PART I. FINANCIAL INFORMATION

Item 1. Financial Statements and Supplementary Data

ESSA Pharma Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in United States dollars)

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
(Expressed in United States dollars)
AS OF

	March 31, 2021	September 30, 2020
ASSETS		
Current		
Cash and cash equivalents	$ 151,562,303	$ 56,320,763
Short-term investments (Note 4)	57,034,921	22,011,337
Receivables	293,106	309,538
Prepaids (Note 5)	491,962	1,600,128
Operating lease right-of-use assets (Note 7)	—	55,162
	209,382,292	80,296,928
Deposits	277,637	277,637
Operating lease right-of-use assets (Note 7)	341,125	—
Total assets	$ 210,001,054	$ 80,574,565
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 3,085,397	$ 1,144,230
Current portion of operating lease liability (Note 7)	94,294	59,094
	3,179,691	1,203,324
Derivative liabilities (Note 9)	1,166,462	127,376
Operating lease liability (Note 7)	246,830	—
Total liabilities	4,592,983	1,330,700
Shareholders' equity		
Authorized		
Unlimited common shares, without par value		
Unlimited preferred shares, without par value		
Common shares 40,417,857 issued and outstanding (September 30, 2020 – 32,064,411) (Note 10)	276,740,509	131,086,364
Additional paid-in capital (Note 10)	31,208,296	31,204,284
Accumulated other comprehensive loss	(2,076,479)	(2,076,479)
Accumulated deficit	(100,464,255)	(80,970,304)
	205,408,071	79,243,865
Total liabilities and shareholders' equity	$ 210,001,054	$ 80,574,565

Subsequent events (Note 14)

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

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in United States dollars)

	For the three months ended March 31, 2021	For the three months ended March 31, 2020	For the six months ended March 31, 2021	For the six months ended March 31, 2020
OPERATING EXPENSES				
Research and development	$ 7,268,257	$ 4,618,436	$ 11,754,029	$ 7,205,584
Financing costs (Notes 7 and 8)	299	88,369	1,480	303,870
General and administration	4,615,332	4,863,608	6,824,249	7,002,773
Total operating expenses	(11,883,888)	(9,570,413)	(18,579,758)	(14,512,227)
Foreign exchange	7,649	(17,831)	14,845	(11,622)
Interest income	39,208	205,641	74,899	306,606
Derivative liability gain (loss) (Note 9)	(1,128,216)	32,676	(1,039,086)	(23,957)
Loss for the period before taxes	(12,965,247)	(9,349,927)	(19,529,100)	(14,241,200)
Income tax recovery	—	(4,000)	35,149	274,000
Loss and comprehensive loss for the period	$ (12,965,247)	$ (9,353,927)	$ (19,493,951)	$ (13,967,200)
Basic and diluted loss per common share	$ (0.36)	$ (0.45)	$ (0.56)	$ (0.67)
Weighted average number of common shares outstanding – basic and diluted	36,484,041	20,821,956	34,896,509	20,790,817

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

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (19,493,951)	$ (13,967,200)
Items not affecting cash and cash equivalents:		
Amortization of right-of-use asset	55,162	55,162
Accretion of lease liability	1,480	8,058
Derivative liability loss	1,039,086	23,957
Interest income	(20,106)	—
Finance expense	—	211,079
Unrealized foreign exchange	23,300	22,101
Share-based payments	3,868,671	4,838,238
Income tax recovery	—	(278,000)
Changes in non-cash working capital items:		
Receivables	19,246	12,535
Prepaids	1,108,166	(340,406)
Accounts payable and accrued liabilities	1,883,888	92,058
Income tax payable	—	(22,000)
Net cash used in operating activities	(11,515,058)	(9,344,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	(55,017,103)	—
Proceeds from short-term investments sold	20,000,000	—
Interest from short-term investments	13,625	—
Net cash used in investing activities	(35,003,478)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of common shares	149,999,985	—
Share issuance costs	(9,109,462)	(314,603)
Options exercised	930,686	—
Warrants exercised	249	247,864
Shares purchased through employee share purchase plan	27,369	—
Lease payments	(60,575)	(58,809)
Loan principal repaid	—	(3,199,799)
Loan final payment paid	—	(688,000)
Interest and financing costs paid	—	(32,235)
Net cash provided by (used in) financing activities	141,788,252	(4,045,582)
Effect of foreign exchange on cash and cash equivalents	(28,176)	(19,154)
Change in cash and cash equivalents for the period	95,241,540	(13,409,154)
Cash and cash equivalents, beginning of period	56,320,763	53,322,723
Cash and cash equivalents, end of period	$ 151,562,303	$ 39,913,569

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

ESSA PHARMA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in United States dollars)
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021 and 2020

	Number of shares	Common shares	Obligation to issue shares	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Balance, September 30, 2019	20,762,374	$ 78,545,108	$ —	$ 30,038,134	$ (2,076,479)	$ (57,524,934)	$ 48,981,829
Share issuance costs	—	(3,598)	—	(7,054)	—	—	(10,652)
Warrants exercised	—	—	227,864	—	—	—	227,864
Share-based payments	—	—	—	1,253,621	—	—	1,253,621
Loss for the period	—	—	—	—	—	(4,613,273)	(4,613,273)
Balance, December 31, 2019	20,762,374	$ 78,541,510	$ 227,864	$ 31,284,701	$ (2,076,479)	$ (62,138,207)	$ 45,839,389
Warrants exercised	61,965	422,195	(227,864)	(174,331)	—	—	20,000
Share-based payments	—	—	—	3,584,617	—	—	3,584,617
Loss for the period	—	—	—	—	—	(9,353,927)	(9,353,927)
Balance, March 31, 2020	20,824,339	$ 78,963,705	$ —	$ 34,694,987	$ (2,076,479)	$ (71,492,134)	$ 40,090,079

	Number of shares	Common shares	Obligation to issue shares	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Balance, September 30, 2020	32,064,411	$ 131,086,364	$ —	$ 31,204,284	$ (2,076,479)	$ (80,970,304)	$ 79,243,865
Warrants exercised	1,493,504	2,987,158	—	(2,987,009)	—	—	149
Options exercised	42,207	274,365	—	(120,664)	—	—	153,701
Shares issued through employee share purchase plan	5,261	39,638	—	(12,269)	—	—	27,369
Share-based payments	—	—	—	1,204,985	—	—	1,204,985
Loss for the period	—	—	—	—	—	(6,528,704)	(6,528,704)
Balance, December 31, 2020	33,605,383	$ 134,387,525	$ —	$ 29,289,327	$ (2,076,479)	$ (87,499,008)	$ 74,101,365
Financing	5,555,555	149,999,985	—	—	—	—	149,999,985
Share issuance costs	—	(9,168,801)	—	—	—	—	(9,168,801)
Warrants exercised	1,043,538	143,853	—	(143,753)	—	—	100
Options exercised	213,381	1,377,947	—	(600,962)	—	—	776,985
Share-based payments	—	—	—	2,663,686	—	—	2,663,686
Loss for the period	—	—	—	—	—	(12,965,247)	(12,965,247)
Balance, March 31, 2021	40,417,857	$ 276,740,509	$ —	$ 31,208,296	$ (2,076,479)	$ (100,464,255)	$ 205,408,071

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

1. NATURE OF OPERATIONS

Nature of Operations

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". On October 30, 2020 the Company's common shares delisted in Canada from the TSX Venture Exchange.

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 ("NTD") which were the joint property of the British Columbia Cancer Agency and the University of British Columbia. As of March 31, 2021, no products are in commercial production or use.

2. BASIS OF PRESENTATION

Basis of Presentation

These accompanying unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with United States' Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended September 30, 2020 and included in the Company's 2020 Annual Report on Form 10-K filed with the SEC and with the securities commissions in Alberta and Ontario on December 15, 2020.

These unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The results of operations for the six months ended March 31, 2021 and 2020 are not necessarily indicative of results that can be expected for a full year. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies as those described in the notes to the audited consolidated financial statements of the Company included in the Company's 2020 Annual Report on Form 10-K for the year ended September 30, 2020, with the exception of the policies described in Note 3.

These accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

The accompanying condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value.

All amounts expressed in these accompanying condensed consolidated interim 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.

Use of Estimates

The preparation of the accompanying condensed consolidated interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, expenses, contingent assets and contingent liabilities as of the end of, or during, the reporting period. Actual results could significantly differ from those estimates. Significant areas requiring management to make estimates include the derivative liabilities, the valuation of equity instruments issued for services, income taxes and the product development and relocation grant. Further details of the nature of these assumptions and conditions may be found in the relevant notes to these condensed consolidated interim financial statements.

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. Estimates and assumptions are reviewed quarterly.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements adopted

ASU 2018-18 – Collaborative Arrangements (Topic 808)

In November 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606". This ASU: (i) clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer, (ii) provides guidance specifying that a distinct good or service is the unit of account for evaluating whether a transaction is with a customer, and (iii) precludes a company from presenting transactions with a collaborative arrangement participant that are not in the scope of ASC 606 together with revenue from contracts with customers. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted this accounting standard as of October 1, 2020. The Company will present collaboration revenue separate from product revenues. The adoption of this new accounting standard did not have a significant impact on the Company's consolidated financial statements.

ASU 2018-15 – Intangibles – Goodwill and Other (Subtopic 350-40)

In August 2018, the FASB issued ASU 2018–15, Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350–40). This ASU addresses the accounting for implementation costs incurred by a customer in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted this accounting standard as of October 1, 2020 and has applied it prospectively to all implementation costs incurred after October 1, 2020. The adoption of this new accounting standard did not have a significant impact on the Company's consolidated financial statements.

ASU 2018-13 – Fair Value Measurement (Topic 820-10)

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820-10): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which changes the fair value measurement disclosure requirements of ASC Topic 820, Fair Value Measurements and Disclosures. Under this ASU, certain disclosure requirements for fair value measurements are eliminated, amended or added. These changes aim to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. The Company has adopted this standard as of October 1, 2020. The adoption of the standard had no impact on the Company's consolidated financial statements and disclosures.

ASU 2019-12 – Income Taxes (Topic 740)

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which simplifies the accounting for income taxes by removing certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new ASU also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates. These changes aim to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. The Company has adopted this standard as of October 1, 2020. The adoption of the standard had no impact on the Company's condensed consolidated interim financial statements and disclosures.

ASU 2016-13 – Financial Instruments-Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, including trade receivables. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model that requires the use of forward-looking information to calculate credit loss estimates. This guidance is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company has adopted this standard as of October 1, 2020. The adoption of the standard had no impact on the Company's condensed consolidated interim financial statements and disclosures.

Recent accounting pronouncements not yet adopted

ASU 2020-06 – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 2020-06") "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective January 1, 2024, for the Company. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements, but currently does not believe ASU 2020-06 will have a significant impact on the Company's accounting.

ASU 2020-10 – Codification Improvements

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The guidance contains improvements to the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification. The guidance also contains Codifications that are varied in nature and may affect the application of the guidance in cases in which the original guidance may have been unclear. For public business entities, the amendments in the ASU are effective for fiscal years beginning after December 15, 2020. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. We do not expect the adoption of ASU 2020-10 to have a material impact on our condensed consolidated financial statements.

Recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

4. SHORT-TERM INVESTMENTS

Short-term investments consist of guaranteed investment certificates ("GICs") held at financial institutions purchased in accordance with the Company's treasury policy. These GICs and term deposits bear interest at 0.22%-0.45% per annum and have maturities of up to 12 months.

5. PREPAIDS

	March 31, 2021	September 30, 2020
Prepaid insurance	$ 374,457	$ 825,014
Prepaid CMC and clinical expenses and deposits	2,375	650,586
Other deposits and prepaid expenses	115,130	124,528
Balance, end of period	$ 491,962	$ 1,600,128

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	September 30, 2020
Accounts payable	$ 1,690,676	$ 678,643
Accrued expenses	1,351,833	310,604
Accrued vacation	42,888	154,983
Balance, end of period	$ 3,085,397	$ 1,144,230

7. OPERATING LEASE

The Company has one operating lease for the South San Francisco office extended from April 1, 2021 to May 31, 2024. The Company's operating leases included on the balance sheet are as follows:

Operating lease right-of-use asset	
Balance, September 30, 2019	$ —
Adoption of ASC 842	165,486
Amortization	(55,162)
Balance, March 31, 2020	$ 110,324
Balance, September 30, 2020	$ 55,162
Addition	341,125
Amortization	(55,162)
Balance, March 31, 2021	$ 341,125

Operating lease liabilities	
Balance, September 30, 2019	$ —
Adoption of ASC 842	165,486
Accretion	8,058
Lease payments	(58,809)
Balance, March 31, 2020	$ 114,735
Balance, September 30, 2020	$ 59,094
Addition	341,125
Accretion	1,480
Lease payments	(60,574)
Balance, March 31, 2021	$ 341,125

The Company recognizes a right-of-use asset for the right to use the underlying asset for the lease term, and a lease liability, which represents the present value of the Company's obligation to make payments over the lease term. The present value of the lease payments is calculated using an incremental borrowing rate as the Company's leases do not provide an implicit interest rate. At March 31, 2021, the Company's incremental borrowing rate was 5.0% and the lease term was extended by 38 months.

Operating lease costs of $60,574 (2020 - $58,809) and accretion expense of $1,480 (2020 - $8,058) have been recorded in "general and administrative expenses" and "financing costs" in the condensed consolidated interim statements of operations and comprehensive loss respectively.

8. 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 drew down $8,000,000 from the SVB Term Loan. The option to draw an additional $2,000,000 lapsed on July 31, 2017. In the year ended September 30, 2020, the Company repaid the balance owing for $3,708,955, comprising $3,199,799 in principal, $32,235 in accrued interest, $211,079 in financing costs and the Final Payment of $688,000.

9. DERIVATIVE LIABILITIES

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

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 outside the control of the Company, in accordance with U.S. GAAP, requires the 2016 Warrants to be treated as financial liabilities measured at fair value through profit or loss. The 2016 Warrants are not traded in an active market.

Valuation

The Company uses the Black-Scholes option pricing model to estimate fair value. The following weighted average assumptions were used to estimate the fair value of the derivative warrant liabilities on March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
Risk-free interest rate	0.29 %	0.46 %
Expected life	1.79 years	2.79 years
Expected annualized volatility	85.9 %	88.7 %
Dividend	—	—
Liquidity discount	20 %	20 %

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, expected volatility and liquidity discount. If the market price were to increase by a factor of 10% this would increase the obligation by approximately $244,273 as of March 31, 2021. If the market price were to decrease by a factor of 10% this would decrease the obligation by approximately $226,083 as of March 31, 2021. If the volatility were to increase by 10%, this would increase the obligation by approximately $241,066 as of March 31, 2021. If the volatility were to decrease by 10%, this would decrease the obligation by approximately $236,776 as of March 31, 2021.

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

		Total
Balance, September 30, 2019	$	16,520
Change in fair value		110,856
Balance, September 30, 2020	$	127,376
Change in fair value		1,039,086
Balance, March 31, 2021	$	1,166,462
Derivatives with expected life of less than one year	$	—
Derivatives with expected life greater than one year	$	1,166,462

10. SHAREHOLDERS' EQUITY

Authorized

Unlimited common shares, without par value.

Unlimited preferred shares, without par value.

February 2021 Financing

On February 22, 2021, the Company completed an underwritten public offering for aggregate gross proceeds of $149,999,985 (the "**February 2021 Financing**"). The Company issued a total of 5,555,555 common shares of the Company at a public offering price of $27.00 per share, which includes the underwriters having exercised their 30-day option to purchase an additional 724,637 common shares. In connection with the February 2021 Financing, the Company paid cash commissions of $8,999,999 and incurred other transaction costs of $150,498.

July 2020 Financing

On July 31, 2020, the Company completed an underwritten public offering for aggregate gross proceeds of $48,990,000 (the "**July 2020 Financing**"). The Company issued a total of 7,100,000 common shares of the Company at a public offering price of $6.00 per share. Additionally, the underwriters exercised a 30-day option to purchase up to an additional 1,065,000 common shares. In connection with the July 2020 Financing, the Company paid cash commissions of $2,939,400 and incurred other transaction costs of $212,256.

August 2019 Financing

On August 27, 2019, the Company closed a public offering of equity securities of the Company in Canada and a concurrent private placement of equity securities in the United States (the "**August 2019 Financing**"). The Company issued a total of 6,080,596 common shares and 11,919,404 pre-funded warrants in lieu of common shares of the Company at a price of $2.00 per security for aggregate gross proceeds of $36,000,000. Each pre-funded warrant entitles the holder thereof to acquire one common share at a nominal exercise price for a period of five years. In connection with the August 2019 Financing, the Company paid cash commissions of $1,978,770 and incurred other transaction costs of $698,162.

Nomination Rights

In connection with a January 2016 private placement of 227,273 Units, a Unit consisting of one common share, one 7-year warrant and one-half of one 2-year warrant, of the Company, Clarus Lifesciences III, L.P. (“**Clarus**”) acquired 106,061 common shares. Clarus is entitled to nominate two directors to the board of directors of the Company, one of which must be an independent director and preapproved by the Company. These nomination rights will continue for so long as Clarus holds greater than or equal to 53,030 common shares, subject to adjustment in certain circumstances.

Equity incentive plans

Restricted share units plan

The Company has adopted a Restricted Share Unit Plan (“RSU Plan”) consistent with the policies and rules of the Nasdaq. Pursuant to the RSU Plan, RSUs may be granted with vesting criteria and periods are approved by the Board of Directors at its discretion. The RSUs issued under the RSU Plan may be accounted for as either equity-settled or cash-settled share-based payments. At March 31, 2021, there are no RSUs outstanding.

As of March 31, 2021 the Stock Option Plan and RSU Plan have a combined maximum of 7,342,788 common shares which may be reserved for issuance.

Employee Share Purchase Plan

The Company has adopted an Employee Share Purchase Plan (“ESPP”) under which qualifying employees may be granted purchase rights (“Purchase Rights”) to the Company’s common shares at not less of 85% of the market price at the lesser of the date the Purchase Right is granted or exercisable. The Company currently holds offerings consisting of six-month periods commencing on January 1 and July 1 and ending on June 30 and December 31 of each calendar year. As of March 31, 2021, the ESPP has a maximum of 263,120 (2020 – 284,887) common shares reserved for issuance.

Eligible employees are able to contribute up to 15% of their gross base earnings for purchases under the ESPP through regular payroll deductions. Purchase of shares under the ESPP are limited for each employee at $25,000 worth of the Company’s common shares (determined using the lesser of (i) the market price of a common share on the first day of an applicable purchase period and (ii) the market price of a common share on the purchase date) for each calendar year in which a purchase right is outstanding.

During the six months ended March 31, 2021, the Company issued 5,261 shares (2020 – Nil) upon the exercise of Purchase Rights. The Company recognizes compensation expense for purchase rights on a straight-line basis over the service period.

	For the three months ended March 31,		For the six months ended March 31,	
	2021	2020	2021	2020
Research and development expense	$ 9,123	$ —	$ 14,693	$ —
General and administrative	17,381	—	17,946	—
	$ 26,504	$ —	$ 32,639	$ —

The Company measures the purchase rights based on their estimated grant date fair value using the Black-Scholes option pricing model and the estimated number of shares that can be purchased. The following weighted average assumptions were used for the valuation of purchase rights:

	2021	2020
Risk-free interest rate	0.19 %	—
Expected life of share purchase rights	6 months	—
Expected annualized volatility	61.26 %	—
Dividend	—	—

Stock options

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price*
Balance, September 30, 2019	1,122,461	$ 4.59
Options granted	4,218,000	3.31
Options exercised	(416)	(2.20)
Options expired/forfeited	(30,461)	(28.46)
Balance, September 30, 2020	5,309,584	$ 3.42
Options granted	1,714,646	7.77
Options exercised	(255,588)	(3.63)
Options expired/forfeited	(42,000)	(3.40)
Balance outstanding, March 31, 2021	6,726,642	$ 4.53
Balance exercisable, March 31, 2021	2,232,820	$ 3.51

* Options exercisable in Canadian dollars as of March 31, 2021 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding options.

At March 31, 2021, options were outstanding enabling holders to acquire common shares as follows:

Exercise price		Number of options	Weighted average remaining contractual life (years)
$	2.20	4,584	8.20
$	3.23	3,823,775	8.52
$	3.59	26,667	8.55
$	3.81	185,816	7.87
$	4.00	539,518	6.73
$	4.67	208,511	8.59
$	7.00	1,524,646	9.70
$	13.96	190,000	9.79
C$	4.90	183,845	6.38
C$	5.06	39,280	7.87
		6,726,642	8.60

Share-based compensation

During the six months ended March 31, 2021, the Company granted a total of 1,714,646 (2020 – 4,218,000) stock options with a weighted average fair value of $7.77 per option (2020 – $3.31).

The Company recognized share-based payments expense for options granted and vesting, net of recoveries on cancellations of unvested options, during the three months ended March 31, 2021 and 2020 with allocations to its functional expense as follows:

	For the three months ended March 31, 2021	2020	For the six months ended March 31, 2021	2020
Research and development expense	$ 782,846	$ 1,029,488	$ 1,064,700	$ 1,181,895
General and administrative	1,854,336	2,555,129	2,771,332	3,656,343
	$ 2,637,182	$ 3,584,617	$ 3,836,032	$ 4,838,238

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

	2021	2020
Risk-free interest rate	0.39 %	1.54 %
Expected life of options	10.00 years	10.00 years
Expected annualized volatility	78.05 %	77.00 %
Dividend	—	—

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2019	12,393,092	$ 1.31
Warrants exercised	(3,120,115)	(0.08)
Balance, September 30, 2020	9,272,977	$ 1.73
Warrants exercised	(2,544,579)	(0.08)
Balance outstanding and exercisable, March 31, 2021	6,728,398	$ 2.35

At March 31, 2021, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price		Expiry Date
227,273 (1)	US$	66.00	January 14, 2023
7,477	US$	42.80	November 18, 2023
123,648 (2)	US$	4.00	January 9, 2023
6,370,000	US$	0.0001	August 23, 2024
6,728,398			

(1) Detailed terms of the 2016 Warrants are included in Note 9.
(2) 43,648 broker warrants exercised subsequent to March 31, 2021. (Note 14)

11. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities and receivables at March 31, 2021 is $71,514 (September 30, 2020 - $87,846) and $17,170 (September 30, 2020 - $Nil) respectively due to and from related parties with respect to key management personnel compensation and expense reimbursements. Amounts due to and from related parties are non-interest bearing, with no fixed terms of repayment.

12. SEGMENTED INFORMATION

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

13. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities and derivative liabilities. The fair value of cash and cash equivalents, short-term investments, receivables and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity. The derivative liabilities are measured using level 3 inputs (Note 9).

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 cash equivalents, short-term investments and receivables. The Company's receivables are mainly the balance remaining on the CPRIT Grant. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company considers highly liquid investments with a maturity of up to twelve months when purchased to be short-term investments. As of March 31, 2021, cash and cash equivalents consisted of cash in Canada and the United States and term deposits in Canada. Balances exceed amounts insured by the Canada Deposit Insurance Corporation for up to C$100,000 and by the Federal Deposit Insurance Corporation for up to $250,000. Amounts due from government agencies are considered to have minimal credit risk.

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 of March 31, 2021, the Company had working capital of $206,202,601. The Company does not generate revenue and will be reliant on external financing to fund operations. Debt and equity financing are dependent on market conditions and may not be available on favorable terms.

Market risk

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

(a) Interest rate risk

As of March 31, 2021, the Company has cash and cash equivalents balances and GICs 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.

(b) Foreign currency risk

The Company's foreign currency risk exposure relates to net monetary assets denominated in Canadian dollars. The Company maintains its cash and cash equivalents in US dollars and converts on an as needed basis to discharge Canadian denominated expenditures. A 10% change in the foreign exchange rate between the Canadian and U.S. dollar in relation to Canadian dollars held at March 31, 2021 would result in a fluctuation of $20,568 in the net loss recognized for the period. The Company does not currently engage in hedging activities.

14. SUBSEQUENT EVENTS

On April 7, 2021, the Company issued 37,765 common shares upon the cashless exercise of 43,648 broker warrants.

On April 23, 2021, the Company renewed a lease agreement for the Houston office effective August 1, 2021 through July 31, 2023 with an option to renew for an additional 2 years.

On April 27, 2021, the Company granted 100,000 stock options with a fair value of $29.63 per option.