee is considered independent pursuant to NI 52-110, Rule 10A-3 under the Exchange Act and the rules of NASDAQ. The Company's Board has determined that Mr. Berger is an "audit committee financial expert" as defined in Item 16A of Form 20-F.

Management has adopted the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission *Internal Control – Integrated Framework* (2013).

The Company did not have any significant changes to its ICFR systems in the period from July 1, 2016 to September 30, 2016.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The

design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act and applicable Canadian securities laws. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. These statements appear in a number of different places in this MD&A and can be identified by words such as "anticipates", "estimates", "projects", "expects", "intends", "believes", "plans", "will", "could", "may", or their negatives or other comparable words. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Examples of such forward looking statements include, but are not limited to statements related to:

- the initiation, timing, cost, progress and success of ESSA's research and development programs, pre-clinical studies and clinical trials;
- the Company's ability to advance its product candidate through, and successfully complete, clinical trials;
- the Company's ability to achieve profitability;
- the Company's ability to obtain funding for operations, including research funding;
- the Company's use of proceeds from funding and financings;
- the Company's ability to recruit sufficient numbers of patients for future clinical trials;
- the implementation of the Company's business model and strategic plans;
- the Company's ability to develop and commercialize product candidates;
- the Company's commercialization, marketing and manufacturing capabilities and strategy;
- the Company's expectations regarding federal, state, provincial and foreign regulatory requirements;
- whether the Company will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, the European Union and other jurisdictions;
- the therapeutic benefits, effectiveness and safety of the Company's product candidate;
- the accuracy of the Company's estimates of the size and characteristics of the markets that may be addressed by the Company's product candidate;
- the rate and degree of market acceptance and clinical utility of the Company's product candidate, if any;
- the Company's ability to engage and retain the employees required to grow its business;
- the compensation that is expected to be paid to the Company's employees;
- the Company's future financial performance and projected expenditures;
- developments relating to the Company's competitors and its industry, including the success of competing therapies that are or may become available; and
- estimates of the Company's expenses, future revenue, capital requirements and its needs for additional financing.

Such statements reflect the Company's current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including those described under "Risk Factors". In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

- its ability to obtain positive results of clinical trials;
- its ability to obtain required regulatory approvals;
- its ability to successfully out-license or sell future products, if any, and in-license and develop new products;
- favourable general business and economic conditions;
- the availability of financing on reasonable terms;

- its ability to attract and retain skilled staff;
- market competition;
- the products and technology offered by the Company's competitors; and
- its ability to protect patents and proprietary rights.

If one or more of these risks or uncertainties or a risk that is not currently known to the Company, materialize, or if its underlying assumptions prove to be incorrect, actual results may vary significantly from those expressed or implied by forward-looking statements. The forward-looking statements represent the Company's views as of the date of this document. While the Company may elect to update these forward-looking statements in the future, the Company has no current intention to do so except as to the extent required by applicable securities law. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements. The Company advises you that these cautionary remarks expressly qualify in their entirely all forward-looking statements attributable to the Company or persons acting on its behalf.