FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

*This management discussion and analysis ("**MD&A**") of ESSA Pharma Inc. (the "**Company**" or "**ESSA**") for the three months ended December 31, 2014 and 2013 is as of February 27, 2015.*

*This MD&A has been prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three months ended December 31, 2014 and 2013 as well as the audited consolidated financial statements for the year ended September 30, 2014, nine months ended September 30, 2013 and year ended December 31, 2012, and the related notes thereto. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").*

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

The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "EPI".

OVERVIEW OF THE COMPANY

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

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

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

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

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

Overview of Recurrent Prostate Cancer

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

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

Castration-Resistant Prostate Cancer

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

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

A complete discussion of castration-resistant prostate cancer is detailed in the Company's final long form prospectus dated December 5, 2014 filed at www.sedar.com.

ESSA's Products and Programs

ESSA's EPI-Series Drugs

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

Development Program

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

Pre-clinical Development

ESSA is focused on developing EPI-506 as its clinical development candidate. EPI-506 has been shown by ESSA to be more potent than most other EPI-series drugs by oral dosing and has the appropriate pharmacological properties to be developed. The data shown in Figure 2 below, comparing EPI-506 at doses of 33, 66 and 133 mg/kg to enzalutamide at 50mg/kg shows that EPI-506 at 33 mg/kg is equally efficacious with enzalutamide at 50mg/kg. Note that in this experiment, enzalutamide (an antiandrogen drug also known as Xtandi) was quite toxic, resulting in severe weight loss (causing termination of treatment and withdrawal from the study) or death of 66% of the mice in which the study was conducted.
The Company's initial work to support the CRPC indication has consisted of efficacy studies, bioanalytical development and pharmacokinetic studies in four species, as well as preliminary toxicology studies in three species. To date, EPI-506 appears to be well-tolerated after daily oral administration. Formulation development work and bioanalytical development for pre-clinical studies have been conducted at BRI Biopharmaceutical Research Inc. in Vancouver, Canada.

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

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

CORPORATE UPDATE AND OVERALL PERFORMANCE

ESSA is a development stage company and does not currently generate revenue. During the period ended December 31, 2014, the Company incurred a comprehensive loss of $1,537,480 (2013 - $246,335). As at December 31, 2014, the Company had cash resources of $4,000,529 (September 30, 2014 - $4,146,938) and working capital of $3,359,834 (September 30, 2014 - $3,630,874).

This corporate update highlights significant events and transactions for the three months ended December 31, 2014 and subsequent.

Significant Events and Transactions

October 2014 Special Warrant Financing

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

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

Events Subsequent to December 31, 2014

January 2015 Special Warrant Financing

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

As at December 31, 2014, the Company had received subscriptions for the 2015 Special Warrants of $1,159,400.

In connection with the 2015 Special Warrant financing, Bloom Burton & Co. and Roth Capital Partners, LLC, as Agents, and selling group members, received cash commission equal to approximately US$706,800 and 257,018 broker warrants. Each broker warrant is exercisable to purchase one Common Share until January 16, 2017 at a price of US$2.75 per broker warrant.

Listing on the TSX Venture Exchange

On January 27, 2015 the Company began trading on the TSX-V under the symbol "EPI".

Drag-along, tag-along and anti-dilution rights on the Company's Common Shares expired in conjunction with the listing.

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

10,595,034 Common Shares of the Company are subject to an Escrow Agreement. 10% of the Common Shares subject to escrow will be released upon the date of listing with the remaining Common Shares to be released in 15% increments every 6 months thereafter.

DISCUSSION OF OPERATIONS

Clinical Development

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

The Company, along with its key advisors (most of whom are physicians who are currently treating CRPC patients), expects to design and execute a Phase 1/2 study to determine the safety and potential therapeutic benefits of EPI-506 in CRPC patients. The Phase 1 portion of the study is expected to enroll up to 30 patients with CRPC. Following single-dose evaluation of safety, patients are expected to then receive daily dosing for up to 28 days. The primary function of this part of the study will be to assess safety and pharmacokinetics of EPI-506. It is also possible that some patients will respond to treatment. Such a response to treatment would be measured by reduced PSA levels and/or a reduction in metastatic lesions. ESSA expects to conduct this Phase 1 portion of the study at two to three sites in Canada and the U.S and expects it to be completed in approximately mid-2016.

The Phase 2 portion is initially expected to enroll up to 150 CRPC patients. Depending on the advice of the Company's clinical advisors, additional patient cohorts may be added to address relevant questions on patients' profile (e.g. splice variant status). This study is currently expected to focus on CRPC patients with rising PSA who have failed one of enzalutamide or abiraterone acetate. The main outcomes to be measured are expected to be:

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

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

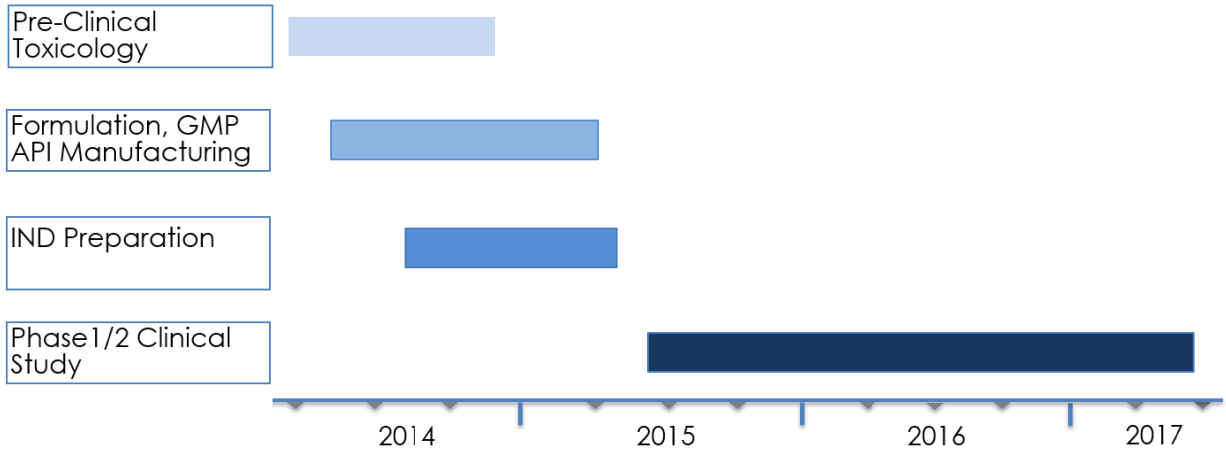
2 – Phase 3 studies

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

Development Timeline

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

Figure 2 – Expected Development Timeline for EPI-506



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

Our Business Strategy

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

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

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

Clinical Development Collaborations

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

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

Financing

The Company intends to obtain a listing on the NASDAQ or NYSE MKT to ensure that the Company has access to global financial markets. There can be no assurances that the Company will be successful in obtaining a listing on the NASDAQ or NYSE MKT.

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

QUARTERLY FINANCIAL INFORMATION

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

	For the Quarters Ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total assets	$ 4,621,182	$ 4,709,415	$ 766,156	$ 547,963
Long-term liabilities	344,521	1,838,507	-	-
Research and development expense	431,947	(361,802)	622,015	12,558
General and administration	621,635	519,398	299,944	112,069
Loss and comprehensive loss	(1,537,480)	(509,303)	(1,046,992)	(152,476)
Basic and diluted loss per share	(0.10)	(0.03)	(0.07)	(0.01)

	For the Quarters Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total assets	$ 549,440	$ 677,309	$ 684,726	$ 1,004,725
Long-term liabilities	-	-	-	-
Research and development expense	105,469	266,939	249,371	318,739
General and administration	99,005	189,697	104,265	71,611
Loss and comprehensive loss	(246,335)	(612,374)	(446,693)	(498,842)
Basic and diluted loss per share	(0.02)	(0.04)	(0.03)	(0.03)

From the quarter ended March 31, 2013 through June 30, 2014, the Company relied on funds raised in 2012 and tax credit refunds to meet the Company's operating and research and development plans. There were therefore minimal changes in the capitalization of the Company during that time. In the quarter ended September 30, 2014, the Company received its first tranche of the grant from the Cancer Prevention and Research Institute of Texas ("CPRIT") of US$2,792,533 which was recorded as a long-term liability for recognition against qualifying expenditures as those expenditures are made. The CPRIT Product Development and Relocation Grant is detailed in the accompanying unaudited condensed consolidated interim financial statements.

Also in the three months ended September 30, 2014, the Company completed the July Preferred Shares financing of 1,185,400 Preferred Shares at a price of $2.00 per Preferred Share for gross proceeds of $2,370,800 which supplemented the Company's financial resources. In the three months ended December 31, 2014, the Company completed the 2014 Special Warrants financing described above for gross proceeds of $1,359,280. Accordingly, with these additional resources, the Company has accelerated its work toward the IND filing resulting in a significant increase in comprehensive loss over prior periods.

Three months ended December 31, 2014 and 2013

The Company incurred a comprehensive loss of $1,537,480 for the three months ended December 31, 2014 compared to a comprehensive loss of $246,355 for the three months ended December 31, 2013.

Significant changes are as follows:

Research and Development

- The overall R&D expense for the three months ended December 31, 2014 was $431,947 compared to $105,469 for the three months ended December 31, 2013. The gross expense for 2014 was $1,912,411 before recognition of qualifying CPRIT grant funds of $1,480,464. This signifies a significantly higher investment in research and development activities from the $105,469 expended in the comparative quarter.

- In the fourth quarter of fiscal 2014, the Company established office space in Texas for its research and development activities and has built an R&D team to pursue the business objectives. Overall, R&D activity is higher than in the comparative quarter when the Company was focusing on achieving the CPRIT grant and financing objectives.

- Consulting fees have increased to $169,945 (2013 - $45,313) as the Company has engaged professionals in Texas to conduct specific R&D services for the Company in addition to regular payments made to the Company's Chief Scientific Officer ("CSO") and Chief Technical Officer ("CTO") over the two periods. The fees for the CSO and CTO increased from $60,000 per year each to $120,000 per year following the successful completion of $5,000,000 in equity financings.

- Legal patents and license fees have increased to $139,784 (2013 - $64,328) as the Company has submitted a number of patent applications for which the Company owns the rights. The Company has adopted a tiered patent strategy to protect its intellectual property as the pharmaceutical industry places significant importance to patents for the protection of new technologies, products and processes. The Company anticipates that there will be ongoing investment into patent applications.

- Program administration fees are periodic and relate to strategic relationships with the BC Cancer Agency and University of British Columbia.

- Research and development costs have increased to $1,104,288 from a recovery of $6,244 in the three months ended December 31, 2013. In the comparative period, the Company incurred R&D costs of $49,772 before recoveries from Scientific Research & Development ("SRED") tax credits from the province of Quebec of $56,016. These costs relate to contracted lab facilities to conduct testing and experimentation on the Company's EPI-series drugs.

- Salaries and benefits relate to establishment of payroll for the Company's Chief Medical Officer, Executive VP of Research and additional research staff in Texas.

	2014	2013
Consulting	$ 169,945	$ 45,313
Legal patents and license fees	139,784	64,328
Program administration fees and other	50,000	-
Research and development	1,104,288	(6,244)
Salaries and benefits	323,227	-
Travel	125,167	2,072
CPRIT grant claimed on eligible expenses (Note 12)	(1,480,464)	-
Total	$ 431,947	$ 105,469

General and administrative

General and administration expenses increased to $621,635 from $99,006 in 2013. Significant components of the expense in the current year included:

- Consulting and subcontractor fees of $75,397 (2013 - $66,400). In the current period, the costs related to an Executive Assistant, data and network systems implementation and security and professional recruiting services. In the prior period, costs were related to the CEO who has since been converted to a full time employee included in salaries and benefits.

- $359,615 (2013 - $10,713) in professional fees for legal and accounting services in conjunction with the corporate activities in 2014. These services have been engaged to support the Company's financing activities and work toward listing on the TSXV.

- Salaries and benefits expense of $186,859 relates to the establishment of the CEO and CFO as full time employees of the organization.

- Foreign exchange fluctuations have increased due to the spread between the Canadian and US dollars. The Company is exposed to foreign exchange fluctuations due to activities ongoing in Texas and the CPRIT grant being denominated in US dollars.

- Other expense categories have increased and been established as overall corporate activity has increased. These expenses predominantly relate to costs toward becoming a reporting issuer and publicly listed company.

	2014	2013
Amortization	$ 8,746	$ 6,331
Consulting and subcontractor fees	75,397	66,400
Foreign exchange	(44,017)	1,535
Investor relations	13,476	-
Office expenses	40,182	3,183
Professional fees	359,615	10,713
Regulatory fees	7,724	-
Rent	14,304	7,396
Salaries and benefits	186,859	-
Travel and entertainment	4,558	3,448
CPRIT grant claimed on eligible expenses (Note 12)	(45,209)	-
Total	$ 621,635	$ 99,006

Share-based payments expense of $440,405 (2013 - $42,087) relates to the value assign to stock options granted to key management and consultants of the Company. The expense is recognized in relation to the grant and vest of these equity instruments.

LIQUIDITY AND CAPITAL RESOURCES

Operational activities during the period ended December 31, 2014 were financed mainly by proceeds from equity financings completed in July and October 2014 and the CPRIT Grant. At December 31, 2014, the Company had available cash reserves of $4,000,529 and $70,445 in accounts receivable related to the refund of GST input tax credits to settle current liabilities of $783,408. This compares to cash $4,146,938 and $72,295 in accounts receivable related to refund of GST input tax credits at September 30, 2014 to settle current liabilities of $658,305.

ESSA completed the 2014 Special Warrant Financing in October, 2014 for aggregate gross proceeds of $1,359,280 and the 2015 Special Warrant Financing was completed in January, 2015 for gross proceeds of approximately US$12,000,000, each as previously described above under "*Corporate Update and Overall Performance*".

As of September 30, 2014, the Company had working capital of $3,359,834. With the addition of the 2015 Special Warrant Financing, the Company has assessed the cash position will be sufficient to finance operational and capital needs to the end of 2015. Consistent with the operating model, the Company has no plans to build infrastructure; however, the Company will incur significant pre-clinical costs in excess of $2 million in the lead-up to the filing of the IND before the end of the second quarter of 2015. As ESSA has become a reporting issuer, the Company anticipates incurring additional compliance and related overhead costs as the Company increases activity.

However, future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with pre-clinical studies, formulation studies and preparations in order to initiate clinical trials and the ensuing costs associated with Phase 1/2 clinical trials of up to 150 patients in 2015-2016 and to take advantage of strategic opportunities. As a result, in the future it may be necessary to raise additional funds. These funds may come from sources such as entering into strategic collaboration arrangements, the issuance of shares from treasury, or alternative sources of financing. However, there can be no assurance that we will successfully raise funds to continue the development and commercialization of EPI-506 and our operational activities.

CONTRACTUAL OBLIGATIONS

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

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

Notes:

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

	2014	2013
Salaries and consulting fees	$ 471,339	$ 85,000
Share-based payments	242,005	-
Total compensation	$ 713,344	$ 85,000

During the period ended December 31, 2014, the Company granted 150,000 options (2013 – nil) to key management personnel. The vesting of these options and options granted to key management personnel in prior periods were recorded as share-based payments expense in the statement of loss and comprehensive loss at a value of $242,005 (2013 - $nil).

Included in accounts receivable at December 31, 2014 is $7,434 (September 30, 2014 – $nil) due from related parties with respect to the advances for anticipated expenses. Amounts due from related parties are non-interest bearing, with no fixed terms of repayment.

Included in accounts payable and accrued liabilities at December 31, 2014 is $10,289 (September 30, 2014 – $24,331) due to related parties with respect to the transactions detailed above and expense reimbursements. Amounts due to related parties are non-interest bearing, with no fixed terms of repayment.

In the year ended September 30, 2014, the Company has signed letter agreements with Bob Rieder, CEO and David Wood, CFO. Mr. Rieder has been granted a performance scheme wherein his salary will increase to US$340,000 (from US$250,000) per annum upon raising US$6,000,000 in equity or debt securities of the Company. . Subsequent to December 31, 2014, the financing threshold was met. Additionally, he is entitled to certain cash and stock option performance benefits at the discretion of the Board. Mr. Rieder is entitled to a payment of one year of base salary upon termination without cause, increasing to two years if the termination without cause occurs after a change of control event or within 60 days prior to a change of control event where such event was under consideration at the time of termination. Mr. Wood is entitled to a payment of one year of base salary upon termination without cause, whether or not the termination was caused by a change of control event. Stock options held by the CEO and CFO vest immediately upon a change of control.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

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

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

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

New standards not yet adopted

IFRS 9 Financial Instruments (Revised)

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 amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

FINANCIAL INSTRUMENTS AND RISKS

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

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily due from refundable GST/HST and investment tax credits. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Credit risk with respect to investment tax credits and GST/HST is minimal as the amounts are due from government agencies.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash balance of $4,000,529 to settle current liabilities of $783,407. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt and therefore is not exposed to risk in the event of interest rate fluctuations.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in United States dollars. As at December 31, 2014, the Company had accounts payable and accrued liabilities of US$262,026. The Company anticipates that, pursuant to CPRIT Grant, the transactions of the Company will be increasingly subject to fluctuations in the US dollar. While fluctuations in the US dollar are not significant as at December 31, 2014, the Company will work to manage foreign currency risk as the Company's operations evolve.

BUSINESS RISKS

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

ADDITIONAL INFORMATION

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

OUTSTANDING SHARE CAPITAL

Equity instruments outstanding as of the date of this MD&A:

Common shares	18,070,074
Stock options	3,379,719
Warrants	386,853
Special warrants[(1)]	4,363,634

[(1)] Convert to one Common Share at any time by the holder thereof and all of the 2015 Special Warrants will be deemed to be exercised on the earlier of: (i) October 16, 2015 and (ii) the date on which the Common Shares first begin to trade on either (i) the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market securities trading platforms of the NASDAQ Stock Market or (ii) the NYSE MKT securities trading platform of the New York Stock Exchange (the "**U.S. Listing Date**"). Should the U.S. Listing Date not occur on or prior to October 16, 2015, instead of one Common Share, each 2015 Special Warrant shall entitle the holder thereof to receive 1.5 Common Shares upon exercise or deemed exercise thereof.

FORWARD-LOOKING AND OTHER STATEMENTS

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

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

- the rate and degree of market acceptance and clinical utility of our future products, if any;
- the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;
- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- our ability to engage and retain the employees required to grow our business;
- the compensation that is expected to be paid to employees of the Company;
- our future financial performance and projected expenditures;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing.

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

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