CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
ESSA Pharma Inc.

We have audited the accompanying consolidated financial statements of ESSA Pharma Inc., which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years ended September 30, 2017, 2016, and 2015 and a summary of significant accounting policies and other explanatory information.

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.

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). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ESSA Pharma Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years ended September 30, 2017, 2016, and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicate that ESSA Pharma Inc. has suffered recurring losses from operations and has a net capital deficiency. These matters, along with the other matters set forth in Note 1, indicate the existence of material uncertainties that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 11, 2017

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

	2017	2016
ASSETS		
Current		
Cash	$ 3,957,185	$ 8,985,095
Receivables	29,475	15,882
Prepaids (Note 4)	1,072,103	1,018,232
	5,058,763	10,019,209
Equipment (Note 5)	99,882	127,730
Intangible assets (Note 6)	237,326	255,623
Deferred financing costs (Note 9)	211,073	-
Total assets	$ 5,607,044	$ 10,402,562
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 1,641,103	$ 3,538,761
Current portion of long-term debt (Note 7)	2,026,588	-
Income tax payable	109,521	91,191
	3,777,212	3,629,952
Long-term debt (Note 7)	5,933,092	-
Derivative liabilities (Note 8)	170,743	7,309,467
Total liabilities	9,881,047	10,939,419
Shareholders' equity (deficiency)		
Share capital (Note 9)	25,980,117	25,974,742
Reserves (Note 10)	4,562,005	3,805,514
Accumulated other comprehensive loss	(2,076,479)	(2,076,479)
Deficit	(32,739,646)	(28,240,634)
	(4,274,003)	(536,857)
Total liabilities and shareholders' equity (deficiency)	$ 5,607,044	$ 10,402,562

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

On behalf of the Board on December 11, 2017

"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

	2017	2016	2015
OPERATING EXPENSES			
Research and development, net of recoveries (Note 18)	$ 5,726,366	$ 13,060,201	$ 4,975,928
Financing costs	784,583	937,845	93,755
General and administration, net of recoveries (Note 18)	5,140,921	5,644,118	5,258,519
Total operating expenses	(11,651,870)	(19,642,164)	(10,328,202)
Foreign exchange	(36,497)	79,543	1,559,213
Gain (loss) on derivative liability (Note 8)	7,305,746	6,574,105	(907,598)
Net loss for the year before taxes	(4,382,621)	(12,988,516)	(9,676,587)
Income tax expense (Note 13)	(116,391)	(151,272)	-
Net loss for the year	(4,499,012)	(13,139,788)	(9,676,587)
OTHER COMPREHENSIVE LOSS			
Cumulative translation adjustment	-	(337,763)	(1,665,212)
Comprehensive loss for the year	$ (4,499,012)	$ (13,477,551)	$ (11,341,799)
Basic and diluted loss per common share	$ (0.15)	$ (0.49)	$ (0.53)
Weighted average number of common shares outstanding	29,098,725	26,903,834	18,353,018

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

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	$ (4,499,012)	$ (13,139,788)	$ (9,676,587)
Items not affecting cash:			
Amortization	46,145	66,181	42,222
(Gain) loss on derivative liability	(7,305,746)	(6,574,105)	907,598
Financing costs	784,583	910,101	-
Product development and relocation grant	(5,192,799)	-	(5,427,020)
Unrealized foreign exchange	(28,866)	(140,139)	(789,689)
Share-based payments (Note 10)	758,927	1,246,946	1,510,542
Changes in non-cash working capital items:			
Receivables	(14,649)	48,978	(9,596)
Prepaid expenses	(53,871)	644,089	(1,634,382)
Accounts payable and accrued liabilities	(1,867,853)	1,545,577	1,736,930
Income tax payable	18,330	91,191	-
Net cash used in operating activities	(17,354,811)	(15,300,969)	(13,339,982)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	-	(9,983)	(174,054)
Net cash used in investing activities	-	(9,983)	(174,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance on product development and relocation grant	5,192,799	3,786,667	-
Proceeds on private placement	-	19,999,992	13,208,938
Proceeds on loan advance	8,000,000	-	-
Issuance costs	-	(1,080,189)	(869,641)
Financing costs	(220,937)	-	-
Interest paid	(436,944)	-	-
Deferred financing costs	(211,073)	-	-
Options exercised	2,939	36,465	84,086
Warrants exercised	-	1,194	168,099
Net cash provided by financing activities	12,326,784	22,744,129	12,591,482
Effect of foreign exchange on cash	117	(27,370)	(1,198,138)
Change in cash for the year	(5,027,910)	7,405,807	(2,120,692)
Cash, beginning of year	8,985,095	1,579,288	3,699,980
Cash, end of year	$ 3,957,185	$ 8,985,095	$ 1,579,288

Supplemental Cash Flow Information (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				
	Share capital	Preferred shares	Special warrants	Share-based payments	Warrants	Cumulative translation adjustment	Deficit	Total
Balance, September 30, 2014	$ 4,193,735	$ 2,836,268	$ -	$ 905,853	$ 60,984	$ (73,503)	$ (5,949,209)	$ 1,974,128
Private placement	-	-	1,208,944	-	-	-	-	1,208,944
Issuance costs	-	-	(169,800)	-	44,434	-	-	(125,366)
Conversion of special warrants	-	1,039,144	(1,039,144)	-	-	-	-	-
Private placement – special warrants	-	-	11,999,994	-	-	-	-	11,999,994
Issuance costs	-	-	(1,026,564)	-	-	-	-	(1,026,564)
Conversion of preferred shares	3,872,737	(3,875,412)	2,675	-	-	-	-	-
Conversion of special warrants	10,976,105	-	(10,976,105)	-	-	-	-	-
Options exercised	145,285	-	-	(61,199)	-	-	-	84,086
Warrants exercised	231,142	-	-	-	(59,594)	-	-	255,634
Share-based payments	-	-	-	1,510,542	-	-	-	1,510,542
Foreign currency adjustment	-	-	-	-	-	(1,665,213)	-	(1,665,213)
Loss for the year	-	-	-	-	-	-	(9,676,587)	(9,676,587)
Balance, September 30, 2015	$19,419,004	$ -	$ -	$ 2,355,196	$ 45,824	$ (1,738,716)	$ (15,625,796)	$ 4,455,512
Private placement	6,581,815	-	-	-	-	-	-	6,581,815
Issuance costs	(170,091)	-	-	-	-	-	-	(170,091)
Options exercised	142,386	-	-	(105,921)	-	-	-	36,465
Warrants exercised	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	$25,974,742	$ -	$ -	$ 3,496,221	$ 309,293	$ (2,076,479)	$ (28,240,634)	$ (536,857)
Options exercised	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	$25,980,117	$ -	$ -	$ 4,252,712	$ 309,293	$ (2,076,479)	$ (32,739,646)	$ (4,274,003)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature 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, 2017, 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 and to implement a corporate restructuring plan to focus research and development resources on its next-generation compounds. The restructuring included a decrease in headcount and reduction of operational expenditures related to the clinical program.

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 $4,499,012 during the year ended September 30, 2017 and has an accumulated deficit of $32,739,646. 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, 2017, the Company has not advanced its research into a commercially viable product. The Company's continuation as a going concern is dependent upon the successful development of its NTD Technology to a commercial standard. Management has forecasted that the Company's current working capital will not be sufficient to execute its planned expenditures for the coming year. 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, 2017, the Company drew down $8,000,000 on a term credit loan facility agreement. The term credit loan facility is subject to certain covenants which, if triggered, could affect the timing of repayment (Note 7). During the year ended September 30, 2017, the Company also received $5,192,799, a portion of the third and final tranche of Cancer Prevention Research Institute of Texas ("CPRIT") funding of $5,422,000 (Note 17). 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").

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.

2. BASIS OF PRESENTATION (cont'd…)

Basis of Presentation (cont'd…)

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.

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:

2. BASIS OF PRESENTATION (cont'd…)

Estimates (cont'd…)

Intangible Assets – impairment

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

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

Product development and relocation grant

Pursuant to the terms of the Company's grant from the Cancer Prevention Research Institute of Texas ("CPRIT"), the Company must meet certain terms and conditions to qualify for the grant funding. The Company has assessed its performance relative to these terms as detailed in Note 17 and has judged that there is reasonable assurance the Company will meet the terms of the grant and qualify for the funding. The Company has therefore 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 and incurred in a future period.

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).

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.

2. BASIS OF PRESENTATION (cont'd…)

Estimates (cont'd…)

Share-based payments and compensation (cont'd…)

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 makes reference to prices quoted on the TSX 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 has acquired office and computer equipment for use in its research and business activities.

Depreciation is 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. The impact of IFRS 9 on the Company's consolidated financial statements has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

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

4. PREPAID EXPENSES

	2017	2016
Clinical program deposit	$ 659,899	$ 677,357
Other deposits and prepaid expenses	412,204	340,875
Balance	$ 1,072,103	$ 1,018,232

5. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, September 30, 2015	$ 148,674	$ 39,020	$ 187,694
Additions	5,644	4,339	9,983
Balance, September 30, 2016 and September 30, 2017	$ 154,318	$ 43,359	$ 197,677

(Expressed in United States dollars)

5. EQUIPMENT (cont'd…)

	Furniture and fixtures	Computer equipment	Total
Accumulated Amortization			
Balance, September 30, 2015	$ 16,079	$ 6,151	$ 22,230
Amortization expense	33,515	14,202	47,717
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
Net Book Value			
Balance, September 30, 2016	$ 104,724	$ 23,006	$ 127,730
Balance, September 30, 2017	$ 83,779	$ 16,103	$ 99,882

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

6. INTANGIBLE ASSETS

	NTD Technology
Cost	
Balance, September 30, 2015	$ 374,685
Net exchange differences	(13,401)
Balance, September 30, 2016 and September 30, 2017	$ 361,284
Accumulated Amortization	
Balance, September 30, 2015	$ 90,604
Amortization expense	18,464
Net exchange differences	(3,407)
Balance, September 30, 2016	105,661
Amortization expense	18,297
Balance, September 30, 2017	$ 123,958
Net Book Value	
Balance, September 30, 2016	$ 255,623
Balance, September 30, 2017	$ 237,326

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

(Expressed in United States dollars)

6. INTANGIBLE ASSETS (cont'd…)

The NTD Technology is held under a License Agreement signed in fiscal 2010. As consideration for the License Agreement, the Company issued common shares of the Company. The License Agreement contains an annual royalty as a percentage of annual net revenue and a percentage of any annual sublicensing revenue earned with respect to the NTD Technology. The License Agreement stipulates certain minimum advance royalty payments of 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. There was a conditional option to receive an additional $2,000,000 upon positive data for the Company's Phase 1 clinical trial of EPI-506 and receipt of the third and final tranche of the CPRIT grant.

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 is 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 149,532 warrants to SVB (the "SVB Warrants"), exercisable at a price of $2.14 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 11.98%.

	Total
Balance, September 30, 2015 and 2016	$ -
Loan advance	8,000,000
Transaction costs	(387,959)
Interest paid	(436,944)
Accretion	784,583
Balance, September 30, 2017	$ 7,959,680
Current portion, September 30, 2017	$ 2,026,588
Long-term portion, September 30, 2017	$ 5,933,092

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.

In 2015, the Company issued 257,018 broker warrants. Each broker warrant was exercisable to purchase one common share until January 16, 2017 at a price of US$2.75 per broker warrant (Note 10). On issuance of the broker warrants, the Company recorded a derivative liability of $282,287 using the Black-Scholes model. As at December 31, 2015, the derivative liability had a fair value of $588,407, using the Black-Scholes model with a risk-free interest rate of 0.52%, term of 1.04 years, volatility of 80.0%, and dividend rate of 0%. On January 1, 2016, the Company de-recognized the derivative liability of $588,407. On January 16, 2017, the remaining 256,363 outstanding warrants expired unexercised.

In April 2014, in connection with the issuance of a convertible debenture for $1,000,000, the Company issued 25,000 broker warrants valued at $14,935 (C$16,394), each exercisable into one common share at a price of C$2.00 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, 2017, the derivative liability had a fair value of $206 (2016 - $42,202). The Company has recorded the resulting change in fair value of $41,996 (2016 - $40,541) in the statement of loss and comprehensive loss.

2016 Warrants

In January 2016, the Company completed a private placement of 4,545,452 units of the Company at $3.30 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 $3.30 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.

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.

(Expressed in United States dollars)

8. DERIVATIVE LIABILITIES (cont'd…)

2016 Warrants (cont'd…)

On issuance of the 7-Year and 2-Year Warrants in January 2016, the Company recorded derivative liabilities of $10,181,817 and $3,236,363, respectively using the Black-Scholes model. 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. As at September 30, 2017, the 7-Year Warrants derivative liability had a fair value of $160,262 (2016 - $6,005,794). As at September 30, 2017, the 2-Year Warrants derivative liability had a fair value of $Nil (2016 - $1,261,471). The Company has recorded the resulting change in fair value of $1,261,471 (2016 - $1,974,892) 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 149,532 warrants to SVB (the "**SVB Warrants**"), exercisable at a price of $2.14 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, 2017, the SVB Warrants derivative liability had a fair value of $10,275 (2016 - $Nil). The Company has recorded the resulting change in fair value of $156,747 (2016 - $Nil) in the statement of loss and comprehensive loss.

Valuation

The Company uses the Black-Scholes option pricing model to estimate value. The following weighted average assumptions were used to estimate the fair value of the derivative warrant liabilities on initial recognition (January 1, 2016 with respect to the broker warrants, January 14, 2016 with respect to the 2016 Warrants, November 18, 2016 with respect to the SVB Warrants), September 30, 2016, and September 30, 2017:

	September 30, 2017	November 18, 2016	September 30, 2016	January 14, 2016	January 1, 2016
Risk-free interest rate	1.78%	1.32%	1.21%	1.55%	0.62%
Expected life	3.67 years	7.00 years	4.62 years	5.33 years	3.29 years
Expected annualized volatility	74.2%	75.4%	70.0%	70.0%	80.0%
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 $35,549 as at September 30, 2017. If the market price were to decrease by a factor of 10% this would decrease the obligation by approximately $28,295 as at September 30, 2017. If the volatility were to increase by 10%, this would increase the obligation by approximately $68,318 as at September 30, 2017. If the volatility were to decrease by 10%, this would decrease the obligation by approximately $55,656 as at September 30, 2017.

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

	Total
Balance, September 30, 2015	$ 993,099
Derivative liability on change in functional currency	82,743
Derivative liability on issuance of warrants	13,418,180
Change in fair value	(6,574,105)
Net exchange differences	(22,043)
De-recognition of derivative liability on functional currency change	(588,407)
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
Derivatives with expected life of less than one year	$ -
Derivatives with expected life greater than one year	$ 170,743

9. SHAREHOLDERS' EQUITY (DEFICIENCY)

Authorized:

Unlimited common shares, without par value.

Unlimited preferred shares, without par value.

(Expressed in United States dollars)

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

	Share capital		Preferred shares		Special warrants	
	Number	Amount	Number	Amount	Number	Amount
Balance, September 30, 2014	15,687,534	$ 4,193,735	1,702,900	$ 2,836,268	-	$ -
Private placement	-	-	-	-	5,043,274	13,208,938
Financing costs	-	-	-	-	-	(1,193,689)
Conversion of special warrants	4,363,634	10,976,105	679,640	1,039,144	(5,043,274)	(12,015,249)
Conversion of preferred Shares	2,382,540	3,872,737	(2,382,540)	(3,875,412)	-	-
Options exercised	91,200	145,285	-	-	-	-
Warrants exercised	104,363	231,142	-	-	-	-
Balance, September 30, 2015	22,629,271	$ 19,419,004	-	$ -	-	$ -
Private placement	6,212,118	6,581,815	-	-	-	-
Financing costs	-	(170,091)	-	-	-	-
Options exercised	254,724	142,386	-	-	-	-
Warrants exercised	776	1,628	-	-	-	-
Balance, September 30, 2016	29,096,889	$ 25,974,742	-	$ -	-	$ -
Options exercised	5,000	5,375	-	-	-	-
Balance, September 30, 2017	29,101,889	$ 25,980,117	-	$ -	-	$ -

Listing on the TSX-V, TSX, and NASDAQ

The Company completed its listing on the TSX-V on January 27, 2015 ("Date of Listing") and began trading under the symbol "EPI". Immediately prior to the listing, all of the Company's 2,382,540 issued and outstanding Preferred Shares were converted into common shares.

The Company completed its listing on the NASDAQ on July 9, 2015 and began trading under the symbol "EPIX". As a result of the listing, each of the outstanding special warrants issued on January 16, 2015 was deemed to be exercised into one common share for no additional consideration on July 13, 2015.

On July 21, 2017, the Company received notifications from the NASDAQ that it was not in compliance with two requirements for continued listing, being the maintenance of a minimum bid price of US$1 and a minimum market value of US$35,000,000, noncompliance constituting continued deficiency for a period of 30 consecutive business days. The Company has been provided a grace period for 180 calendar days to regain compliance with these requirements.

The Company graduated from the TSX-V to the TSX on July 28, 2015 under its existing symbol "EPI".

Private placements

a) March 2016 Private Placement

In March 2016, the Company completed a private placement (the "**March 2016 Financing**") of 1,666,666 common shares at a price of $3.00 per share for gross proceeds of approximately $5,000,000. The Company incurred financing costs of $62,797.

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

Private placements (cont'd…)

b) January 2016 Private Placement

In January 2016, the Company completed a private placement (the "**January 2016 Financing**") of 4,545,452 Units of the Company at a price of $3.30 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 accordance with IAS 32 *Financial instruments: presentation*. 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 income (loss) and comprehensive income (loss) for the issuance of the 2016 Warrants.

In connection with the January 2016 Financing, Clarus Lifesciences III, L.P. ("**Clarus**") acquired 2,121,212 common shares, representing approximately 9.4% of the issued and outstanding common shares as at December 29, 2015 on a non-diluted basis and excluding the warrants which were issued to Clarus on the closing date and the common shares issuable upon exercise thereof. Pursuant to the terms of the subscription agreement between the Company and Clarus, 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 1,060,606 common shares, subject to adjustment in certain circumstances.

In addition, on the closing of the January 2016 Financing, certain shareholders, who in the aggregate controlled approximately 9,482,800 common shares constituting 41.9% of the issued and outstanding common shares on a non-diluted basis as at December 29, 2015, entered into a voting agreement (the "**Voting Agreement**") with Clarus providing that such shareholders will vote against certain change of control transactions, unless Clarus consents otherwise, and support Clarus' nominees to the board of directors of the Company. The provisions of the Voting Agreement relating to change of control transactions will expire, at the latest, upon the six-month anniversary of the public release of the results of the completed Phase 2 portion of the Phase 1/2 clinical trial of EPI-506 by the Company or the public release of the results of the completed Phase 2 portion of an alternative program that is approved by the board of directors and the provisions relating to the Clarus nominees will continue for so long as Clarus is entitled to nominate directors to the Company's board of directors.

c) January 2015 Special Warrant Financing

In January 2015, the Company issued 4,363,634 special warrants (the "**2015 Special Warrants**") at a price of $2.75 per 2015 Special Warrant for gross proceeds of approximately $12,000,000. During the year ended September 30, 2015, the 2015 Special Warrants were converted into common shares of the Company at a rate of one common share per 2015 Special Warrant.

In connection with the 2015 Special Warrant financing, Bloom Burton & Co. and Roth Capital Partners, LLC, as Agents, and selling group members, received cash commissions equal to approximately $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 $2.75 per broker warrant. The warrants were valued at $282,287 using the Black-Scholes model with a risk-free interest rate of 0.87%, term of 2 years, volatility of 72.3%, and dividend rate of 0%, and had been recorded as a derivative liability until January 1, 2016 (Note 8).

(Expressed in United States dollars)

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

Private placements (cont'd…)

d) October 2014 Special Warrant Financing

In October 2014, the Company issued 679,640 special warrants (the "**2014 Special Warrants**") at a price of C$2.00 per 2014 Special Warrant for gross proceeds of C$1,359,280. Each 2014 Special Warrant was deemed exercised for, without payment of any additional consideration, one Class A Preferred share in the capital of the Company (each a "**Preferred Share**") on December 15, 2014, being the fifth business day after the date on which a receipt for the final prospectus of the Company qualifying the distribution of the Preferred Shares issuable on exercise of the 2014 Special Warrants had been issued. During the year ended September 30, 2015, the Preferred Shares were converted into common shares of the Company.

In connection with the 2014 Special Warrant financing, the Company paid agent and finders' fees at 7% of proceeds raised by those parties being $35,897, a cash fee to the Agent of $26,682 and other expenses of $62,786. In addition, the Agent, and associated selling group, were issued 22,675 special broker warrants (the "**Special Broker Warrants**"), representing 7% of the number of 2014 Special Warrants sold by the Agent, and the finders were issued 2,680 Special Broker Warrants, representing 7% of the number of 2014 Special Warrants sold to purchasers introduced to the Company by such finders. Each Special Broker Warrant was deemed exercised for, without payment of any additional consideration, one broker warrant (the "**Broker Warrants**"). Each Broker Warrant is exercisable to acquire one common share, subject to adjustment in certain circumstances, at a price of C$2.00 until October 22, 2015. The Special Broker Warrants were valued at $44,434 using the Black-Scholes model with a risk-free interest rate of 1.00%, term of 1 year, volatility of 80% and dividend rate of 0%.

10. RESERVES

Stock options

The Company has adopted a Stock Option Plan (the "Plan"), pursuant to which up to a maximum of the greater of (i) 5,000,000 Common Shares and (ii) a rolling number equal to 15% of the total number of issued and outstanding Common Shares (on an non-diluted basis) at the relevant time may be reserved for issuance. The Stock Option Plan is consistent with the policies and rules of the TSX and NASDAQ. Pursuant to the 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 Plan are accounted for as equity-settled share-based payments.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, September 30, 2015	3,473,519	C$	1.91
Options granted	910,000		5.39
Options exercised	(281,000)		(0.61)
Options expired/forfeited	(40,000)		(4.39)
Balance, September 30, 2016	4,062,519	C$	2.76
Options exercised	(5,000)		(0.80)
Options expired/forfeited	(340,000)		(2.56)
Balance outstanding, September 30, 2017	3,717,519	C$	2.78
Balance exercisable, September 30, 2017	3,135,795	C$	2.33

(Expressed in United States dollars)

10. RESERVES (cont'd…)

Stock options (cont'd…)

At September 30, 2017, options were outstanding enabling holders to acquire common shares as follows:

Exercise price (C$)	Number of options	Weighted average remaining contractual life (years)
C$ 0.80	1,077,300	0.67
2.00	1,591,219	1.88
3.49	290,000	3.86
5.15	10,000	2.42
5.35	50,000	7.43
6.25	600,000	3.29
7.26	8,000	3.10
9.10	36,000	7.95
14.90	55,000	7.28
	3,717,519	2.13

Share-based compensation

During year ended September 30, 2017, the Company granted Nil (2016 – 910,000; 2015 – 495,000) stock options with a weighted average fair value of $Nil per option (2016 – $1.98; 2015 - $2.56).

The Company recognized share-based payments expense for options granted and vesting during the year with allocations to its functional expense as follows:

	2017	2016	2015
Research and development expense (Note 18)	$ (3,780)	$ 322,160	$ 779,263
Financing costs	-	27,743	93,755
General and administrative (Note 18)	762,797	897,043	637,524
	$ 758,927	$ 1,246,946	$ 1,510,542

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

	2017	2016	2015
Risk-free interest rate	-	0.63%	1.39%
Expected life of options	-	3.58 years	5.13 years
Expected annualized volatility	-	73.01%	79.13%
Dividend	-	-	-

10. RESERVES (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2014	104,479	$ 1.50
Warrants granted	282,373	2.64
Warrants exercised	(104,363)	(1.51)
Balance, September 30, 2015	282,489	$ 2.64
Warrants granted	6,818,178	3.30
Warrants exercised	(776)	(1.48)
Warrants expired	(350)	(1.48)
Balance, September 30, 2016	7,099,541	$ 3.28
Warrants granted	149,532	2.14
Warrants expired	(256,363)	2.75
Balance outstanding and exercisable, September 30, 2017	6,992,710	$ 3.27

Warrants exercisable in Canadian dollars as at September 30, 2017 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding warrants.

At September 30, 2017, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants		Exercise Price	Expiry Date
25,000		C$2.00	April 15, 2019
4,545,452	(1)	US$3.30	January 14, 2023
2,272,726	(1)	US$3.30	January 14, 2018
149,532		US$2.14	November 18, 2023
6,992,710			

(1) Detailed terms of the 2016 Warrants are included in Note 8.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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 213,724 common shares on the cashless exercise of 240,000 stock options.

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

(c) Recognized a derivative liability of $13,418,180 on issuance of the 2-Year and 7-Year Warrants (Note 8).

During the year ended September 30, 2015, the Company:

(a) Issued agent warrants valued at $44,434 (Note 9).

(b) Recognized a derivative liability of $282,287 on the issuance of broker warrants denominated in US dollars (Note 8).

12. RELATED PARTY TRANSACTIONS

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

	2017	2016	2015
Salaries, consulting fees, and director fees	$ 2,179,826	$ 2,651,651	$ 1,841,625
Share-based payments [(a)]	770,222	1,029,878	1,154,548
Total compensation	$ 2,950,048	$ 3,681,529	$ 2,996,173

[(a)] Share-based payments to related parties represents the fair value of options granted and vested in the year to key management personnel.

During the year ended September 30, 2017, the Company granted Nil (2016 – 890,000; 2015 – 250,000) options to key management personnel. The vesting of these options and options granted to key management personnel in prior periods were recorded as share-based payments expense in the statement of loss and comprehensive loss at a value of $770,222 (2016 - $1,029,878; 2015 - $1,154,548).

Included in accounts payable and accrued liabilities at September 30, 2017 is $219,031 (2016 – $276,399; 2015 - $82,414) 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 six months of base salary upon termination without cause, increasing to one year following one year of employment. 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 CMO is entitled to a payment of six months of base salary upon termination without cause, and one year of base salary if the termination was caused by a change of control event.

The COO is entitled to a payment of six months of base salary upon termination without cause, increasing to one year following one year of employment. 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, CMO, and COO vest immediately upon a change of control.

(Expressed in United States dollars)

13. INCOME TAXES

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

For the years ended September 30	2017	2016	2015
Loss for the year before income tax	$ (4,382,621)	$ (12,988,516)	$ (9,676,587)
Expected income tax recovery	$ (1,139,000)	$ (3,377,000)	$ (2,516,000)
Non-deductible share-based payments	233,000	352,000	376,000
Other permanent differences including foreign exchange	(1,899,000)	(1,709,000)	(294,000)
Adjustment for deferred income	-	-	(383,000)
Financing costs	(142,000)	(142,000)	(119,000)
Changes in tax rates, foreign exchange rates	68,000	15,000	2,000
Adjustment to prior year provision versus statutory return	(490,000)	1,308,000	257,000
Change in unrecognized deductible temporary differences	3,538,391	3,704,272	2,677,000
Total income tax expense	$ 116,391	$ 151,272	$ -

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

	2017	2016	2015
Operating losses carried forward	$ 43,306,000	$ 29,384,000	$ 16,734,000
Investment tax credits	154,000	147,000	144,000
Equipment and intangible assets	71,000	13,000	14,000
Financing costs	1,710,000	1,760,000	522,000

Operating losses carried forward as at September 30, 2017 expire from 2031 – 2036. Financing costs expire from 2037 to 2040. Investment tax credits expire in 2034.

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

During the year ended September 30, 2017, the Company received $nil (2016 - $nil; 2015 - $59,666) in Scientific Research and Experimental Development tax credits from the Government of Canada which are included in research and development costs in the statement of loss and comprehensive loss.

The Company has recorded an income tax expense of $116,391 for the year ended September 30, 2017 (2016 - $151,272; 2015 - $nil) 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 is 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 favourable terms.

15. CAPITAL MANAGEMENT (cont'd…)

In December 2015, the Company filed a short form base shelf prospectus in British Columbia, Alberta, and Ontario, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10, which enables issuances from time to time in order to increase the Company's available capital which was used in connection with the financings completed during the year ended September 30, 2016 (Note 9). 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, 2017.

Other than the SVB Term Loan, there were no changes to the Company's approach to capital management during the year ended September 30, 2017. As at September 30, 2017, 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 $8,736,000 which includes the principal and financing costs assessed on settlement as at September 30, 2017. 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, 2017, the Company had working capital of $1,281,551. During the year ended September 30, 2017, the Company received $5,192,799, a portion of the third and final tranche of CPRIT funding of $5,422,000 (Note 17), which has been recorded as research and development recoveries in profit and loss. The SVB Term Loan is repayable over 33 months following an interest-only period ending December 31, 2017. 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 is dependent on market conditions and may not be available on favorable terms. The CPRIT grant is dependent on the Company completing all the milestones (Note 17).

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

Financial risk factors (cont'd…)

Market risk

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

(a) Interest rate risk

As at September 30, 2017, 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 $38,696 or decrease of $13,981 in the net loss realized for the period.

(b) Foreign currency risk

Historically, the Company has been exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in US dollars as the Company was financed and functioning in Canadian dollars. Over time, the Company has become increasingly exposed to the US dollar due to the financings completed in US dollars, the US dollar-denominated CPRIT Grant (Note 17) and movement of operations to the State of Texas pursuant to the terms of the CPRIT Grant; accordingly, the Company adopted the US dollar as its functional currency from the Canadian dollar as of January 1, 2016, so that the Company's foreign currency risk exposure now relates to net monetary assets denominated in Canadian dollars. A 10% change in the foreign exchange rate between the Canadian and U.S. dollar would result in a fluctuation of $30,583 in the net loss realized for the year.

The Company does not currently engage in hedging activities.

(c) Price risk

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

17. COMMITMENTS

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

Contractual obligations	2018	2019	2020	2021	2022
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	77,938	-	-	-	-
Total (in C$)	C$ 162,938	C$ 85,000	C$ 85,000	C$ 85,000	C$ 85,000
SVB loan payments (Note 7)	$ 2,558,103	$ 3,217,471	$ 3,905,471	$ -	$ -
Lease on US office spaces	$ 170,485	$ 175,166	$ 44,474	$ -	$ -

17. COMMITMENTS (cont'd…)

Product Development and Relocation Grant

In February 2014 the Company received notice that it had been awarded a product development and relocation grant by the 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 is expected to be received after the completion of the grant term of December 31, 2017 and on approval of subsequent final compliance reporting.

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

Under the terms of the grant, the Company is also required to pay a royalty to CPRIT, comprised of 4% of revenues until aggregate royalty payments equal $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.

Agency Engagements

In the year ended September 30, 2017, the Company executed Engagement Letters with Bloom Burton & Co. ("Bloom Burton") and H.C. Wainwright & Co. ("HCW"), investment banks, to retain their services to act as its exclusive agents in Canada and the United States, respectively, in connection with a proposed financing in July 2017. In exchange for their services, on successful completion of the financing, Bloom Burton and HCW would receive a cash fee based on a percentage of any funds raised and warrants based on a percentage of the aggregate number of common shares placed in the financing. The Company will pay all legal and other expenses incurred by Bloom Burton and HCW. In addition, for a period of 12 months, HCW will have a right of participation to act as a placement agent or underwriter on any equity financings for the Company, for which HCW shall receive a fee of no less than 25% of the fee on such financings.

(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	2017	2016	2015
Clinical	$ 2,623,636	$ 2,920,104	$ 304,142
Consulting	935,151	1,333,323	1,072,039
Legal patents and license fees	834,295	905,392	554,712
Manufacturing	3,571,106	3,601,407	3,417,551
Other	187,228	306,657	299,470
Pharmacology	407,373	866,527	1,420,276
Program administration	(38,534)	381,429	428,096
Royalties	48,863	46,228	30,550
Salaries and benefits	2,213,655	2,194,047	1,671,567
Share-based payments (Note 10)	(3,870)	322,160	779,263
Travel	140,262	182,927	437,226
SR&ED tax credits	-	-	(59,666)
CPRIT grant claimed on eligible expenses (Note 17)	(5,192,799)	-	(5,379,298)
Total	$ 5,726,366	$ 13,060,201	$ 4,975,928

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

For the year ended September 30	2017	2016	2015
Amortization	$ 46,145	$ 66,181	$ 42,223
Consulting and subcontractor fees	86,931	87,014	293,522
Director fees	191,500	204,049	128,362
Insurance	395,690	422,066	121,986
Investor relations	230,579	317,822	219,312
Office, IT and communications	187,364	288,968	274,553
Professional fees	612,865	776,339	1,807,112
Regulatory fees and transfer agent	74,600	131,302	535,088
Rent	470,716	620,023	278,570
Salaries and benefits	1,863,634	1,634,380	815,544
Share-based payments (Note 10)	762,797	897,043	637,524
Travel and entertainment	218,100	198,931	225,182
CPRIT grant claimed on eligible expenses (Note 17)	-	-	(120,459)
Total	$ 5,140,921	$ 5,644,118	$ 5,258,519

19. SUBSEQUENT EVENTS

Subsequent to September 30, 2017:

(a) A total of 115,300 stock options with a weighted exercise price of C$0.80 expired unexercised and 56,000 stock options with a weighted average exercise price of C$7.32 were forfeited unexercised.

(b) The Company voluntarily delisted from the TSX and began trading on the TSX-V on November 27, 2017 under the symbol “EPI”.