CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2018, 2017 AND 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
ESSA Pharma Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ESSA Pharma Inc. (the "Company"), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years ended September 30, 2018, 2017, and 2016 and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the consolidated financial statements).

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years ended September 30, 2018, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a consolidated net loss of $11,629,440 during the year ended September 30, 2018 and, as of that date, the Company's consolidated deficit was $44,369,086. As stated in Note 1 to the consolidated financial statements, these events or conditions, indicate that a material uncertainty exists that casts substantial doubt on the Company's ability to continue as a going concern.

Basis for Opinion

A - Management's Responsibility for the Consolidated Financial Statements

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

B - Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

We have served as the Company's auditor since 2011.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 12, 2018

ESSA PHARMA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)
AS AT SEPTEMBER 30

	2018	2017
ASSETS		
Current		
Cash	$ 14,829,144	$ 3,957,185
Receivables (Note 17)	297,349	29,475
Prepaids (Note 4)	470,154	1,072,103
	15,596,647	5,058,763
Deposits	201,399	-
Equipment (Note 5)	-	99,882
Intangible assets (Note 6)	219,028	237,326
Deferred financing costs (Note 9)	-	211,073
Total assets	$ 16,017,074	$ 5,607,044
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 523,669	$ 1,641,103
Current portion of long-term debt (Note 7)	2,815,947	2,026,588
Income tax payable	4,722	109,521
	3,344,338	3,777,212
Long-term debt (Note 7)	3,501,016	5,933,092
Derivative liabilities (Note 8)	19,648	170,743
Total liabilities	6,865,002	9,881,047
Shareholders' equity (deficiency)		
Share capital (Note 9)	40,205,997	25,980,117
Reserves (Note 10)	15,391,640	4,562,005
Accumulated other comprehensive loss	(2,076,479)	(2,076,479)
Deficit	(44,369,086)	(32,739,646)
	9,152,072	(4,274,003)
Total liabilities and shareholders' equity (deficiency)	$ 16,017,074	$ 5,607,044

Nature and continuance of operations (Note 1)
Commitments (Note 17)
Subsequent events (Note 19)

On behalf of the Board on December 12, 2018

"David R. Parkinson" Director *"Franklin Berger"* Director

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

ESSA PHARMA INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2018	2017	2016
OPERATING EXPENSES			
Research and development, net of recoveries (Note 18)	$ 4,873,335	$ 5,726,366	$ 13,060,201
Financing costs	911,959	784,583	937,845
General and administration, net of recoveries (Note 18)	5,928,671	5,140,921	5,644,118
Total operating expenses	(11,713,965)	(11,651,870)	(19,642,164)
Foreign exchange	1,417	(36,497)	79,543
Interest income	42,734	-	-
Loss of disposal of equipment (Note 5)	(83,692)	-	-
Gain on derivative liability (Note 8)	151,095	7,305,746	6,574,105
Net loss for the year before taxes	(11,602,411)	(4,382,621)	(12,988,516)
Income tax expense (Note 13)	(27,029)	(116,391)	(151,272)
Net loss for the year	(11,629,440)	(4,499,012)	(13,139,788)
OTHER COMPREHENSIVE LOSS			
Cumulative translation adjustment	-	-	(337,763)
Comprehensive loss for the year	$ (11,629,440)	$ (4,499,012)	$ (13,477,551)
Basic and diluted loss per common share	$ (2.55)	$ (3.09)	$ (9.77)
Weighted average number of common shares Outstanding – basic and diluted	4,566,519	1,454,936	1,345,192

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

ESSA PHARMA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	$ (11,629,440)	$ (4,499,012)	$ (13,139,788)
Items not affecting cash:			
Amortization	34,488	46,145	66,181
Gain on derivative liability	(151,095)	(7,305,746)	(6,574,105)
Finance expense	911,959	784,583	910,101
Product development and relocation grant	(229,201)	(5,192,799)	-
Unrealized foreign exchange	19,694	(28,866)	(140,139)
Share-based payments (Note 10)	1,401,414	758,927	1,246,946
Loss on disposal of equipment (Note 5)	83,692	-	-
Changes in non-cash working capital items:			
Receivables	(35,874)	(14,649)	48,978
Prepaid expenses	601,949	(53,871)	644,089
Accounts payable and accrued liabilities	(1,120,833)	(1,867,853)	1,545,577
Income tax payable	(104,799)	18,330	91,191
Net cash used in operating activities	(10,218,046)	(17,354,811)	(15,300,969)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	-	-	(9,983)
Deposits	(201,399)	-	-
Net cash used in investing activities	(201,399)	-	(9,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance on product development and relocation grant	-	5,192,799	3,786,667
Proceeds on financing	26,040,000	-	19,999,992
Share issuance costs	(2,174,826)	(211,073)	(1,080,189)
Proceeds on loan advance	-	8,000,000	-
Financing costs	-	(220,937)	-
Loan principal repaid	(1,991,378)	-	-
Interest paid	(563,298)	(436,944)	-
Options exercised	-	2,939	36,465
Warrants exercised	-	-	1,194
Net cash provided by financing activities	21,310,498	12,326,784	22,744,129
Effect of foreign exchange on cash	(19,094)	117	(27,370)
Change in cash for the year	10,871,959	(5,027,910)	7,405,807
Cash, beginning of year	3,957,185	8,985,095	1,579,288
Cash, end of year	$ 14,829,144	$ 3,957,185	$ 8,985,095

Supplemental Disclosure with respect to Cash Flow (Note 11)

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

ESSA PHARMA INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in United States dollars)

			Reserves				
	Number of shares	Share capital	Share-based payments	Warrants	Cumulative translation adjustment	Deficit	Total
Balance, September 30, 2015	1,131,467	$19,419,004	$ 2,355,196	$ 45,824	$ (1,738,716)	$ (15,625,796)	$ 4,455,512
Private placement	310,606	6,581,815	-	-	-	-	6,581,815
Issuance costs	-	(170,091)	-	-	-	-	(170,091)
Options exercised	12,736	142,386	(105,921)	-	-	-	36,465
Warrants exercised	39	1,628	-	(434)	-	-	1,194
Share-based payments	-	-	1,246,946	-	-	-	1,246,946
Foreign currency adjustment	-	-	-	-	(54,574)	-	(54,574)
Effect of functional currency change	-	-	-	263,903	(283,189)	524,950	505,664
Loss for the year	-	-	-	-	-	(13,139,788)	(13,139,788)
Balance, September 30, 2016	1,454,848	$25,974,742	$ 3,496,221	$ 309,293	$ (2,076,479)	$ (28,240,634)	$ (536,857)
Options exercised	250	5,375	(2,436)	-	-	-	2,939
Share-based payments	-	-	758,927	-	-	-	758,927
Loss for the year	-	-	-	-	-	(4,499,012)	(4,499,012)
Balance, September 30, 2017	1,455,098	$25,980,117	$ 4,252,712	$ 309,293	$ (2,076,479)	$ (32,739,646)	$ (4,274,003)
Financing	4,321,000	17,284,000	-	8,756,000	-	-	26,040,000
Share issuance costs	-	(3,058,120)	-	672,221	-	-	(2,385,899)
Share-based payments	-	-	1,401,414	-	-	-	1,401,414
Loss for the year	-	-	-	-	-	(11,629,440)	(11,629,440)
Balance, September 30, 2018	5,776,098	$40,205,997	$ 5,654,126	$ 9,737,514	$ (2,076,479)	$ (44,369,086)	$ 9,152,072

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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. The Company is listed on the NASDAQ Capital Market ("NASDAQ") under the symbol "EPIX", and on the Toronto Venture Exchange ("TSX-V") under the symbol "EPI".

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 September 30, 2018, no products are in commercial production or use. From November 2015 until September 2017, the Company's primary activity was the Phase I clinical development of clinical candidate EPI-506. On September 11, 2017, the Company announced its decision to discontinue further clinical development of EPI-506, including a decrease in headcount and reduction of operational expenditures related to the clinical program. The Company implemented a corporate restructuring plan to focus resources on preclinical development of its next-generation compounds.

Share Consolidation

Effective April 25, 2018, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for 20 pre-consolidation shares. Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

Going Concern

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 net loss of $11,629,440 during the year ended September 30, 2018 and has an accumulated deficit of $44,369,086. 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 September 30, 2018, 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. These matters indicate the existence of material uncertainties that raises substantial doubt about the Company's ability to continue as a going concern.

During the year ended September 30, 2018, the Company completed a financing of $26,040,000 in gross proceeds (Note 9). Management continues to seek sources of additional financing which would assure continuation of the Company's operations and research programs. However, there is no certainty that such financing will be provided or provided on favorable terms. Management believes that it will complete a financing in sufficient time to continue to execute its planned expenditures without interruption.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (cont'd…)

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts expressed in these consolidated financial statements and the accompanying notes are expressed in United States dollars, except per share data and where otherwise indicated. References to "$" are to United States dollars and references to "C$" are to Canadian dollars.

Basis of Consolidation

The consolidated financial statements comprise the accounts of ESSA Pharma Inc., the parent company, and its wholly-owned subsidiary, ESSA Pharmaceuticals Corp., after the elimination of all material intercompany balances and transactions.

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

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 January 1, 2016, 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 financing completed in January 2016 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.

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

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 results may differ from these estimates and assumptions.

2. BASIS OF PRESENTATION (cont'd…)

Estimates (cont'd…)

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.

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 has met certain terms and conditions as detailed in Note 17 to qualify for the grant funding. The Company has therefore recognized in profit or loss, as recoveries of research and development expenditures, 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.

Long-term debt

The Company has made certain estimates regarding the expected timing of and value of cash flows with respect to long-term debt. The estimates will fluctuate in accordance with changes in interest rates and any prepayments made, should the Company elect to do so (Note 7).

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 loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield, expected term and liquidity discounts (Note 8).

2. BASIS OF PRESENTATION (cont'd…)

Estimates (cont'd…)

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. The Company has made reference to prices quoted on the Toronto Stock Exchange ("TSX"), TSX-V and NASDAQ. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the United States dollar and its subsidiary's is 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*.

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

On translation of the entities whose functional currency is other than the United States dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserve.

Equipment

The Company acquired office and computer equipment for use in its research and business activities.

Depreciation has been recognized using the straight-line method at the rate of 30% per annum for computer equipment and 20% for office equipment.

Intangible assets

The Company owns intangible assets consisting of patent licences. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company does not hold any intangible assets with indefinite lives.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Intangible assets (cont'd…)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in general and administrative expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use to September 15, 2030.

Impairment of long-lived assets

The Company's long-lived assets are reviewed for indications of impairment at the date of preparing each statement of financial position. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying value of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or group of assets. For the purpose of impairment testing, the Company determined it has one cash-generating unit.

The recoverable amount is the greater of the asset's fair value less cost to sell and value in use. In assessing fair value less cost to sell for the cash-generating unit, the Company's market capitalization is considered.

Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

Government assistance

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Research and development costs (cont'd…)

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit or loss. The Company's receivables are classified as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

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

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. The derivative liabilities are classified as fair value through profit or loss.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 as gains or losses on derivative instruments in the statement of loss and comprehensive loss.

Preferred shares

Preferred shares of the Company automatically converted to an equivalent number of common shares immediately prior to the listing of the common shares on an approved exchange. The preferred shares are a residual interest in the assets of the entity and are therefore classified within shareholders' equity (deficiency).

Share-based payments

Share based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments granted to non-employees are accounted for as equity settled share-based payment transactions and measured at the fair value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments (cont'd…)

Share-based compensation

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the weighted-average method. Since the Company has losses, the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

Income taxes

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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. IFRS 9 is not expected to have a significant impact on the Company's financial statements.

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. IFRS 15 is not expected to have a significant impact on the Company's financial statements.

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 has not yet been determined.

4. PREPAID EXPENSES

	2018	2017
Clinical program deposit	$ -	$ 659,899
Prepaid insurance	381,098	374,121
Other deposits and prepaid expenses	89,056	38,083
Balance	$ 470,154	$ 1,072,103

(Expressed in United States dollars)

5. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, September 30, 2016, and 2017	$ 154,318	$ 43,359	$ 197,677
Disposals	(154,318)	(43,359)	(197,677)
Balance, September 30, 2018	-	-	-
Accumulated Amortization			
Balance, September 30, 2016	$ 49,594	$ 20,353	$ 69,947
Amortization expense	20,945	6,903	27,848
Balance, September 30, 2017	70,539	27,256	97,795
Amortization expense	12,567	3,623	16,190
Disposals	(83,106)	(30,879)	(113,985)
Balance, September 30, 2018	$ -	$ -	$ -
Net Book Value			
Balance, September 30, 2017	$ 83,779	$ 16,103	$ 99,882
Balance, September 30, 2018	$ -	$ -	$ -

Amortization expense has been recorded in "general and administrative expenses" in the statement of loss and comprehensive loss (Note 18). In the year ended September 30, 2018, the Company disposed of all equipment for $nil proceeds due to office restructuring and recorded a loss on disposal of $83,692.

6. INTANGIBLE ASSETS

	NTD Technology
Cost	
Balance, September 30, 2016, 2017, and 2018	$ 361,284
Accumulated Amortization	
Balance, September 30, 2016	$ 105,661
Amortization expense	18,297
Balance, September 30, 2017	$ 123,958
Amortization expense	18,298
Balance, September 30, 2018	$ 142,256
Net Book Value	
Balance, September 30, 2017	$ 237,326
Balance, September 30, 2018	$ 219,028

(Expressed in United States dollars)

6. INTANGIBLE ASSETS (cont'd…)

Amortization expense has been recorded in "general and administrative expenses" in the statement of loss and comprehensive loss (Note 18).

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 annual minimum advance royalty payments of C$85,000. In addition, there are certain milestone payments for the first compound, to be paid in stages as to C$50,000 at the start of a Phase II clinical trial, C$900,000 at the start of a Phase III clinical trial, C$1,450,000 at application for marketing approval, and with further milestone payments on the second and additional compounds.

7. LONG-TERM DEBT

On November 18, 2016, Silicon Valley Bank ("SVB") entered into a $10,000,000 capital term loan facility agreement ("SVB Term Loan") with the Company. The Company has drawn down $8,000,000 from the SVB Term Loan. The option to draw an additional $2,000,000 lapsed on July 31, 2017.

The SVB Term Loan bears an interest rate of the Wall Street Journal Prime Rate ("WSJ Prime Rate") plus 3% per annum and will mature on September 1, 2020. The SVB Term Loan requires a final payment of 8.6% of the amount advanced ("Final Payment"), due upon the earlier of the maturity or termination of the SVB Term Loan. The Company was required to make interest only payments until December 31, 2017. The SVB Term Loan contains a voluntary prepayment option whereby the principal amount can be prepaid in whole, or in part, for a fixed fee if a prepayment is made on or before the second anniversary of the SVB Term Loan.

The SVB Term Loan is secured by a perfected first priority lien on all of the Company's assets, with a negative pledge on the Company's intellectual property. The SVB Term Loan is subject to standard events of default, including default in the event of a material adverse change. SVB may declare the Company to be in breach of the agreement in the event of a material adverse change, which has been defined to include a material impairment in the Company's assets acting as collateral under the SVB Term Loan, a material adverse change in the business, operations, or condition (financial or otherwise) of the Company, or a material impairment of the prospect of repayment of any portion of its debt obligations. There are no financial covenants under the SVB Term Loan.

In connection with the $8,000,000 draw, the Company granted an aggregate of 7,477 warrants to SVB (the "SVB Warrants"), exercisable at a price of $42.80 per share for a period of seven years until November 18, 2023, with an initial fair value of $167,022, which has been recognized as a derivative liability (Note 8). The Company incurred total additional transaction costs of $220,898 related to the SVB Term Loan and First Amendment. The transaction costs and Final Payment are being amortized into profit and loss over the estimated term of the facility, being the legal term, at an effective interest rate of 12.15% (2017 - 12.07%).

	SVB Term Loan
Balance, September 30, 2016	$ -
Loan advance	8,000,000
Transaction costs	(387,959)
Interest paid	(436,944)
Accretion	784,583
Balance, September 30, 2017	$ 7,959,680
Continued…	

7. LONG-TERM DEBT (cont'd…)

…continued	SVB Term Loan
Balance, September 30, 2017	$ 7,959,680
Principal repaid	(1,991,378)
Interest paid	(563,298)
Accretion	911,959
Balance, September 30, 2018	$ 6,316,963
Current portion	$ 2,815,947
Long-term portion	$ 3,501,016

8. DERIVATIVE LIABILITIES

Broker Warrants Denominated in Foreign Currency

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 derivative liability was designated as a financial liability carried at fair value through profit and loss.

Warrants exercisable in US dollars prior to January 1, 2016 and warrants exercisable in Canadian dollars after January 1, 2016, the date marking the Company's change in functional currency, are therefore classified as derivative liabilities. On January 1, 2016, the Company derecognized derivative liabilities of $588,407 for warrants outstanding denominated in Canadian dollars which have since expired.

In April 2014, in connection with the issuance of a convertible debenture for $1,000,000, the Company issued 1,250 broker warrants valued at $14,935 (C$16,394), each exercisable into one common share at a price of C$40.00 for a period of five years (Note 10). 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%. On January 1, 2016, the Company recorded a derivative liability of $82,743 using the Black-Scholes model.

As at September 30, 2018, the derivative liability had a fair value of $nil (2017 - $206). The Company has recorded the resulting change in fair value of $206 (2017 - $41,996) in the statement of loss and comprehensive loss.

2016 Warrants

In January 2016, the Company completed a private placement of 227,273 units of the Company at $66.00 per unit ("Unit") for gross proceeds of $14,999,992. Each Unit consisted of one common share of the Company, one 7-year cash and cashless exercise warrant (the "7-Year Warrants"), and one half of one 2-year cash exercise warrant (the "2-Year Warrants"). The 7-Year Warrants and 2-Year Warrants have an exercise price of $66.00 per common share (collectively, the "2016 Warrants"). The holders of the 7-Year Warrants may elect, in lieu of exercising the 7-Year Warrants for cash, a cashless exercise option, in whole or in part, to receive common shares equal to the fair value of the 7-Year Warrants based on the number of 7-Year Warrants to be exercised multiplied by a ten-day weighted average market price less the exercise price with the difference divided by the weighted average market price. If a warrant holder exercises this option, there will be variability in the number of shares issued per 7-Year Warrant.

(Expressed in United States dollars)

8. DERIVATIVE LIABILITIES (cont'd…)

2016 Warrants (cont'd…)

Additionally, the 2016 Warrants contain provisions which may require the Company to redeem the 2016 Warrants, at the option of the holder, in the event of a major transaction, such as a change of control or sale of the Company's assets ("Major Transaction"). The redemption value would be subject to a Black-Scholes valuation at the time of exercise. In the event the consideration for a Major Transaction payable to the common shareholders is in cash, in whole or in part, the redemption of the 2016 Warrants would be made in cash pro-rata to the composition of the consideration. The potential for a cash settlement for the 2016 Warrants, in accordance with IFRS, requires the 2016 Warrants to be treated as financial liabilities measured at fair value through profit or loss.

The 2016 Warrants are not traded in an active market. A liquidity discount of 20% has been applied to the per warrant fair value to account for the lack of marketability of the instruments. On January 13, 2018, the 2-Year Warrants expired unexercised. As at September 30, 2018, the 7-Year Warrants derivative liability had a fair value of $17,679 (2017 - $160,262). The Company has recorded the resulting change in fair value of $142,583 (2017 - $7,107,003) in the statement of loss and comprehensive loss.

SVB Warrants

In connection with the $8,000,000 draw on the SVB Term Loan (Note 7), the Company granted an aggregate of 7,477 warrants to SVB (the "**SVB Warrants**"), exercisable at a price of $42.80 per share for a period of seven years until November 18, 2023. The holders of the SVB Warrants may elect, in lieu of exercising the SVB Warrants for cash, a cashless exercise option, in whole or in part, to receive common shares equal to the fair value of the SVB Warrants based on the number of SVB Warrants to be exercised multiplied by a five-day weighted average market price less the exercise price with the difference divided by the weighted average market price. If a warrant holder exercises this option, there will be variability in the number of shares issued per SVB Warrant.

Additionally, the SVB Warrants contain provisions which require the Company to redeem the SVB Warrants, on a cashless basis, at the option of the holder, in the event of a major transaction, such as a change of control or sale of the Company's assets ("Acquisition") where the Company's shareholders receive cash or shares or a combination thereof, and the five-day weighted average market price is greater than the exercise price.

On issuance of the SVB Warrants, the Company recorded a derivative liability of $167,022 using the Black-Scholes model. The SVB Warrants are not traded in an active market. A liquidity discount of 20% has been applied to the per warrant fair value to account for the lack of marketability of the instruments. As at September 30, 2018, the SVB Warrants derivative liability had a fair value of $1,969 (2017 - $10,275). The Company has recorded the resulting change in fair value of $8,306 (2017 - $156,747) in the statement of loss and comprehensive loss.

Valuation

The Company uses the Black-Scholes option pricing model to estimate fair value. The following weighted average assumptions were used to estimate the fair value of the derivative warrant liabilities on initial recognition in the fiscal periods presented (November 18, 2016 with respect to the SVB Warrants), September 30, 2017 and September 30, 2018:

	September 30, 2018	September 30, 2017	November 18, 2016
Risk-free interest rate	3.06%	1.78%	1.32%
Expected life	4.29 years	3.67 years	7.00 years
Expected annualized volatility	68.0%	74.2%	75.4%
Dividend	-	-	-

(Expressed in United States dollars)

8. DERIVATIVE LIABILITIES (cont'd...)

Sensitivity

The derivative warrants are a recurring Level 3 fair value measurement. The key level 3 inputs used by management to determine the fair value are the market price and expected volatility. If the market price were to increase by a factor of 10% this would increase the obligation by approximately $5,057 as at September 30, 2018. If the market price were to decrease by a factor of 10% this would decrease the obligation by approximately $4,503 as at September 30, 2018. If the volatility were to increase by 10%, this would increase the obligation by approximately $14,598 as at September 30, 2018. If the volatility were to decrease by 10%, this would decrease the obligation by approximately $10,039 as at September 30, 2018.

The following table is a continuity schedule of changes to the Company's derivative liabilities:

	Total
Balance, September 30, 2016	$ 7,309,467
Derivative liability on issuance of warrants	167,022
Change in fair value	(7,305,746)
Balance, September 30, 2017	$ 170,743
Change in fair value	(151,095)
Balance, September 30, 2018	$ 19,648
Derivatives with expected life of less than one year	$ -
Derivatives with expected life greater than one year	$ 19,648

9. SHAREHOLDERS' EQUITY (DEFICIENCY)

Authorized

Unlimited common shares, without par value.

Unlimited preferred shares, without par value.

Effective April 25, 2018, the Company consolidated its issued and outstanding common shares on a basis of one post-consolidation share for 20 pre-consolidation shares. Unless otherwise stated, all share and per share amounts have been restated respectively to reflect this share consolidation.

a) January 2018 Financing

On January 9, 2018, the Company closed the first tranche of a brokered equity offering ("**January 2018 Financing**"), issuing 3,427,250 common shares and 1,654,000 pre-funded warrants at a price of $4.00 each, for total gross proceeds of $20,325,000. Each warrant is exercisable, for a nominal exercise price, into one common share of the Company for a period of five years. In connection with the first tranche of the January 2018 Financing, the Company paid a cash commission of $1,204,000, incurred other financing costs of $810,500 including $211,073 of deferred financing costs as at September 30, 2017, and issued 175,937 broker warrants each exercisable into one common share of the Company at a price of $4.00 per share for a period of five years. The broker warrants were valued at $495,033 using the Black-Scholes model with a risk-free interest rate of 2.33%, term of 5 years, volatility of 82.00%, and dividend rate of 0%.

Concurrently, the Company completed a non-brokered private placement of 168,750 common shares at $4.00 per share as purchased by certain directors of the Company for total gross proceeds of $675,000.

9. SHAREHOLDERS' EQUITY (DEFICIENCY) (cont'd…)

a) January 2018 Financing (cont'd…)

On January 16, 2018, the Company closed the second tranche of the January 2018 Financing, issuing 465,000 common shares and 535,000 pre-funded warrants at a price of $4.00 each, for total gross proceeds of $4,000,000. Each warrant is exercisable, for a nominal exercise price, into one common share of the Company for a period of five years. In connection with the second tranche of the January 2018 Financing, the Company paid a cash commission of $352,800, incurred other financing costs of $18,599, and issued 63,000 broker warrants each exercisable into one common share of the Company at a price of $4.00 per share for a period of five years. The broker warrants were valued at $177,188 using the Black-Scholes model with a risk-free interest rate of 2.36%, term of 5 years, volatility of 81.90%, and dividend rate of 0%. Furthermore, on January 16, 2018, the Company's agent partially exercised its over-allotment option for 260,000 additional common shares for additional proceeds to the Company of approximately $1,040,000.

b) March 2016 Private Placement

In March 2016, the Company completed a private placement (the "**March 2016 Financing**") of 83,333 common shares at a price of $60.00 per share for gross proceeds of approximately $5,000,000. The Company incurred financing costs of $62,797.

c) January 2016 Private Placement

In January 2016, the Company completed a private placement (the "**January 2016 Financing**") of 227,273 Units of the Company at a price of $66 per Unit for gross proceeds of approximately $15,000,000. Each Unit consisted of one common share, one 7-Year Warrant, and one-half of one 2-Year Warrant. The 7-Year Warrant and 2-Year were assigned fair values using the Black-Scholes model (Note 8). The residual value was assigned to the common share in the Unit. In connection with the January 2016 Financing, the Company paid a cash commission to a financial advisor of approximately $463,447 and incurred other financing costs of $553,942. The financing costs were recorded as $107,288 in equity for the issuance of the common shares and $910,101 to finance expense in the statement of loss and comprehensive loss for the issuance of the 2016 Warrants.

Nomination Rights

In connection with the January 2016 Financing, Clarus Lifesciences III, L.P. ("**Clarus**") acquired 106,061 common shares. Clarus is entitled to nominate two directors to the board of directors of the Company, one of which must be an independent director and preapproved by the Company. These nomination rights will continue for so long as Clarus holds greater than or equal to 53,030 common shares, subject to adjustment in certain circumstances.

In connection with the January 2018 Financing, Omega Fund IV, L.P. ("**Omega**") acquired 465,000 common shares and 535,000 pre-funded warrants (exercised subsequent to year end). Pursuant to the terms of a nomination rights agreement between the Company and Omega, Omega is entitled to nominate one director to the board of directors of the Company (Note 19). These nomination rights will continue for so long as Omega holds at least 9.99% of the issued and outstanding common shares.

10. RESERVES

Equity incentive plans

Stock option plan

The Company has adopted a Stock Option Plan consistent with the policies and rules of the TSX-V and NASDAQ. Pursuant to the Stock Option Plan, options may be granted with expiry terms of up to 10 years, and vesting criteria and periods are approved by the Board of Directors at its discretion. The options issued under the Stock Option Plan are accounted for as equity-settled share-based payments.

10. RESERVES (cont'd…)

Equity incentive plans (cont'd…)

Restricted share units plan

The Company has adopted a Restricted Share Unit Plan ("RSU Plan") consistent with the policies and rules of the TSX-V and NASDAQ. Pursuant to the RSU Plan, RSUs may be granted with vesting criteria and periods are approved by the Board of Directors at its discretion. The RSUs issued under the RSU Plan may be accounted for as either equity-settled or cash-settled share-based payments. At September 30, 2018, there are no RSUs outstanding.

The Stock Option Plan and RSU Plan have a combined maximum of 1,155,218 common shares which may be reserved for issuance.

Stock options

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price*
Balance, September 30, 2015	173,676	$ 29.51
Options granted	45,500	83.28
Options exercised	(14,050)	(19.42)
Options expired/forfeited	(2,000)	(67.83)
Balance, September 30, 2016	203,126	$ 42.81
Options exercised	(250)	(12.41)
Options expired/forfeited	(17,000)	(39.71)
Balance, September 30, 2017	185,876	$ 44.53
Options granted	803,400	3.94
Options expired/forfeited	(88,817)	(21.83)
Balance outstanding, September 30, 2018	900,459	$ 4.80
Balance exercisable, September 30, 2018	152,530	$ 9.06

Options exercisable in Canadian dollars as at September 30, 2018 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding options.

At September 30, 2018, options were outstanding enabling holders to acquire common shares as follows:

Exercise price		Number of options	Weighted average remaining contractual life (years)
$	4.00	572,748	9.18
$	4.10	12,500	9.71
C$	4.90	286,000	9.07
C$	16.00	250	0.64
C$	40.00	28,961	1.08
		900,459	8.89

(Expressed in United States dollars)

10. RESERVES (cont'd…)

Share-based compensation

During year ended September 30, 2018, the Company granted a total of 803,400 (2017 – Nil; 2016 – 45,500) stock options with a weighted average fair value of $3.08 per option (2017 – $Nil; 2016 - $39.60).

During the year ended September 30, 2018, the Company amended the exercise prices and expiry dates of 83,350 outstanding stock options to exercise prices of either C$4.90 or $4.00 and expiry dates ranging from October 1, 2023 to August 9, 2026. This resulted in additional share-based payments expense of $78,747 for the year ended September 30, 2018. The weighted average assumptions used for the Black-Scholes valuation of the modified options were annualized volatility of 77.80%, risk-free interest rate of 2.66%, expected life of 7.28 years and a dividend rate of Nil%.

The Company recognized share-based payments expense for options granted and vesting, net of recoveries on cancellations of unvested options, during the year with allocations to its functional expense as follows:

	2018	2017	2016
Research and development expense (Note 18)	$ 324,528	$ (3,870)	$ 322,160
Financing costs	-	-	27,743
General and administrative (Note 18)	1,076,886	762,797	897,043
	$ 1,401,414	$ 758,927	$ 1,246,946

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

	2018	2017	2016
Risk-free interest rate	2.37%	-	0.63%
Expected life of options	10.00 years	-	3.58 years
Expected annualized volatility	80.89%	-	73.01%
Dividend	-	-	-

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2015	14,125	$ 52.80
Warrants granted	340,909	66.00
Warrants exercised	(39)	(29.60)
Warrants expired	(18)	(29.60)
Balance, September 30, 2016	354,977	$ 65.60
Warrants granted	7,476	42.80
Warrants expired	(12,818)	55.00

10. RESERVES (cont'd…)

Warrants (cont'd…)

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2017	349,635	$ 65.38
Warrants granted	2,427,937	0.40
Warrants expired	(113,636)	66.00
Balance outstanding and exercisable, September 30, 2018	2,663,936	$ 6.13

Warrants exercisable in Canadian dollars as at September 30, 2018 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding warrants.

At September 30, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants		Exercise Price	Expiry Date
1,250		C$40.00	April 15, 2019
227,273	(1)	US$66.00	January 14, 2023
7,476		US$42.80	November 18, 2023
1,653,999	(2)	US$0.002	January 9, 2023
175,938		US$4.00	January 9, 2023
535,000	(2)(3)	US$0.002	January 16, 2023
63,000		US$4.00	January 16, 2023
2,663,936			

(1) Detailed terms of the 2016 Warrants are included in Note 8.
(2) Pre-funded warrants are included in reserves at the price paid by holders of $4.00 per pre-funded warrant (Note 9).
(3) Exercised subsequent to September 30, 2018.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended September 30, 2018, the Company issued broker warrants valued at $672,221 in connection with the January 2018 Financing (Note 9).

During the year ended September 30, 2017, the Company:

(a) Issued warrants valued at $167,022 in connection with the SVB Term Loan (Note 7).

(b) On exercise of stock options, the Company transferred $2,436 from reserves to share capital.

During the year ended September 30, 2016, the Company:

(a) Issued 10,686 common shares on the cashless exercise of 12,000 stock options.

(b) On exercise of stock options and warrants, the Company transferred $105,921 and $434, respectively, from reserves to share capital.

(Expressed in United States dollars)

12. RELATED PARTY TRANSACTIONS

Key management personnel of the Company include the President and Chief Executive Officer, Executive VP and Chief Operating Officer, Chief Financial Officer, Chief Technical Officer, Chief Scientific Officer, former Chief Medical Officer, former Executive VP of Research and Development, and Directors of the Company. Compensation paid to key management personnel is as follows:

	2018	2017	2016
Salaries, consulting fees, and director fees	$ 2,439,422	$ 2,179,826	$ 2,651,651
Share-based payments, net of cancellations [a]	1,429,053	770,222	1,029,878
Total compensation	$ 3,868,475	$ 2,950,048	$ 3,681,529

[a] Share-based payments to related parties represents the fair value of options granted and vested in the period to key management personnel net of expense reversed for options cancelled before vesting.

During the year ended September 30, 2018, the Company modified 73,000 (2017 – Nil; 2016 – Nil) options held by and granted 682,000 (2017 – Nil; 2016 – 44,500) 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 $1,429,053 (2017 - $770,222; 2016 - $1,029,878).

Included in accounts payable and accrued liabilities at September 30, 2018 is $128,035 (2017 - $219,031) 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. Additionally, the CEO is entitled to 18 months of salary if 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. The COO is entitled to a payment of one year of base salary upon termination without cause. Additionally, the COO is entitled 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, and COO vest immediately upon a change of control.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

For the years ended September 30	2018	2017	2016
Loss for the year before income tax	$ (11,602,411)	$ (4,382,621)	$ (12,988,516)
Expected income tax recovery	$ (3,104,000)	$ (1,139,000)	$ (3,377,000)
Non-deductible share-based payments	378,000	233,000	352,000
Other permanent differences including foreign exchange	(41,000)	(1,899,000)	(1,709,000)
Financing costs	(638,000)	(142,000)	(142,000)
Changes in statutory and foreign tax rates and other	(463,000)	15,000	15,000
Adjustment to prior year provision versus statutory return	290,000	(490,000)	1,308,000
Change in unrecognized deductible temporary differences	3,605,029	3,538,391	3,704,272
Total income tax expense	$ 27,029	$ 116,391	$ 151,272

(Expressed in United States dollars)

13. INCOME TAXES (cont'd…)

The significant components of the Company's unrecognized temporary tax differences are as follows:

	2018	2017	2016
Operating losses carried forward	$ 53,568,000	$ 43,306,000	$ 29,384,000
Investment tax credits	149,000	154,000	147,000
Equipment and intangible assets	128,000	71,000	13,000
Financing costs	2,771,000	1,710,000	1,760,000

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiary.Operating losses carried forward as at September 30, 2018 expire from 2031 – 2038. Financing costs expire from 2039 to 2042. Investment tax credits expire in 2035.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

The Company has recorded an income tax expense of $27,029 for the year ended September 30, 2018 (2017 - $116,391; 2016 - $151,272) in relation to taxable income generated by its US subsidiary.

14. SEGMENTED INFORMATION

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

15. CAPITAL MANAGEMENT

The Company considers its capital to include working capital, long-term debt and the components of shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms. 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.

On November 18, 2016, the Company entered into the SVB Term Loan (Note 7), pursuant to which the Company has drawn down $8,000,000 as at September 30, 2018.

In January 2018, the Company completed financings totaling $26,040,000 in gross proceeds (Note 9).

There were no changes to the Company's approach to capital management during the year ended September 30, 2018. As at September 30, 2018, the Company is not subject to externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, long-term debt and derivative liabilities. 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 fair value of the SVB Term Loan is approximately $6,736,846 which includes the principal and financing costs assessed on settlement as at September 30, 2018. The derivative liabilities are measured using level 3 inputs (Note 8).

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 to 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, 2018, the Company had a working capital of $12,453,708. The SVB Term Loan is repayable over a 33-month period ending September 1, 2020. The Company does not generate revenue and will be reliant on external financing to fund operations and repay the SVB Term Loan. Debt and equity financing are dependent on market conditions and may not be available on favorable 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

As at September 30, 2018, the Company has cash balances which are interest bearing. Interest income is not significant to the Company's projected operational budget and related interest rate fluctuations are not significant to the Company's risk assessment.

The Company's SVB Term Loan is interest-bearing debt at a variable rate. A 10% change in the WSJ Prime Rate would result in an increase of $81,065 or decrease of $3,329 in the net loss realized for the period.

(b) Foreign currency risk

The Company's foreign currency risk exposure relates to net monetary assets denominated in Canadian dollars. The Company maintains its cash in US dollars and converts on an as needed basis to discharge Canadian denominated expenditures. A 10% change in the foreign exchange rate between the Canadian and U.S. dollar would result in a fluctuation of $13,751 in the net loss realized for the year. The Company does not currently engage in hedging activities.

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Financial risk factors (cont'd…)

Market risk (cont'd…)

(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.

17. COMMITMENTS

Product Development and Relocation Grant

In February 2014 the Company received notice that it had been awarded a product development and relocation grant by CPRIT whereby the Company is eligible to receive up to $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 tranched 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.

As at September 30, 2016, the Company had received the first two tranches of the CPRIT Grant, totalling $6,578,000, which have been recognized as research and development recoveries in the statements of loss and comprehensive loss over fiscal years 2014, 2015, and 2016. During the year ended September 30, 2017, the Company received $5,192,799, representing a partial payment of the third and final tranche of the grant of $5,422,000. The remaining balance of $229,201 has been recorded as a receivable as at September 30, 2018.

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 fails to maintain the required level of operations in the State of Texas for three years following the final payment of grant funds, then the Company could be 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 the Company receives from sale of commercial product or commercial service, until aggregate royalty payments equal $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 the termination date and the buyout fee payment date.

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

Contractual obligations	2019	2020	2021	2022	2023
Minimum annual royalty per License Agreement (Note 6)	C$ 85,000	C$ 85,000	C$ 85,000	C$ 85,000	C$ 85,000
Collaborative Research Agreement with BC Cancer Agency	174,037	-	-	-	-
Total (in C$)	C$ 259,037	C$ 85,000	C$ 85,000	C$ 85,000	C$ 85,000
SVB loan payments (Note 7)	$ 3,210,752	$ 4,032,332	$ -	$ -	$ -
Lease on US office spaces	$ 115,906	$ 119,383	$ 70,670	$ -	$ -

(Expressed in United States dollars)

18. EXPENSES BY NATURE

Research and development expenses include the following major expenses by nature:

For the year ended September 30	2018	2017	2016
Clinical	$ 1,177,179	$ 2,623,636	$ 2,920,104
Consulting	624,879	935,151	1,333,323
Legal patents and license fees	561,099	834,295	905,392
Manufacturing	219,526	3,571,106	3,601,407
Other	40,845	187,228	306,657
Pharmacology	372,509	407,373	866,527
Preclinical	446,748	-	-
Program administration	385,085	(38,534)	381,429
Royalties	66,929	48,863	46,228
Salaries and benefits	845,428	2,213,655	2,194,047
Share-based payments (Note 10)	324,528	(3,870)	322,160
Travel	37,781	140,262	182,927
CPRIT grant claimed on eligible expenses (Note 17)	(229,201)	(5,192,799)	-
Total	$ 4,873,335	$ 5,726,366	$ 13,060,201

General and administrative expenses include the following major expenses by nature:

For the year ended September 30	2018	2017	2016
Amortization	$ 34,488	$ 46,145	$ 66,181
Consulting and subcontractor fees	96,986	86,931	87,014
Director fees	196,472	191,500	204,049
Insurance	449,972	395,690	422,066
Investor relations	235,416	230,579	317,822
Office, IT and communications	216,714	187,364	288,968
Professional fees	860,435	612,865	776,339
Regulatory fees and transfer agent	150,913	74,600	131,302
Rent	415,744	470,716	620,023
Salaries and benefits	2,010,613	1,863,634	1,634,380
Share-based payments (Note 10)	1,076,886	762,797	897,043
Travel and entertainment	184,032	218,100	198,931
Total	$ 5,928,671	$ 5,140,921	$ 5,644,118

19. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company:

(a) Issued 535,000 common shares to Omega upon the exercise of 535,000 pre-funded warrants (Note 9).

(b) Granted 12,000 stock options, exercisable at $3.58 per share for a period of 10 years, to Dr. Otello Stampacchia upon his appointment to the Board of Directors as nominated by Omega.