



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT

	March 31, 2015	September 30, 2014
ASSETS		
Current		
Cash	\$ 13,238,618	\$ 4,146,938
Receivables	111,392	72,295
Prepays	<u>70,064</u>	<u>69,946</u>
	13,420,074	4,289,179
Equipment (Note 4)	94,643	15,806
Intangible assets (Note 5)	<u>391,768</u>	<u>404,430</u>
Total assets	<u>\$ 13,906,485</u>	<u>\$ 4,709,415</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,486,553	\$ 658,305
Derivative liability (Note 7)	1,115,262	-
Product development and relocation grant (Note 14)	<u>-</u>	<u>1,838,507</u>
	2,601,815	2,496,812
Shareholders' equity		
Share capital (Note 8)	8,694,821	4,240,917
Preferred shares (Note 8)	-	3,090,345
Special warrants (Note 8)	13,002,260	-
Reserves (Note 9)	1,889,653	1,004,467
Accumulated other comprehensive income (loss)	(293,478)	6,477
Deficit	<u>(11,988,586)</u>	<u>(6,129,603)</u>
	<u>11,304,670</u>	<u>2,212,603</u>
Total liabilities and shareholders' equity	<u>\$ 13,906,485</u>	<u>\$ 4,709,415</u>
Nature and continuance of operations (Note 1)		
Commitments (Notes 10 and 14)		

On behalf of the Board on May 22, 2015

"Robert Rieder"

Director

"Richard Glickman"

Director

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

ESSA PHARMA INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended March 31, 2015	Three months ended March 31, 2014	Six months ended March 31, 2015	Six months ended March 31, 2014
OPERATING EXPENSES				
Research and development, net of recoveries (Note 15)	\$ 3,121,607	\$ 31,448	\$ 3,842,487	\$ 179,004
Financing costs	26,398	8,959	53,273	8,959
General and administration, net of recoveries (Note 15)	<u>436,125</u>	<u>112,069</u>	<u>1,182,357</u>	<u>211,074</u>
Total operating expenses	<u>(3,584,130)</u>	<u>(152,476)</u>	<u>(5,078,117)</u>	<u>(399,037)</u>
Interest income	-	-	-	228
Loss on derivative liability (Note 7)	<u>(780,866)</u>	<u>-</u>	<u>(780,866)</u>	<u>-</u>
Net loss for the period	(4,364,996)	(152,476)	(5,858,983)	(398,809)
OTHER COMPREHENSIVE LOSS				
Cumulative translation adjustment	<u>(256,462)</u>	<u>-</u>	<u>(299,955)</u>	<u>-</u>
Comprehensive loss for the period	<u>\$ (4,621,458)</u>	<u>\$ (152,476)</u>	<u>\$ (6,158,938)</u>	<u>\$ (398,809)</u>
Basic and diluted loss per common share	<u>\$ (0.24)</u>	<u>\$ (0.01)</u>	<u>\$ (0.35)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>18,084,018</u>	<u>15,687,534</u>	<u>16,523,754</u>	<u>15,687,534</u>

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

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE SIX MONTHS ENDED MARCH 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (5,858,983)	\$ (398,809)
Items not affecting cash:		
Amortization	17,960	12,662
Loss on derivative liability	780,866	-
Product development and relocation grant	(1,894,263)	-
Unrealized foreign exchange	55,756	-
Share-based payments (Note 9)	881,925	69,935
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(39,097)	3,499
(Increase) decrease in prepaid expenses	1,081	(1,260)
Increase in accounts payable and accrued liabilities	831,214	199,527
Net cash used in operating activities	<u>(5,223,541)</u>	<u>(114,446)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	<u>(77,341)</u>	<u>-</u>
Net cash used in investing activities	<u>(77,341)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on private placement	15,574,435	-
Issuance costs	(1,019,455)	-
Warrants exercised	148,496	-
Net cash provided by financing activities	<u>14,703,476</u>	<u>-</u>
Effect of foreign exchange on cash	(310,914)	-
Change in cash for the period	9,091,680	(114,446)
Cash, beginning of period	<u>4,146,938</u>	<u>232,093</u>
Cash, end of period	<u>\$ 13,238,618</u>	<u>\$ 117,647</u>

Supplemental Cash Flow Information

Significant non-cash investing and financing transactions for the period ended March 31, 2015 include the issuance of broker and agent warrants valued at \$384,356 (Note 8).

There were no significant non-cash investing and financing transactions for the period ended March 31, 2014.

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

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian dollars)

	Share capital	Preferred shares	Special warrants	Convertible debenture	Reserves		Cumulative translation adjustment	Deficit	Total
					Share-based payments	Warrants			
Balance, September 30, 2013	\$ 4,240,917	\$ -	\$ -	\$ -	\$ 419,991	\$ -	\$ -	\$ (4,168,097)	\$ 492,811
Share-based payments	-	-	-	-	69,935	-	-	-	69,935
Loss for the period	-	-	-	-	-	-	-	(398,809)	(398,809)
Balance, March 31, 2014	\$ 4,240,917	\$ -	\$ -	\$ -	\$ 489,926	\$ -	\$ -	\$ (4,566,906)	\$ 163,937
Issuance of convertible debenture	-	-	-	1,000,000	-	-	-	-	1,000,000
Financing costs – issuance	-	-	-	(39,935)	-	16,394	-	-	(23,541)
Financing costs	-	-	-	35,000	-	-	-	-	35,000
Conversion of debenture	-	995,065	-	(995,065)	-	-	-	-	-
Private placement (Note 8(c))	-	2,370,800	-	-	-	-	-	-	2,370,800
Share issue costs	-	(275,520)	-	-	-	50,004	-	-	(225,516)
Share-based payments	-	-	-	-	448,143	-	-	-	448,143
Loss for the period	-	-	-	-	-	-	6,477	(1,562,697)	(1,556,220)
Balance, September 30, 2014	\$ 4,240,917	\$ 3,090,345	\$ -	\$ -	\$ 938,069	\$ 66,398	\$ 6,477	\$ (6,129,603)	\$2,212,603
Private placement (Note 8(b))	-	-	1,359,280	-	-	-	-	-	1,359,280
Issuance costs	-	-	(190,915)	-	-	49,960	-	-	(140,955)
Conversion of special warrants	-	1,168,365	(1,168,365)	-	-	-	-	-	-
Private placement (Note 8(a))	-	-	14,215,155	-	-	-	-	-	14,215,155
Issuance costs	-	-	(1,212,895)	-	-	-	-	-	(1,212,895)
Conversion of preferred shares	4,258,710	(4,258,710)	-	-	-	-	-	-	-
Warrants exercised	195,194	-	-	-	-	(46,699)	-	-	148,495
Share-based payments	-	-	-	-	881,925	-	-	-	881,925
Loss for the period	-	-	-	-	-	-	(299,955)	(5,858,983)	(6,158,938)
Balance, March 31, 2015	\$ 8,694,821	\$ -	\$13,002,260	\$ -	\$ 1,819,994	\$ 69,659	\$ (293,478)	\$ (11,988,586)	\$11,304,670

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

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

1. NATURE AND CONTINUANCE OF OPERATIONS

ESSA Pharma Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia on January 6, 2009. The Company’s head office address is Suite 720 – 999 West Broadway, Vancouver, BC, V5Z 1K5. The registered and records office address is the 26th Floor at 595 Burrard Street, Three Bentall Centre, Vancouver, BC, V7X 1L3. In the period ended September 30, 2013, the Company modified its fiscal year end from December 31 to September 30.

The Company is focused on the development of small molecule drugs for the treatment of prostate cancer. The Company has acquired a license to certain patents (the “NTD Technology”) which were the joint property of the British Columbia Cancer Agency and the University of British Columbia. As at March 31, 2015, no products are in commercial production or use.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) assuming the Company will continue on a going-concern basis. The Company has incurred losses and negative operating cash flows since inception. The Company incurred a loss of \$5,858,983 during the period ended March 31, 2015 and has an accumulated deficit of \$11,988,586. The ability of the Company to continue as a going concern in the long-term depends upon its ability to develop profitable operations and to continue to raise adequate financing. As at March 31, 2015, the Company has not advanced its research into a commercially viable product. The Company’s continuation as a going concern is dependent upon the successful development of its NTD Technology to a commercial standard. Management continues to seek sources of additional financing which would assure continuation of the Company’s operations and research programs. The Company believes its current working capital is adequate to maintain the next twelve months of operations.

2. BASIS OF PRESENTATION**Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2014.

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:

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

2. BASIS OF PRESENTATION (cont'd...)**Estimates (cont'd...)***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 grant from the Cancer Prevention Research Institute of Texas ("CPRIT"), 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 Note 14 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. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 9.

Derivative financial instruments

Certain broker's 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 and expected term (Note 7).

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2014, except for the adoption of new standards and interpretations effective as of October 1, 2014.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivative instruments in the statement of loss and comprehensive loss.

New standards, interpretations and amendments adopted

The following standards, amendments to standards and interpretations have been adopted for the fiscal year beginning October 1, 2014:

- IFRS 2 (Amendment) Revised definitions for 'vesting conditions' and 'market condition' related to share based compensation
- IFRS 13 (Amendment) Revised disclosure requirements for contracts under the scope of IFRS 9/IAS 39
- IAS 24 (Amendment) New definitions for 'related party' encompassing key management personnel
- IAS 38 (Amendment) Revised valuation methods for the 'revaluation model' for intangible assets
- IAS 39 New standard for financial instruments including embedded derivatives

The application of these standards, amendments and interpretations has not had a material impact on the results and financial position of the Company.

New standards not yet adopted*IFRS 9 Financial Instruments*

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 financial instruments has not yet been determined.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**4. EQUIPMENT**

Office equipment	
Cost	
Balance, September 30, 2013	\$ -
Additions	<u>15,806</u>
Balance, September 30, 2014	15,806
Additions	77,341
Net exchange differences	<u>7,143</u>
Balance, March 31, 2015	100,290
Accumulated Amortization	
Balance, September 30, 2013 and 2014	\$ -
Amortization expense	5,298
Net exchange differences	<u>349</u>
Balance, March 31, 2015	5,647
Net Book Value	
Balance, September 30, 2014	\$ 15,806
Balance, March 31, 2015	<u>\$ 94,643</u>

Amortization expense for the period ended March 31, 2015 has been recorded in “general and administrative expenses” in the statement of loss and comprehensive loss.

5. INTANGIBLE ASSETS

NTD Technology	March 31, 2015	September 30, 2014
Cost		
Balance, beginning and end of period	\$ 500,017	\$ 500,017
Accumulated amortization		
Balance, beginning of period	95,587	70,264
Amortization	<u>12,662</u>	<u>25,323</u>
Balance, end of period	108,249	95,587
Net book value, end of period	<u>\$ 391,768</u>	<u>\$ 404,430</u>

Amortization expense for the period ended March 31, 2015 and year ended September 30, 2014 has been recorded in “general and administrative expenses” in the statement of loss and comprehensive loss.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**5. INTANGIBLE ASSETS (cont'd...)**

The NTD Technology is held under a License Agreement signed in fiscal 2010. As consideration for the License Agreement, the Company issued common shares of the Company. The License Agreement contains an annual royalty as a percentage of annual net revenue and a percentage of any annual sublicensing revenue earned with respect to the NTD Technology. The License Agreement stipulates certain minimum advance royalty payments of \$40,000 for 2013 and escalating to \$85,000 by 2017. In addition, there are certain cumulative milestone payments totaling \$2,400,000 for the first compound, to be paid in stages at the start of Phase II and Phase III clinical trials, at application for marketing approval, and with further milestone payments on the second and additional compounds.

In order to maintain the License Agreement in good standing, the Company is required to spend \$5,000,000, in cash or in kind, in connection with the commercialization of the NTD Technology by December 20, 2015. This expenditure commitment was completed in the year ended September 30, 2014.

6. DEBENTURE

In April 2014, the Company issued a convertible debenture to the Bloom Burton Healthcare Structured Lending Fund LP ("the Lender") for \$1,000,000. The convertible debenture terms include interest of 12% per annum payable at maturity (24 months from closing), as secured by various security agreements. The Company incurred transaction costs of \$23,541 and issued 25,000 warrants to the Lender valued at \$16,394, each exercisable into one common share at a price of \$2.00 for a period of five years. The warrants were valued using the Black-Scholes model with a risk-free interest rate of 1.63%, term of 5 years, volatility of 80% and dividend rate of 0%.

The principal and accrued interest are convertible into common shares of the Company at maturity at a conversion price of \$1.20 unless the Company opts to settle the balance in cash. The terms of the debenture maintained control of the conversion option in the hands of the Company; therefore, the instrument has been recorded as equity in the statement of financial position.

The Company and Lender agreed to proceed with early conversion of the debenture, including accrued interest, into 517,500 preferred shares of the Company upon the closing of the financing completed in July 2014 (Note 8(c)).

	Amount
Balance, September 30, 2013	\$ -
Proceeds on issuance of convertible debenture	1,000,000
Issuance costs	(39,935)
Interest accrued	35,000
Conversion to preferred shares	<u>(995,065)</u>
Balance, September 30, 2014 and March 31, 2015	<u>\$ -</u>

7. DERIVATIVE LIABILITY

In connection with the 2015 Special Warrant financing in January 2015 (Note 8(a)), the Company issued 257,018 broker warrants. Each broker warrant is exercisable to purchase one common share until January 16, 2017 at a price of US\$2.75 per broker warrant.

As these broker warrants are denominated in US dollars and are exercisable into the Company's common shares which are listed in Canadian dollars, the instrument contains an embedded derivative liability. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of loss and comprehensive loss as they arise. The embedded derivative is designated as a financial liability carried at fair value through profit and loss.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**7. DERIVATIVE LIABILITY (cont'd...)**

On issuance of the broker warrants, the Company recorded a derivative liability of \$334,396 using the Black-Scholes model (Note 8). As at March 31, 2015, the derivative liability had a fair value of \$1,115,262, using the Black-Scholes model with a risk-free interest rate of 0.51%, term of 1.8 years, volatility of 72.7%, and dividend rate of 0%. The Company has recorded the resulting change in fair value of \$780,866 in the statement of loss and comprehensive loss for the period ended March 31, 2015.

8. SHAREHOLDERS' EQUITY*Authorized:*

Unlimited common shares, without par value.

Unlimited preferred shares, without par value.

	Share capital		Preferred shares		Special warrants	
	Number	Amount	Number	Amount	Number	Amount
Balance, September 30, 2013 and March 31, 2014	15,687,534	\$ 4,240,917	-	\$ -	-	\$ -
Balance, September 30, 2014	15,687,534	\$ 4,240,917	1,702,900	\$ 3,090,345	-	\$ -
Private placement (Note 8(b))	-	-	-	-	679,640	1,359,280
Financing costs	-	-	-	-	-	(190,915)
Conversion of special warrants	-	-	679,640	1,168,365	(679,640)	(1,168,365)
Private placement - (Note 8(a))	-	-	-	-	4,363,634	14,215,155
Financing costs	-	-	-	-	-	(1,212,895)
Conversion of preferred shares	2,382,540	4,258,710	(2,382,540)	(4,258,710)	-	-
Warrants exercised	74,248	195,194	-	-	-	-
Balance, March 31, 2015	18,144,322	\$ 8,694,821	-	\$ -	4,363,634	\$ 13,002,260

Listing on the TSX-V

The Company completed its listing on the TSX-V on January 27, 2015 ("Date of Listing") and began trading under the symbol "EPI".

Immediately prior to the listing, all of the Company's 2,382,540 issued and outstanding Preferred Shares were converted into common shares.

Escrow, Lock-Up, and Supplementary Lock-Up Restrictions

Certain of the Company's 15,687,534 common shares outstanding at September 30, 2014 have been and continue to be subject to various trading restrictions, including (i) a voluntary contractual lock-up agreement ("**Voluntary Lock-Up**"), (ii) a supplementary contractual lock-up agreement ("**Supplementary Lock-Up**") and (iii) escrow restrictions imposed by the TSXV ("**TSXV Escrow**"). As at March 31, 2015, 14,098,212 of the Company's outstanding common shares were subject to trading restrictions, including 3,615,678 common shares subject only to Voluntary Lock-Up, 1,012,534 common shares subject only to TSXV Escrow and 9,470,000 common shares subject to Voluntary Lock-Up, Supplementary Lock-Up and TSXV Escrow.

ESSA PHARMA INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

8. SHAREHOLDERS' EQUITY (cont'd...)

Escrow, Lock-Up, and Supplementary Lock-Up Restrictions (cont'd...)

14,562,500 common shares were initially subject to Voluntary Lock-Up. 712,950 common shares were released from Voluntary Lock-Up on the Date of Listing, 763,872 common shares were released on March 5, 2015, and the remaining common shares will be released in 17.2% increments on October 27, 2015, January 27, 2016, April 27, 2016 and July 27, 2016 and 2.2% on October 27, 2016.

9,470,000 common shares are subject to Supplementary Lock-Up. 1,325,800 common shares will be released from Supplementary Lock-Up on July 27, 2015, and the remaining common shares will be released on October 27, 2015.

10,595,034 common shares were initially subject to TSXV Escrow. 112,500 common shares were released from TSXV Escrow on the Date of Listing and the remaining common shares will be released in 15% increments every 6 months beginning July 27, 2015.

Private placements:

a) January 2015 Special Warrant Financing

In January 2015, the Company issued 4,363,634 special warrants (the "**2015 Special Warrants**") at a price of US\$2.75 per 2015 Special Warrant for gross proceeds of approximately US\$12,000,000. Each 2015 Special Warrant is exercisable for, without payment of any additional consideration, one common share at any time by the holder thereof and all of the 2015 Special Warrants will be deemed to be exercised on the earlier of: (i) October 16, 2015 and (ii) the date on which the common shares first begin to trade on either (i) the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market securities trading platforms of the NASDAQ Stock Market or (ii) the NYSE MKT securities trading platform of the New York Stock Exchange (the "**U.S. Listing Date**"). Should the U.S. Listing Date not occur on or prior to October 16, 2015, instead of one common share, each 2015 Special Warrant shall entitle the holder thereof to receive 1.5 common shares upon exercise or deemed exercise thereof.

In connection with the 2015 Special Warrant financing, Bloom Burton & Co. and Roth Capital Partners, LLC, as Agents, and selling group members, received cash commission equal to approximately US\$706,800 and 257,018 broker warrants. Each broker warrant is exercisable to purchase one common share until January 16, 2017 at a price of US\$2.75 per broker warrant. The warrants were valued at \$334,396 using the Black-Scholes model with a risk-free interest rate of 0.87%, term of 2 years, volatility of 72.3%, and dividend rate of 0%, and have been recorded as a derivative liability (Note 7).

b) October 2014 Special Warrant Financing

In October 2014, the Company issued 679,640 special warrants (the "**2014 Special Warrants**") at a price of \$2.00 per 2014 Special Warrant for gross proceeds of \$1,359,280. Each 2014 Special Warrant was deemed exercised for, without payment of any additional consideration, one Class A Preferred share in the capital of the Company (each a "**Preferred Share**") on December 15, 2014, being the fifth business day after the date on which a receipt for the final prospectus of the Company qualifying the distribution of the Preferred Shares issuable on exercise of the 2014 Special Warrants had been issued. During the period ended March 31, 2015, the Preferred Shares were converted into common shares of the Company.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**8. SHAREHOLDERS' EQUITY (cont'd...)***Private placements: (cont'd...)**b) October 2014 Special Warrant Financing (cont'd...)*

In connection with the 2014 Special Warrant financing, the Company paid agent and finders' fees at 7% of proceeds raised by those parties being \$40,361, a cash fee to the Agent of \$30,000 plus applicable taxes and estimated other expenses of \$70,594. In addition, the Agent, and associated selling group, were issued 22,675 special broker warrants (the "**Special Broker Warrants**"), representing 7% of the number of 2014 Special Warrants sold by the Agent and the finders were issued 2,680 Special Broker Warrants, representing 7% of the number of 2014 Special Warrants sold to purchasers introduced to the Company by such finders. Each Special Broker Warrant was deemed exercised for, without payment of any additional consideration, one broker warrant (the "**Broker Warrants**"). Each Broker Warrant is exercisable to acquire one common share, subject to adjustment in certain circumstances, at a price of \$2.00 until October 22, 2015. The Special Broker Warrants were valued at \$49,960 using the Black-Scholes model with a risk-free interest rate of 1.00%, term of 1 year, volatility of 80% and dividend rate of 0%.

c) July 2014 Preferred Shares Financing

On July 29, 2014, the Company completed a brokered private placement of 1,185,400 Preferred Shares at a price of \$2.00 per Preferred Share for aggregate gross proceeds of \$2,370,800. During the period ended March 31, 2015, the Preferred Shares were converted into common shares of the Company.

In conjunction with the private placement, the Company issued 79,479 warrants to Bloom Burton, the Company's advisor, and other finders exercisable at a price of \$2.00 for a period of one year. The warrants were valued at \$50,004 using the Black-Scholes model with a risk-free interest rate of 1.08%, term of 1 year, volatility of 80% and dividend rate of 0%. The Company paid finders' fees of \$158,956 and other share issue costs of \$66,560.

9. RESERVES**Stock options**

The Company has adopted a Stock Option Plan which is a rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. The Stock Option Plan is consistent with the policies and rules of the TSX-V.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2013	1,119,250	\$ 0.73
Options granted	<u>1,950,469</u>	<u>1.80</u>
Balance, September 30, 2014	3,069,719	1.41
Options granted	<u>370,000</u>	<u>2.61</u>
Balance outstanding, March 31, 2015	<u>3,439,719</u>	<u>\$ 1.54</u>
Balance exercisable, March 31, 2015	<u>1,634,750</u>	<u>\$ 1.12</u>

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**9. RESERVES (cont'd...)****Stock options (cont'd...)**

At March 31, 2015, options were outstanding enabling holders to acquire common shares as follows:

Exercise price	Number of options	Weighted average remaining contractual life (years)
\$ 0.50	275,000	1.12*
0.80	1,165,500	3.16**
2.00	1,929,219	3.65
4.65	10,000	4.85
5.15	10,000	4.93
5.35	50,000	9.93
	3,439,719	3.38

* 7,000 options were exercised subsequent to March 31, 2015

** 5,100 options were exercised subsequent to March 31, 2015

Escrow, Lock-Up, and Supplementary Lock-Up Restrictions

The Company's stock options exercisable at \$0.50 and \$0.80 and 150,000 stock options exercisable at \$2.00 are subject to various exercise restrictions.

As at September 30, 2014, 330,500 stock options exercisable at \$0.50 and \$0.80 were subject to pooling restrictions. 66,100 options were released on the Date of Listing, and the remaining options will be released in increments of 66,100 common shares every 3 months thereafter. As at March 31, 2015, 264,400 options remained subject to pooling restrictions. Subsequent to March 31, 2015, 66,100 options were released.

As at September 30, 2014, 1,110,000 stock options exercisable at \$0.50 and \$0.80 were subject to an Escrow Agreement with the TSX-V, whereby 10% of the options subject to escrow were released upon the Date of Listing with the remaining options to be released in 15% increments every 6 months thereafter. Of these options, 915,000 options are also subject to lock-up and supplementary lock-up restrictions, whereby increments of 14%, 11%, and 15% will be released 6, 9, and 12 months after the Date of Listing, respectively, and increments of 15% every 6 months thereafter. As at March 31, 2015, 1,090,500 options remained subject to escrow, lock-up, and supplementary lock-up restrictions.

As at March 31, 2015, 150,000 stock options exercisable at \$2.00 are subject to lock-up and supplementary lock-up restrictions, whereby increments of 14% and 32.2% will be released 6 and 9 months after the Date of Listing, respectively, and increments of 17.2% every 3 months thereafter.

Share-based compensation

During the period ended March 31, 2015, the Company granted 370,000 (2014 – 529,219) stock options with a weighted average fair value of \$1.66 (2014 – \$0.37). The Company recognized share-based payments expense of \$881,925 (2014 - \$69,935) for options granted and vesting during the period.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**9. RESERVES (cont'd...)****Share-based compensation (cont'd...)**

Share-based payments expense for the six months ended March 31, 2015 and 2014 is allocated to its functional expense as follows:

	2015	2014
Research and development expense (Note 15)	\$ 521,382	\$ 60,976
Financing costs	53,273	8,959
General and administrative (Note 15)	<u>307,270</u>	<u>-</u>
	<u>\$ 881,925</u>	<u>\$ 69,935</u>

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period:

	2015	2014
Risk-free interest rate	1.46%	1.61%
Expected life of options	4.96 years	5.00 years
Expected annualized volatility	79.8%	80.0%
Dividend	-	-

Expected annualized volatility was determined through the comparison of historical share price volatilities used by similar publicly listed companies in the pharmaceuticals / biotechnology industry. The companies chosen for comparison were, Cipher Pharmaceuticals Inc. (March 31, 2015 – 92.79% volatility), Oncolytics Biotech Inc. (March 31, 2015 - 64.34%), Helix BioPharma Corp. (March 31, 2015 – 75.62% volatility), and Cardiome Pharma Corp. (March 31, 2015 – 78.77% volatility). As the Company is less established than these comparable companies, the Company's stock price is expected to be slightly more volatile than the average of the companies analyzed. As such, the Company used the average annualized volatility of 79.80%. This is consistent with estimates provided in the period ended March 31, 2015 and provides a reasonable trend for the Company's expected volatility.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2013	-	\$ -
Warrants granted	<u>104,479</u>	<u>2.00</u>
Balance, September 30, 2014	104,479	2.00
Warrants granted	282,373	3.18
Warrants exercised	<u>(74,248)</u>	<u>2.00</u>
Balance outstanding and exercisable, March 31, 2015	<u>312,604</u>	<u>\$ 3.22</u>

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**9. RESERVES (cont'd...)****Warrants (cont'd...)**

Warrants exercisable in US dollars as at March 31, 2015 are translated at current rates to reflect current weighted average exercise price in Canadian funds for all outstanding warrants.

At March 31, 2015, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
25,000	\$ 2.00	April 15, 2019
29,751	2.00	July 29, 2015
835	2.00	October 22, 2015
<u>257,018</u>	US\$2.75	January 16, 2017*
312,064		

* 655 warrants were exercised subsequent to March 31, 2015

10. RELATED PARTY TRANSACTIONS

Key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer, Chief Medical Officer, Executive VP of Research and Development, and Directors of the Company. Compensation paid to key management personnel for the six months ended March 31, 2015 and 2014 are as follows:

	2015	2014
Salaries, consulting fees, and director fees	\$ 968,334	\$ 160,000
Share-based payments	<u>707,248</u>	<u>59,445</u>
Total compensation	\$ 1,675,582	\$ 219,445

During the six months ended March 31, 2015, the Company granted 200,000 options (2014 – nil) 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 \$707,248 (2014 - \$59,445).

Included in accounts payable and accrued liabilities at March 31, 2015 is \$55,520 (September 30, 2014 – \$24,331) due to related parties with respect to key management personnel compensation and expense reimbursements. Amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

Commitments

The CEO is entitled to a payment of one year of base salary upon termination without cause, increasing to two years 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. The 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. Stock options held by the CEO and CFO vest immediately upon a change of control.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014

11. SEGMENTED INFORMATION

The Company works in one industry being the development of small molecule drugs for prostate cancer. The Company's equipment is located in the USA.

12. CAPITAL MANAGEMENT

The Company considers its capital to be the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing.

Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISK

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/HST 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/HST 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 March 31, 2015, the Company had a cash balance of \$13,238,618 to settle current liabilities of \$1,486,553. 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.

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**13. FINANCIAL INSTRUMENTS AND RISK (cont'd...)****Financial risk factors (cont'd...)***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 no interest-bearing debt and therefore is not exposed to risk in the event of interest rate fluctuations.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in United States dollars. As at March 31, 2015, the Company had cash of US\$10,367,856 and accounts payable and accrued liabilities of US\$801,137. The Company anticipates that, pursuant to the product development and relocation grant disclosed in Note 14, the transactions of the Company will be increasingly subject to fluctuations in the US dollar. Additionally, the Company has broker warrants outstanding which are denominated in United States dollars (Note 7).

A 10% change in the foreign exchange rate between the Canadian and US dollar would result in a fluctuation of \$1,211,721 in the net loss realized for the period.

(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.

14. COMMITMENTS

The Company has the following obligations over the next five years:

Contractual obligations	2015	2016	2017	2018	2019
Minimum annual royalty per License Agreement (Note 5)	\$ 65,000	\$ 65,000	\$ 85,000	\$ 85,000	\$ 85,000
Lease on Vancouver office space	<u>22,100</u>	<u>46,800</u>	<u>46,800</u>	<u>46,800</u>	<u>46,800</u>
Total	\$ 87,100	\$ 111,800	\$ 131,800	\$ 131,800	\$ 131,800
Lease on US office space (In USD)	\$ 106,365	\$ 244,230	\$ 251,192	\$ 258,206	\$ 307,361

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**14. COMMITMENTS (cont'd...)***Product Development and Relocation Grant*

In February 2014 the Company received notice that it had been awarded a product development and relocation grant by the Cancer Prevention Research Institute of Texas (“CPRIT”) whereby the Company is eligible to receive up to US\$12,000,000 on eligible expenditures over a three year period related to the development of the Company’s androgen receptor n-terminus blocker program for prostate cancer. The funding under CPRIT is subject to a number of conditions including negotiation and execution of an award contract which details the milestones that must be met to release the tranching CPRIT funding, proof the Company has raised the 50% matching funds to release CPRIT monies, and relocation of the project to the State of Texas such that the substantial functions of the Company related to the project grant are in Texas and the Company uses Texas-based subcontractor and collaborators wherever possible.

During the year ended September 30, 2014, the Company received US\$2,793,533 as an advance on the CPRIT grant, of which US\$1,153,181 in qualifying expenses was incurred in that same period. During the six month period ended March 31, 2015, the Company incurred qualifying expenses of US\$3,972,160 and has recognized a reduction in the grant liability in the statement of loss and comprehensive loss. The Company has judged there is reasonable assurance that the funds will be successfully earned under the terms of the grant.

If the Company is found to have used any grant proceeds for purposes other than intended, is in violation of the terms of the grant, or relocates its operations outside of the state of Texas, then the Company is required to repay any grant proceeds received.

Under the terms of the grant, the Company is also required to pay a royalty to CPRIT, comprised of 4% of revenues until aggregate royalty payments equal US\$24,000,000, and 2% of revenues thereafter. The Company has the option to terminate the grant agreement by paying a one-time, non-refundable buyout fee, based on certain factors including the grant proceeds, and the number of months between termination date and the buyout fee payment date.

	March 31, 2015	September 30, 2014
Opening balance	\$ 1,838,507	\$ -
Advance received	-	3,048,694
Recoveries claimed	(1,894,263)	(1,256,621)
Effect of foreign exchange	<u>55,756</u>	<u>46,434</u>
Ending balance	<u>\$ -</u>	<u>\$ 1,838,507</u>

Advisory Contract

In February 2014 the Company executed an Engagement Letter with Bloom Burton & Co. (“Bloom Burton”), an investment bank, to retain their services to act as its exclusive agent and financial advisor in connection with a funding strategy for the Company to involve a private financing, that is compatible with the CPRIT grant, followed by an initial public offering on a major North American stock exchange. In exchange for their services, Bloom Burton would receive a percentage of any funds raised and warrants on successful completion of the financing. The Engagement Letter was for a term of nine months and has since expired; however, Bloom Burton retains a right of first refusal on all future financings occurring up to 24 months following the Company’s initial public offering.

The July 2014 Preferred Shares financing, October 2014 Special Warrant financing, and January 2015 Special Warrant financing were completed under the terms of the Advisory Contract (Note 8).

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2015 AND 2014**15. EXPENSES BY NATURE**

General and administrative expenses include the following major expenses by nature for the three and six month periods ended March 31, 2015 and 2014:

	Three months ended March 31, 2015	Three months ended March 31, 2014	Six months ended March 31, 2015	Six months ended March 31, 2014
Amortization	\$ 9,214	\$ 6,331	\$ 17,960	\$ 12,662
Consulting and subcontractor fees	31,488	59,195	106,885	125,595
Director fees	44,000	-	44,000	-
Foreign exchange	(1,185,286)	3,788	(1,229,303)	5,323
Investor relations	74,096	-	87,572	-
Office, IT and communications	107,060	2,974	147,242	6,157
Professional fees	637,534	31,544	997,149	42,257
Regulatory fees and transfer agent	51,025	-	58,749	-
Rent	47,238	8,117	61,542	15,512
Salaries and benefits	429,161	-	616,020	-
Share-based payments (Note 9)	182,673	-	307,270	-
Travel and entertainment	108,023	120	112,581	3,568
CPRIT grant claimed on eligible expenses (Note 14)	<u>(100,101)</u>	<u>-</u>	<u>(145,310)</u>	<u>-</u>
Total	\$ 436,125	\$ 112,069	\$ 1,182,357	\$ 211,074

Research and development expenses include the following major expenses by nature for the three and six month period ended March 31:

	Three months ended March 31, 2015	Three months ended March 31, 2014	Six months ended March 31, 2015	Six months ended March 31, 2014
Analytical studies, formulation and testing	\$ 919,196	\$ 69,902	\$ 1,688,486	\$ 108,274
Consulting	474,113	38,261	644,058	83,574
Legal patents and license fees	171,537	76,357	311,321	140,685
Manufacturing	992,014	-	1,376,657	11,400
Other	6,416	-	6,771	-
Salaries and benefits	478,843	-	802,070	-
Share-based payments (Note 9)	232,449	18,889	521,382	60,976
Travel	115,528	7,493	240,695	9,565
SRED tax credits	-	(179,454)	-	(235,470)
CPRIT grant claimed on eligible expenses (Note 14)	<u>(268,489)</u>	<u>-</u>	<u>(1,748,953)</u>	<u>-</u>
Total	\$ 3,121,607	\$ 31,448	\$ 3,842,487	\$ 179,004