ESSA Pharma Inc.

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013

*This management discussion and analysis ("**MD&A**") of ESSA Pharma Inc. (the "**Company**" or "**ESSA**") for the year ended September 30, 2014, nine months ended September 30, 2013 and year ended December 31, 2012 is as of January 26, 2015. This MD&A has been prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2014, nine months ended September 30, 2013 and year ended December 31, 2012, and the related notes thereto. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").*

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

OVERVIEW OF THE COMPANY

ESSA is a development-stage pharmaceutical company focused on the development of small molecule drugs for the treatment of castrate-resistant prostate cancer ("**CRPC**"). The Company is developing drugs which selectively block the amino terminus domain ("**NTD**") of the androgen receptor ("**AR**"), potentially overcoming the known AR-dependent mechanisms of CRPC and providing CRPC patients with the potential for increased progression-free and overall survival.

In 1999, Dr. Marianne Sadar, a Distinguished Scientist at the British Columbia Cancer Agency (the "**BC Cancer Agency**") elucidated a unique drug target on the AR: the NTD. In 2003, Dr. Sadar and Dr. Raymond Andersen, a Professor at the University of British Columbia ("**UBC**") known for his natural product libraries and medicinal chemistry experience and expertise, began a collaboration focused on discovery of small-molecule inhibitors of the AR NTD. By mid-2008, they together discovered a family of compounds that selectively inhibit the NTD target on the AR and demonstrated the efficacy of those molecules in recognized laboratory models of prostate cancer. These compounds are potential drugs for treatment of CRPC.

Drs. Sadar and Andersen incorporated ESSA in January 2009 under the laws of British Columbia, Canada. In 2010, Robert Rieder and Dr. Richard Glickman, both CEOs of NASDAQ-traded biopharmaceutical companies, completed the founding team at ESSA. Mr. Rieder was appointed CEO of the Company and Dr. Glickman was appointed Chairman of the board of directors of the Company (the "**Board**").

ESSA began substantive operations in 2010 with the licensing of intellectual property related to the research of Drs. Sadar and Andersen from the BC Cancer Agency and UBC (the "**Licensed IP**") pursuant to a licensing agreement (the "**License Agreement**") between the Company, UBC and the BC Cancer Agency. The Company began to invest in research activities in 2011 which were necessary for the selection of a variant of ESSA's lead compound, EPI-001, that would be suitable to take forward into clinical development and to the Investigational New Drug ("**IND**") phase.

ESSA has continued its efforts to identify and test a more-potent variant of our lead compound. This led to testing of a compound named EPI-506, a pro-drug of EPI-002. In vitro testing of EPI-506 showed that it was approximately two-fold more potent than EPI-002. In vivo experiments in established models of CRPC suggested an even higher increase in potency of EPI-506 over EPI-002 by oral dosing. In early 2014, as a result of data from various studies that showed that EPI-506 was well tolerated in both mice and canines, the Company decided to commence a work program focused on receiving regulatory approval to commence clinical testing of EPI-506 in CPRC patients.

ESSA Products and Programs

Adenocarcinoma of the prostate represents approximately 95% of all prostate cancers and is dependent on androgen for survival and proliferation. This dependency of prostate cells on androgen forms the basis for androgen deprivation therapy (surgical or pharmaceutical castration) as the gold standard for systemic therapy for recurrent prostate cancer. In adult males, the testes produce the majority of androgens with minor amounts contributed from the adrenal glands and other tissues.

The AR is a ligand-activated transcription factor that mediates the biological effects of androgen. Without a functional full-length AR, the addition of androgen has no biological effects. The AR has distinct functional domains that include a C-terminal ligand-binding domain, DNA-binding domain, the N-terminal domain, and a hinge region. All current FDA-approved therapies that target the AR are directly or indirectly focused on its C-terminal ligand-binding domain. Androgens such as testosterone and dihydrotestosterone bind to the ligand-binding domain of the AR which result in changes in conformation and post-translational modifications, nuclear translocation, and ultimately binding to the regulatory regions of DNA of target genes called androgen response elements. Thus, the AR regulates the transcription of genes involved in prostate tissue growth and survival.

Castration-Resistant Prostate Cancer

Approximately one-third of all prostate cancer patients who have been treated for local disease will subsequently have biochemical failure: rising serum levels of prostate-specific antigen ("**PSA**") which is an indication of recurrent disease. Patients with advanced disease tend to go on to androgen ablation therapy (surgical or pharmacological castration). Pharmacological castration using analogues of luteinizing hormone releasing hormone ("**LHRH**") or surgical castration are effective and comprise the current gold standard of treatment.

Drugs which competitively bind in the ligand-binding pocket of the ligand-binding domain of the AR prevent both the binding of androgen and interaction of the AR with co-regulatory proteins, and therefore also prevent AR transcription activity. Such drugs (called "**Antiandrogens**") can also be effective in inhibiting the growth of prostate cancer tumors. However, antiandrogen monotherapy is less effective than castration and is not approved or recommended in current therapeutic guidelines. Current antiandrogens used for prostate cancer include bicalutamide, flutamide, nilutamide, cyproterone acetate, enzalutamide, and the investigation drugs ARN-509, TOK-001 (Galeterone) and ODM-201.

ESSA has licensed a family of drugs which have been shown to prevent AR transcriptional activity by a variety of mechanisms. ESSA's lead compound was EPI-001. It is a mixture of four stereoisomers, each of which has the same chemical constitution, but different spatial orientation of its constituent atoms. While all the stereoisomers are active against the AR NTD, the most effective stereoisomer of EPI-001 is EPI-002, and ESSA has done substantial experimentation with EPI-002. The clinical candidate compound that is being developed (EPI-506) is a pro-drug of EPI-002. That means that EPI-506 metabolizes to EPI-002 once it is dosed orally. Together, EPI-001, EPI-002, EPI-506, and other active analogues of EPI-001are referred to as the "EPI-series drugs".

Development Program

Cancer therapeutics can typically be developed using relatively short-term pre-clinical studies, fewer patients and resources, and less time compared to experimental therapies in many other therapeutic areas. ESSA intends to initially focus its development efforts on obtaining regulatory approval to treat CRPC patients.

Pre-clinical Development

The Company's initial work to support the CRPC indication has consisted of efficacy studies, bioanalytical development and pharmacokinetic studies in four species, as well as preliminary toxicology studies in three species. To date EPI-506 appears to be well-tolerated after daily oral administration. Formulation development work and bio-analytical development for pre-clinical studies have been conducted at Biopharmaceutical Research Inc. in Vancouver, Canada.

To formally assess any potential safety issues related to EPI-506, the Company expects to conduct, in rodents and non-rodents, dose-ranging studies that lead to 28-day Good Laboratory Practices, toxicology studies. In addition, in vitro mutagenesis assay(s) and hERG potassium channel testing are expected to be performed. Consistent with the development of other oncology therapies at this early stage, no reproductive toxicology studies are expected to be performed. The toxicology studies are expected to incorporate toxicokinetics in order to correlate potential effects with EPI-506 exposure. Initially, metabolism data will be generated in vitro using hepatocytes from several species. A radiolabeled EPI-506 will be used for further metabolism and distribution work in vivo.

The Company will address U.S. Food and Drug Administration-mandated Chemistry, Manufacturing and Control ("**CMC**") requirements by using a combination of in-house expertise and contractual arrangements. The Company has engaged Naeja Pharmaceutical Inc. ("**Naeja**") in Edmonton, Canada to produce non-Good Manufacturing Practice ("**GMP**") material for our IND-enabling toxicology studies. Chemical processes developed at Naeja, and in the laboratory of ESSA co-founder Dr. Raymond Andersen at UBC, are being transferred to the Southwest Research Institute in San Antonio, Texas for GMP production of EPI-506 for early clinical trials. Formulation of the final drug product for clinical trials is expected to be performed by a top tier fill/finish company experienced in gel capsule development.

As of the date of this MD&A, ESSA is a single-asset company, although its asset has a very large market opportunity. To the best of our knowledge, ESSA is the only company currently developing drugs that directly bind the N-terminus domain of the AR, and this approach has garnered great interest in both the scientific and pharmaceutical industry. In the prostate cancer hormone therapy market, we believe that significant value can be built around successful Phase 1/2 clinical studies.

The Company's primary activity is undertaking scientific studies that will support the filing of an IND in 2015 on the clinical candidate EPI-506. These include studies to verify toxicity, formulation and manufacturing. The following table summarizes the current status of our programs:

Program	Stage of Development	Current Status
EPI-506	Pre-clinical	Pre-clinical studies

CORPORATE UPDATE

ESSA applied to the Cancer Prevention and Research Institute of Texas ("**CPRIT**") for a US$12 million product development and relocation grant (the "**CPRIT Grant**") which will help fund the clinical development of ESSA's program. On February 19, 2014, the Company received notice that it had been awarded the CPRIT Grant. The funding under CPRIT was 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 (which was executed by CPRIT and the Company on July 9, 2014 (the "**CPRIT Agreement**")), proof the Company has raised the necessary funds to comply with its matching obligations under the CPRIT Agreement (which requires that ESSA spend its own funds in connection with research and development work in accordance with the CPRIT Agreement equal to one half of the amount of the CPRIT Grant funds disbursed each fiscal year during the term of the CPRIT Agreement) to release CPRIT funding, and relocation of the project to the State of Texas and the Company uses Texas-based subcontractors and collaborators wherever possible.

In the year ended September 30, 2014, ESSA received an initial advance of US$2,793,533 from the CPRIT Grant. The CPRIT Grant is detailed in the accompanying financial statements for the year ended September 30, 2014.

On February 28, 2014, the Company executed an engagement letter (the "**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. The Engagement Letter contemplates a private placement financing, to be compatible with the CPRIT Grant, followed by listing of ESSA's Common Shares on an equity market based in North America having listing standards similar to those of the TSX-V, as determined by the Board in its sole discretion. In exchange for their services, Bloom Burton would receive a percentage of any funds raised in cash and an equal percentage of broker warrants upon successful completion of the financing.

On April 15, 2014, the Company issued a convertible secured debenture to Bloom Burton in the amount $1,000,000 bearing interest at a rate of 12% per annum (the "**Convertible Debenture**"). In connection with the Convertible Debenture, the Company also issued to Bloom Burton 25,000 Common Share purchase warrants at an exercise price of $2.00. In the

On July 29, 2014, ESSA completed the first tranche of a brokered private placement offering of 1,702,900 preferred shares in the capital of ESSA (the "**Preferred Shares**") at a price of $2.00 per Preferred Share for aggregate gross proceeds of $2,370,800 (the "**2014 Financing**"). The 2014 Financing was completed with a syndicate of agents led by Bloom Burton, as lead agent, and which included Mackie Research Capital Corporation and Richardson GMP Limited. Pursuant to its conversion terms, the Convertible Debenture, including all accrued interest thereon, was automatically converted into 517,500 Preferred Shares upon the closing of the first tranche of the 2014 Financing.

To conserve cash resources, the level of expenditures in the period was maintained within the approved budget. The Company's operations in the period consisted primarily of continuing specific pre-clinical studies in order to obtain data to select a clinical candidate and progress to filing an IND application. The Company entered into service agreements with contract research groups to perform a range of laboratory studies to substantiate the choice of clinical candidate. With the CPRIT Grant secured, the Company will spend funds on research and development work and in accordance with the CPRIT Agreement and will raise funds equal to one half of the amount of the CPRIT Grant funds disbursed each fiscal year during the term of the CPRIT Agreement. The Company recognized that some expenditure would not be eligible under the CPRIT program and more than US$6 million would be needed to be raised to cover expected expenditures through 2016.

In early 2014, in vivo experiments showed that EPI-506 had efficacy on human prostate cancer xenografts at low doses in the 33 mg/kg range in mice. Toxicology studies showed that it was well tolerated in both mice and canines at doses at least 3-fold higher than the therapeutic dose. On the basis of that data and other relevant data, the Company decided to commence a work program focused on receiving regulatory approval to commence human clinical testing of EPI-506 in CRPC patients.

Also in the second quarter of 2014, in connection with certain obligations under the CPRIT Grant, the Company established a wholly-owned subsidiary under the laws of the State of Texas.

Events Subsequent to September 30, 2014

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. The Preferred Shares are convertible into common shares of the Company (the "**Common Shares**") on the same terms as those issued in the private placement described in Note 7.

In connection with the 2014 Special Warrant financing, the Company paid agent and finders' fees at 7% of proceeds raised by those parties being $40,360.60, a cash fee to the Agent of $30,000 plus applicable taxes and estimated other expenses of $74,447.72. 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 Preferred Share, subject to adjustment in certain circumstances, at a price of $2.00 until October 22, 2015, except that if exercised after a Liquidity Event (as defined in the Articles of the Company), each Broker Warrant will be exercisable to acquire one Common Share instead of one Preferred Share.

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.

OVERALL PERFORMANCE

ESSA is a development stage company and does not currently generate revenue. In 2014, the Company had sufficient funds from the money raised from a previous financing and from tax credit refunds to meet the operating plan for the majority of the year. These funds were supplemented by the Convertible Debenture. The Company recognized the need to raise funds in 2014 to fund the ongoing program and meet the financial commitment that would allow the funds from the CPRIT Grant to be released and through 2014 worked on completing a private placement offering that ultimately led to the 2014 Financing and on the 2014 and 2015 Special Warrant Financings, each as described above.

The Company balance sheet at September 30, 2014 consisted of cash in the amount of $4,146,938 (2013 - $232,093) and receivables related to GST/HST tax credit refunds of $72,295 (2013 - $13,163) and prepaid insurance and services in the amount of $69,946 (2013 - $2,300). Liabilities consisted of trade payables in the amount of $658,305 (2013 - $184,498).

The Company began the period with a cash balance of $232,093 at October 1, 2013. This funded the Company operations in the year to June 30, 2014, supplemented by refunds related to the filing for the federal and Quebec Scientific Research and Experimental Development ("**SRED**") programs and the Convertible Debenture of $1,000,000. In the fourth quarter, the Company completed the first tranche of the 2014 Financing and received its first advance on the CPRIT Grant. The Company ended the period with cash of $4,146,938.

ESSA's operating plan does not include building infrastructure in the form of an in-house laboratory, capital equipment, headcount, or administrative burden. The use of external contract research groups and consultants is the preferred mode of operating to meet corporate objectives. The intention is to maximize shareholder value and correspondingly minimize dilutive financing and managing cash burn rate. Thus far, the Company has been successful in achieving its scientific objectives by following this strategy.

ESSA's financial strategy to date has been to raise sufficient funds from private equity investors in order to fund specific programs within a focused budget. As the program development costs increase and the Company begins to incur manufacturing and clinical study costs, ESSA will need to raise additional capital. The Company has been successful in reaching out to larger investors pursuant to the October 2014 Special Warrant Financing and 2015 Special Warrant financing; however, there is no certainty that funds will be available on preferable terms in the future.

SELECTED ANNUAL FINANCIAL INFORMATION

ESSA was incorporated on January 6, 2009 and did not engage in any material financial or commercial activity until commencing operations in 2010. The Company has not earned revenues or declared dividends as of September 30, 2014.

The following table sets forth selected consolidated financial information for the periods indicated. The selected consolidated financial information set out below as of September 30, 2014, September 30, 2013, and December 31, 2012 and for the year ended September 30, 2014, nine months ended September 30, 2013, and year ended December 31, 2012 has been derived from our audited consolidated financial statements and accompanying notes, in each case prepared in accordance with IFRS. In 2013, the Company changed its fiscal year end from December 31 to September 30, commencing with the 2013 fiscal year and to continue each year going forward. This was done to better align the Company's financial reporting with its operations cycles.

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

	Year ended September 30, 2014	Nine months ended September 30, 2013	Year ended December 31, 2012
Revenue	$ Nil	$ Nil	$ Nil
Research and development expenses	378,240	516,310	1,548,242
Total operating expenses	1,961,734	1,059,067	1,933,064
Net loss	1,961,506	1,058.060	1,931,644
Comprehensive loss	1,955,029	1,058,060	1,931,644
Loss per share – basic and diluted	0.13	0.07	0.13
Total assets	4,709,415	677.309	1,434,682
Total long-term liabilities	1,838,507	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

Additional Disclosure

There was no revenue in any of the fiscal years as reported. Other income consisted of interest income on cash deposits.

The fiscal year end of the Company was changed in 2013 with the consent of the Canada Revenue Agency (the "**CRA**") from December 31 to September 30 to better fit the Company's operating pattern. As a result, the reported period represents nine months of operations. Patent and Research and Development ("**R&D**") expenditures per month were lower in 2013 over 2012 as the initial costs related to establishing the intellectual property estate had already been incurred, as had the costs related to the pre-clinical studies in 2012. Cash at September 30, 2013 amounted to $232,093, a decline from $821,069 at December 31, 2012 due to the large expenditures incurred on preclinical program. Accounts payable were also higher at September 30, 2013 ($184,498 compared to $132,606 at December 31, 2012) reflecting the cash conservation policy adopted in anticipation of future financing.

Fiscal 2014 began with a focus on corporate development and identifying key financial and operating partnerships. In the year ended September 30, 2014, the Company engaged Bloom Burton as a financial advisor and was able to issue the Convertible Debenture to facilitate operations until completion of the 2014 Financing. The Company successfully received approval for the CPRIT Grant and received an initial funding advance which supplemented cash balances. Due to these efforts, the assets of the Company increased substantially over September 30, 2013.

The R&D expenses over the years demonstrates significant pre-clinical work in the year ended December 31, 2012 followed by the nine months ended September 30, 2013 which necessarily focused on conserving resources and working within a strategic budget. The R&D expenses for the year ended September 30, 2014 were $1,543,696 before recognizing $1,165,456 of expense recoveries from the CPRIT Grant. The Company is moving forward with significant R&D work following execution of the CPRIT Grant in February 2014. The Company secured 2,577 square feet of office space in Houston, Texas under a lease commencing September 1, 2014 and ending November 30, 2019.

DISCUSSION OF OPERATIONS

Clinical Development

1 - Phase 1/2 Clinical Trial Design for treating CRPC patients

The Company, along with its key advisors (most of whom are physicians who are currently treating CRPC patients) expects to design and execute a Phase 1/2 study to determine the safety and potential therapeutic benefits of EPI-506 in CRPC patients. The Phase 1 portion of the study is expected to enroll up to 30 patients with CRPC. Following single-dose evaluation of safety, patients are expected to then receive daily dosing for up to 28 days. The primary function of this part of the study will be to assess safety and pharmacokinetics of EPI-506. It is also possible that some patients will respond to treatment. Such a response to treatment would be measured by reduced PSA levels and/or a reduction in metastatic bone involvement. We expect to conduct this Phase 1 portion of the study at two to three sites in Canada and the U.S.

The Phase 2 portion of the study is expected to enroll approximately 90 – 120 CRPC patients, potentially adding patient cohorts depending on the advice of our clinical advisors. This study is currently expected to focus on CRPC patients with rising PSA who have failed one of enzalutamide or abiraterone acetate. The main outcomes to be measured are expected to be:

- PSA response (reduction in blood PSA level of 50% or more);
- PSA progression (which is defined by PCWG2 as the time when there is 25% or 2 ng/ml increase in PSA levels above PSA nadir);
- radiographic progression; and
- progression-free survival (defined as the time from study entry to disease progress in bone or soft tissue, symptoms or death).

The Company expects to collect both tumor biopsies and circulating tumor cells so that the status of AR splice variant of each patient can be determined. We expect to conduct this study at six to eight sites in Canada and the U.S.

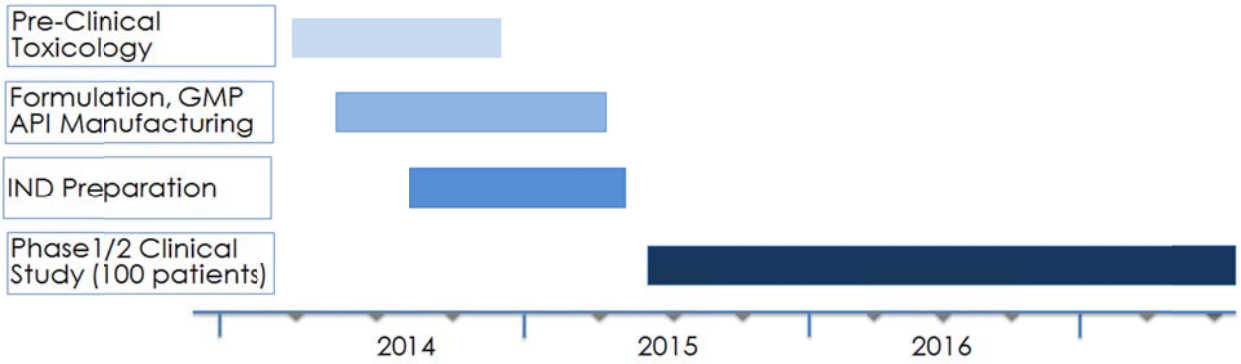
2 – Phase 3 studies

In order to obtain regulatory approval, the Company will be required to carry out at least one Phase 3 study with at least several hundred patients. At this time, we expect that these patients will be the same sub-group of CRPC patients that were enrolled in the Phase 1/2 study. However, it may be that the results of the Phase 1/2 study suggest a different patient population. In the Phase 3 studies, the key end-point will be overall survival relative to patients receiving the current standard-of-care. We expect to conduct the study at many sites around the world.

Development Timeline

It is currently expected that ESSA will accomplish the development of EPI-506 to completion of Phase 1/2 clinical proof-of-concept according to the following timeline.

Figure 2 – Expected Development Timeline for EPI-506



There can be no guarantee that the Company will complete each stage of development in accordance with the timelines set out above, or at all.

Our Business Strategy

Our goal is to provide CRPC patients with a clinically meaningful increase in overall survival as well as progression-free survival relative to current therapies. In order to accomplish that objective, ESSA intends initially to complete the above-described Phase 1/2 clinical trial in CRPC patients. The Company also intends to explore earlier application of the EPI-506 in patients who are candidates for current hormone therapies.

Pre-clinical Research and Development ("**R&D**") *Collaborations*

At this stage, the Company is not focused on pursuing pre-clinical R&D collaborations. However, should such an offer be made, ESSA would consider the offer on its specific merits, giving weight to the benefits that such a collaboration could bring to our development program, and the risk-adjusted benefits that such a collaboration could provide to ESSA shareholders.

Clinical Development Collaborations

ESSA has a high level of interest in later stage clinical development collaborations and commercialization partnerships. In the past decade, three companies have been at least partially successful in proving the efficacy of hormone therapy agents for treating CRPC. Two of them (Cougar Biotechnology Inc. and Aragon Pharmaceuticals Inc.) were acquired by a large pharmaceutical company (Johnson & Johnson) following or during their Phase 2 development. The third company (Medivation Inc.) partnered with Astellas following Phase 2 clinical studies.

Because of this recent history, ESSA's strategy is to seek liquidity following completion of its Phase 1/2 clinical trial, or to further the development of its drug program via collaboration with a larger pharmaceutical industry partner.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected unaudited consolidated financial data for each of the last eight quarters, prepared in accordance with IFRS:

	For the Quarters Ended			
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Total assets	$ 4,709,415	$ 766,156	$ 547,963	$ 549,440
Long-term liabilities	1,838,507	-	-	-
Research and development expense	(361,802)	622,015	12,558	105,469
General and administration	519,398	299,944	112,069	99,005
Loss and comprehensive loss	(509,303)	(1,046,992)	(152,476)	(246,258)
Basic and diluted loss per share	(0.03)	(0.07)	(0.01)	(0.02)

	For the Quarters Ended			
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Total assets	$ 677,309	$ 684,726	$ 1,004,725	$ 1,434,682
Long-term liabilities	-	-	-	-
Research and development expense	266,939	249,371	318,739	206,626
General and administration	189,697	104,265	71,611	70,319
Loss and comprehensive loss	(612,374)	(446,693)	(498,842)	(321,598)
Basic and diluted loss per share	(0.04)	(0.03)	(0.03)	(0.02)

Year ended September 30, 2014 and nine months ended September 30, 2013

The Company incurred a comprehensive loss of $1,955,029 for the year ended September 30, 2014 compared to a comprehensive loss of $1,058,060 for the nine months ended September 30, 2013.

Significant changes are as follows:

Research and Development

- The overall R&D expense for the year ended September 30, 2014 was $378,240 compared to $516,310 for the nine months ended September 30, 2013. The expense for 2014 was lower due to the application of $1,165,456 in CPRIT Grant funding as cost recoveries against expenses. The gross expenses for 2014 was $1,543,696.

- Following execution of the CPRIT Agreement, expenses have ramped up to move forward with pre-clinical work. Expenses increased in all categories of R&D:

	Year ended September 30, 2014	Period from January 1, 2013 to September 30, 2013	Year ended December 31, 2012
Consulting	$ 336,192	$ 178,031	$ 214,715
Legal patents and license fees	336,196	138,043	278,366
Program administration fees and other	20,290	-	54,155
Research and development, net of recoveries	640,420	163,854	952,173
Royalties	40,000	-	-
Salaries and benefits	101,087	-	-
Travel	69,511	36,382	48,833
CPRIT Grant claimed on eligible expenses	(1,165,456)	-	-
Total	$ 378,240	$ 516,310	$ 1,548,242

Other expenses

- General and administration expenses increased to $1,030,416 from $293,962 in 2013. Significant components of the expense in the current year included consulting and subcontractor fees of $403,037 (2013 - $168,082) related to the engagement of management professionals for the Company and $481,812 (2013 - $64,350) in professional fees for legal and accounting services in conjunction with the corporate activities in 2014. The year ended September 30, 2014 required significant corporate activity to execute the advisory agreement with Bloom Burton, Convertible Debenture, CPRIT Agreement and 2014 Financing over and above R&D work. The Company recovered $91,165 in eligible CPRIT expenditures against general and administration expenses.
- The Company incurred financing costs of $35,000 in 2014 (2013 - $Nil) for interest expense on the Convertible Debenture.
- Share-based payments expense of $518,078 (2013 - $248,795) relates to the value assign to stock options granted to key management and consultants of the Company. The expense is recognized in relation to the grant and vest of these equity instruments.

Fourth Quarter

In the fourth quarter (July 1, 2014 to September 30, 2014), R&D was a net recovery of $361,802 due to the recognition of recoveries on the CPRIT Grant against R&D expenses from the third quarter. Consequently, there is a significant overall decrease from the three months ended September 30, 2013 of $266,939. Actual expenses for the current year were $802,979 before recognition of the CPRIT Grant as the Company is proceeding with increased studies in preparation for filing the IND ("Investigational New Drug") application in 2015.

General and administrative costs for 2014 of $519,398 (2013 - $189,697) were also significantly higher as the Company has since increased its internal professional staff to support increased activity and has increased its corporate activity level overall.

LIQUIDITY AND CAPITAL RESOURCES

Operational activities during the year ended September 30, 2014 were financed mainly by proceeds from equity financings completed in 2014 and previous, refundable tax credits under the SRED program, and the issuance of the Convertible Debenture. At September 30, 2014, the Company had available cash reserves of $4,146,938 and $72,295 in accounts receivable related to the refund of GST input tax credits to settle current liabilities of $658,305. This compares to cash $232,093 and $13,163 in accounts receivable related to refund of GST input tax credits at September 30, 2013 to settle current liabilities of $184,498.

ESSA issued the Convertible Debenture to Bloom Burton, which was converted, pursuant to its conversion terms, into 517,500 Preferred Shares concurrently with the completion of the first tranche of the 2014 Financing. The 2014 Financing was completed on July 29, 2014 for aggregate gross proceeds of $2,370,800, the 2014 Special Warrant Financing was completed in October, 2014 for aggregate gross proceeds of $1,359,280 and the 2015 Special Warrant Financing was completed in January, 2015 for gross proceeds of approximately US$12,000,000, each as previously described above under "*Corporate Update*".

As of September 30, 2014, the Company had working capital of $3,630,874. The Company has assessed the cash position will be sufficient to finance our operational and capital needs to the end of 2015. Consistent with the operating model, the Company has no plans to build infrastructure; however, the Company will incur significant pre-clinical costs in excess of $2 million in the lead-up to the filing of the IND in the first quarter of 2015. Expenditures related to the preclinical, clinical, and overhead for the Phase 1/2 trial in 2015-2016 will be in excess of $600,000 per month. As ESSA has become a reporting issuer, the Company anticipates incurring additional compliance and related overhead costs as the Company increases activity.

However, future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with pre-clinical studies, formulation studies and preparations in order to initiate clinical trials and the ensuing costs associated with Phase 1/2 clinical trials of greater than 100 patients in 2015-2016 and to take advantage of strategic opportunities. As a result, in the future it may be necessary to raise additional funds. These funds may come from sources such as entering into strategic collaboration arrangements, the issuance of shares from treasury, or alternative sources of financing. However, there can be no assurance that we will successfully raise funds to continue the development and commercialization of EPI-506 and our operational activities.

CONTRACTUAL OBLIGATIONS

As of September 30, 2014, and in the normal course of business, we have the following obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligations	2015	2016	2017	2018	2019
Minimum annual royalty per License Agreement with UBC/BC Cancer Agency[(1)]	$ 65,000	$ 65,000	$ 85,000	$ 85,000	$ 85,000
Lease on office space	31,176	31,176	31,176	31,176	31,176
Total	$ 96,176	$ 96,176	$ 116,176	$ 116,176	$ 116,176
Lease on US office space (In USD)	$ 80,087	$ 83,108	$ 85,389	$ 87,721	$ 87,721

Notes:

(1) ESSA has the worldwide, exclusive right to develop products based on the Licensed IP pursuant to the License Agreement. The Company must pay a minimum annual royalty of $40,000 in the 2014 calendar year, increasing to 65,000 in each of 2015 and 2016 and 85,000 in 2017 and for each year thereafter.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Key management personnel of the Company include Robert Rieder, the Chief Executive Officer, David Wood, Chief Financial Officer, Dr. Frank Perabo, Chief Medical Officer, Paul Cossum, Executive VP of Research and Development, Dr. Marianne Sadar, Chief Scientific Officer and Director, and Dr. Raymond Andersen, Chief Technology Officer and Director. Compensation paid to key management personnel are as follows:

	Year Ended September 30, 2014	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
Salaries and consulting fees	$ 476,559	$ 180,000	$ 280,000
Share-based payments	140,184	212,385	5,985
Total compensation	$ 616,743	$ 392,385	$ 285,985

During the year ended September 30, 2014, the Company granted 970,000 options to key management personnel and directors Gary Sollis, Dr. Richard Glickman, David Wood, Paul Cossum and Dr. Frank Perabo which were recorded as share-based payments expense in the statement of loss and comprehensive loss at a value of $181,905.

During the year ended September 30, 2013, the Company granted 600,000 options to directors and senior officers Dr. Marianne Sadar and Dr. Raymond Andersen, that vest monthly over a period of two years, which were recorded as a share-based payments expense in the statement of loss and comprehensive loss at a value of $212,385

Included in accounts payable and accrued liabilities at September 30, 2014 is $24,331 (2013 – $2,509) due to related parties with respect to the transactions detailed above and expense reimbursements. Amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

In the year ended September 30, 2014, the Company has signed contracts with Bob Rieder, CEO and David Wood, CFO. Mr. Rieder has been granted a performance scheme wherein his salary will increase to US$340,000 (from US$250,000) per annum upon raising US$6,000,000 in equity or debt securities of the Company. Additionally, he is entitled to certain cash and stock option performance benefits at the discretion of the Board. Mr. Rieder 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. Mr. Wood 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.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended September 30, 2014:

• IFRS 2 (Amendment)	Revised definitions for 'vesting conditions' and 'market condition' related to share based compensation [(ii)]
• IFRS 9	Revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39[(iii)]
• IFRS 13 (Amendment)	Revised disclosure requirements for contracts under the scope of IFRS 9/IAS 39 [(ii)]
• IAS 24 (Amendment)	New definitions for 'related party' encompassing key management personnel [(ii)]
• IAS 32 (Amendment)	New standard that clarifies requirements for offsetting financial assets and financial liabilities. [(i)]
• IAS 38 (Amendment)	Revised valuation methods for the 'revaluation model' for intangible assets [(ii)]

i) Effective for annual periods beginning on or after January 1, 2014
ii) Effective for annual periods beginning on or after July 1, 2014
iii) Effective for annual periods beginning on or after January 1, 2018

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

FINANCIAL INSTRUMENTS AND RISKS

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

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 September 30, 2014, the Company had a cash balance of $4,146,938 to settle current liabilities of $658,305. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and 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 September 30, 2014, the Company had accounts payable and accrued liabilities of US$222,121. The Company anticipates that, pursuant to the product development and relocation grant disclosed in Note 13, the transactions of the Company will be increasingly subject to fluctuations in the US dollar. While fluctuations in the US dollar are not significant as at September 30, 2014, the Company will work to manage foreign currency risk as the Company's operations evolve.

BUSINESS RISKS

The Company's risks are detailed in the final prospectus filed on Sedar on December 5, 2014.

ADDITIONAL INFORMATION

Additional information can be found on Sedar at www.sedar.com and the Company's website www.essapharmaceuticals.com.

FORWARD-LOOKING AND OTHER STATEMENTS

This MD&A, including the documents incorporated by reference herein, contains forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words "believe," "may," "plan," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A and the documents incorporated by reference herein include, but are not limited to, statements relating to:

- the intention to complete the listing of the Common Shares on the TSX-V or other stock exchanges and all transactions related thereto;
- the intention to file an IND (as defined herein) application in the U.S. and a CTA (as defined herein) application in Canada, and expectations regarding the timing of such applications;
- the initiation, timing, cost, progress and success of our research and development ("**R&D**") programs, pre-clinical studies and clinical trials;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- our ability to recruit sufficient numbers of patients for our future clinical trials;
- our ability to achieve profitability;
- our ability to obtain funding for our operations, including research funding;
- the Company's ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- the implementation of our business model and strategic plans;
- our ability to develop and commercialize product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our expectations regarding federal, provincial and foreign regulatory requirements;

- whether the Company will receive, and the timing and costs of obtaining, regulatory approvals in the U.S., Canada, the European Union and other jurisdictions;
- the therapeutic benefits, effectiveness and safety of our product candidates;
- the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;
- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- our ability to engage and retain the employees required to grow our business;
- the compensation that is expected to be paid to employees of the Company;
- our future financial performance and projected expenditures;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing.

Such statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by ESSA as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) general business and economic conditions; (iv) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) the Company's ability to protect patents and proprietary rights.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the heading "*Risk Factors*" in the Company's prospectus filed on Sedar (www.sedar.com) on December 5, 2014. Should one or more of these risks or uncertainties, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A or, in the case of documents incorporated by reference in this MD&A, as of the date of such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.