

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, 2022

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

	<u>March 31, 2022</u>	<u>September 30, 2021</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 86,235,830	\$ 137,825,024
Short-term investments (Note 4)	94,782,609	57,102,159
Receivables	19,254	489,012
Prepays (Note 5)	1,064,464	2,181,882
	<u>182,102,157</u>	<u>197,598,077</u>
Deposits	259,455	259,455
Operating lease right-of-use assets (Note 7)	<u>247,393</u>	<u>308,286</u>
Total assets	<u>\$ 182,609,005</u>	<u>\$ 198,165,818</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 3,618,508	\$ 3,808,944
Current portion of operating lease liabilities (Note 7)	128,366	120,719
Current portion of derivative liabilities (Note 8)	1,929	—
	<u>3,748,803</u>	<u>3,929,663</u>
Operating lease liabilities (Note 7)	145,268	210,251
Derivative liabilities (Note 8)	<u>—</u>	<u>20,352</u>
Total liabilities	<u>3,894,071</u>	<u>4,160,266</u>
Shareholders' equity		
Authorized		
Unlimited common shares, without par value		
Unlimited preferred shares, without par value		
Common shares 44,059,700 issued and outstanding (September 30, 2021 – 43,984,346) (Note 9)	278,029,966	277,415,176
Additional paid-in capital (Note 9)	40,538,466	36,442,620
Accumulated other comprehensive loss	(2,125,210)	(2,076,479)
Accumulated deficit	<u>(137,728,288)</u>	<u>(117,775,765)</u>
	<u>178,714,934</u>	<u>194,005,552</u>
Total liabilities and shareholders' equity	<u>\$ 182,609,005</u>	<u>\$ 198,165,818</u>

Nature of operations (Note 1)

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		For the six months ended	
	March 31,		March 31,	
	2022	2021	2022	2021
OPERATING EXPENSES				
Research and development	\$ 7,649,459	\$ 7,268,257	\$ 13,669,218	\$ 11,754,029
Financing costs (Note 7)	3,526	299	7,851	1,480
General and administration	3,817,370	4,615,332	6,879,540	6,824,249
Total operating expenses	(11,470,355)	(11,883,888)	(20,556,609)	(18,579,758)
Foreign exchange	16,259	7,649	29,428	14,845
Interest and other income	481,751	39,208	556,335	74,899
Derivative liability gain (loss) (Note 8)	117,741	(1,128,216)	18,423	(1,039,086)
Net loss for the period before taxes	(10,854,604)	(12,965,247)	(19,952,423)	(19,529,100)
Income tax recovery (expense)	—	—	(100)	35,149
Net loss for the period	(10,854,604)	(12,965,247)	(19,952,523)	(19,493,951)
OTHER COMPREHENSIVE LOSS				
Unrealized loss on short-term investments	(48,731)	—	(48,731)	—
Loss and comprehensive loss for the period	\$ (10,903,335)	\$ (12,965,247)	\$ (20,001,254)	\$ (19,493,951)
Basic and diluted loss per common share	\$ (0.25)	\$ (0.36)	\$ (0.45)	\$ (0.56)
Weighted average number of common shares outstanding – basic and diluted	44,030,480	36,484,041	44,009,903	34,896,509

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,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (19,952,523)	\$ (19,493,951)
Items not affecting cash and cash equivalents:		
Amortization of right-of-use asset	60,893	55,162
Amortization of premiums/discounts on short-term investments, net	65,060	—
Accretion of lease liability	7,410	1,480
Derivative liability loss (gain)	(18,423)	1,039,086
Interest income	(157,464)	(20,106)
Unrealized foreign exchange	19,520	23,300
Share-based payments	4,363,444	3,868,671
Changes in non-cash working capital items:		
Receivables	476,062	19,246
Prepays	1,117,418	1,108,166
Accounts payable and accrued liabilities	(186,188)	1,883,888
Net cash used in operating activities	<u>(14,204,791)</u>	<u>(11,515,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	(104,817,397)	(55,017,103)
Proceeds from short-term investments sold	67,028,803	20,000,000
Interest from short-term investments	162,789	13,625
Net cash used in investing activities	<u>(37,625,805)</u>	<u>(35,003,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of common shares	—	149,999,985
Share issuance costs	—	(9,109,462)
Options exercised	319,832	930,686
Warrants exercised	—	249
Shares purchased through employee share purchase plan	27,360	27,369
Lease payments	(64,746)	(60,575)
Net cash provided by financing activities	<u>282,446</u>	<u>141,788,252</u>
Effect of foreign exchange on cash and cash equivalents	(41,044)	(28,176)
Change in cash and cash equivalents for the period	(51,589,194)	95,241,540
Cash and cash equivalents, beginning of period	<u>137,825,024</u>	<u>56,320,763</u>
Cash and cash equivalents, end of period	<u>\$ 86,235,830</u>	<u>\$ 151,562,303</u>

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, 2022 AND 2021

	Number of shares	Common 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	—	—	2,663,684	—	—	2,663,684
Loss for the period	—	—	—	—	(12,965,247)	(12,965,247)
Balance, March 31, 2021	<u>40,417,857</u>	<u>\$ 276,740,509</u>	<u>\$ 31,208,296</u>	<u>\$ (2,076,479)</u>	<u>\$ (100,464,255)</u>	<u>\$ 205,408,071</u>

	Number of shares	Common shares	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Balance, September 30, 2021	43,984,346	\$ 277,415,176	\$ 36,442,620	\$ (2,076,479)	\$ (117,775,765)	\$ 194,005,552
Options exercised	29,080	184,512	(80,188)	—	—	104,324
Shares issued through employee share purchase plan	2,444	45,936	(18,576)	—	—	27,360
Share-based payments	—	—	2,500,091	—	—	2,500,091
Loss for the period	—	—	—	—	(9,097,919)	(9,097,919)
Balance, December 31, 2021	44,015,870	\$ 277,645,624	\$ 38,843,947	\$ (2,076,479)	\$ (126,873,684)	\$ 187,539,408
Options exercised	43,830	384,342	(168,834)	—	—	215,508
Share-based payments	—	—	1,863,353	—	—	1,863,353
Loss for the period	—	—	—	(48,731)	(10,854,604)	(10,903,335)
Balance, March 31, 2022	<u>44,059,700</u>	<u>\$ 278,029,966</u>	<u>\$ 40,538,466</u>	<u>\$ (2,125,210)</u>	<u>\$ (137,728,288)</u>	<u>\$ 178,714,934</u>

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

ESSA PHARMA INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in United States dollars)

FOR THE SIX MONTHS ENDED MARCH 31, 2022

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".

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, 2022, 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, 2021 and included in the Company's 2021 Annual Report on Form 10-K filed with the SEC and with the securities commissions in British Columbia, Alberta and Ontario on November 18, 2021.

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 three months ended March 31, 2022 and 2021 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 2021 Annual Report on Form 10-K for the year ended September 30, 2021, with the exception of any 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 not yet adopted

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's condensed consolidated interim 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 0.31%-1.58% per annum and have maturities of up to 12 months.

Short-term investments also consist of U.S. treasury securities, corporate debt securities and commercial paper. The Company has classified these investments as available-for-sale, as the sale of such investments may be required prior to maturity to implement management strategies, and therefore has classified all investment securities as current assets. Those investments with maturity dates of three months or less at the date of purchase are presented as cash equivalents in the accompanying balance sheets. Short-term investments are carried at fair value with the unrealized gains and losses included in accumulated other comprehensive loss as a component of shareholders’ equity (deficit) until realized. Any premium or discount arising at purchase is amortized or accreted to interest income as an adjustment to yield using the straight-line method over the life of the instrument. The Company records an allowance for credit losses when unrealized losses are due to credit-related factors. Realized gains and losses are calculated using the specific identification method and recorded as interest income.

	As of March 31, 2022				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Accrued Interest	Estimated Fair Value
GICs and Term deposits	\$ 77,171,949	\$ —	\$ —	\$ 20,918	\$ 77,192,867
U.S. Treasury securities	11,266,180	—	(25,478)	121,842	11,362,544
Corporate debt securities	5,220,823	—	(21,024)	30,444	5,230,243
Commercial paper	996,955	—	—	—	996,955
Balance, end of period	<u>\$ 94,655,907</u>	<u>\$ —</u>	<u>\$ (46,502)</u>	<u>\$ 173,204</u>	<u>\$ 94,782,609</u>

	As of September 30, 2021				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Accrued Interest	Estimated Fair Value
GICs and Term deposits	\$ 57,026,103	\$ —	\$ —	\$ 76,056	\$ 57,102,159
Balance, end of period	<u>\$ 57,026,103</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 76,056</u>	<u>\$ 57,102,159</u>

As of March 31, 2022, short-term investments have an aggregate fair market value of \$94.8 million (2021 – \$57.1 million) were in an aggregate gross unrealized loss position of \$46,502 (2021 - \$Nil). The Company considers the decline in market value for the securities to be primarily attributable to current economic and market conditions. These particular investments have been in an unrealized loss position for less than 12 months and it is not more likely than not that the Company will be required to sell any of its securities prior to maturity. Accordingly, no allowance for credit losses has been recorded as of March 31, 2022 and no realized gains or losses on sales of short-term investments have been recorded through March 31, 2022.

5. PREPAIDS

	March 31, 2022	September 30, 2021
Prepaid insurance	\$ 800,780	\$ 1,751,052
Prepaid CMC and clinical expenses and deposits	240,513	240,513
Other deposits and prepaid expenses	<u>23,171</u>	<u>190,317</u>
Balance, end of period	<u>\$ 1,064,464</u>	<u>\$ 2,181,882</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	September 30, 2021
Accounts payable	\$ 756,555	\$ 1,425,871
Accrued expenses	2,485,360	2,062,441
Accrued vacation	<u>376,593</u>	<u>320,632</u>
Balance, end of period	<u>\$ 3,618,508</u>	<u>\$ 3,808,944</u>

7. OPERATING LEASE

Operating lease right-of-use asset

Balance, September 30, 2020	\$ 55,162
Addition	341,125
Amortization	<u>(55,162)</u>
Balance, March 31, 2021	<u>\$ 341,125</u>
Balance, September 30, 2021	\$ 308,286
Amortization	<u>(60,893)</u>
Balance, March 31, 2022	<u>\$ 247,393</u>

Operating lease liabilities

Balance, September 30, 2020	\$ 59,094
Addition	341,125
Accretion	1,480
Lease payments	<u>(60,574)</u>
Balance, March 31, 2021	<u>\$ 341,125</u>
Balance, September 30, 2021	\$ 330,970
Accretion	7,410
Lease payments	<u>(64,746)</u>
Balance, March 31, 2022	<u>\$ 273,634</u>

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, 2022, the Company's incremental borrowing rate was 5.0% and the remaining lease term for the South San Francisco office was 26 months and Houston office was 16 months.

Accretion expense of \$7,410 (2021 - \$1,480) has been recorded in "general and administrative expenses" and "financing costs" in the condensed consolidated interim statements of operations and comprehensive loss respectively.

8. 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, 2022 and 2021:

	<u>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
Risk-free interest rate	2.65 %	0.29 %
Expected life	0.79 years	1.79 years
Expected annualized volatility	93.6 %	85.9 %
Dividend	—	—
Liquidity discount	<u>20 %</u>	<u>20 %</u>

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 \$1,039 as of March 31, 2022. If the market price were to decrease by a factor of 10% this would decrease the obligation by approximately \$747 as of March 31, 2022. If the volatility were to increase by 10%, this would increase the obligation by approximately \$2,926 as of March 31, 2022. If the volatility were to decrease by 10%, this would decrease the obligation by approximately \$1,348 as of March 31, 2022.

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

	<u>Total</u>
Balance, September 30, 2020	\$ 127,376
Change in fair value	(107,023)
Balance, September 30, 2021	\$ 20,353
Change in fair value	(18,424)
Balance, March 31, 2022	\$ 1,929
Derivatives with expected life of less than one year	\$ 1,929
Derivatives with expected life greater than one year	\$ —

9. 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 \$229,451.

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.

Omnibus incentive plans

The Company has adopted an omnibus incentive plan (“Omnibus Plan”) consistent with the policies and rules of the Nasdaq. Pursuant to the Omnibus Plan, the Company may issue stock options, share appreciation rights, restricted shares, restricted share units and other share-based awards. As of March 31, 2022, the Company has not issued any instruments other than stock options under the Omnibus Plan.

As of March 31, 2022, the Omnibus Plan has a maximum of 8,410,907 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, 2022, the ESPP has a maximum of 249,974 (September 30, 2021 – 252,418) 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, 2022, the Company issued 2,444 shares (2021 – 5,261) 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		For the six months ended	
	March 31,		March 31,	
	2022	2021	2022	2021
Research and development expense	\$ 8,483	\$ 9,123	\$ 12,133	\$ 14,693
General and administrative	805	17,381	6,957	17,946
	<u>\$ 9,288</u>	<u>\$ 26,504</u>	<u>\$ 19,090</u>	<u>\$ 32,639</u>

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:

	2022	2021
Risk-free interest rate	0.44 %	0.19 %
Expected life of share purchase rights	6 months	6 months
Expected annualized volatility	87.90 %	61.26 %
Dividend	—	—

Stock options

Pursuant to the Omnibus 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:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price*</u>
Balance, September 30, 2020	5,309,584	\$ 3.42
Options granted	1,889,646	9.87
Options exercised	(323,610)	(3.68)
Options expired/forfeited	(72,390)	(4.46)
Balance, September 30, 2021	6,803,230	\$ 5.20
Options granted	170,000	8.85
Options exercised	(72,910)	(4.41)
Options expired/forfeited	(104,584)	(3.18)
Balance outstanding, March 31, 2022	6,795,736	\$ 5.33
Balance exercisable, March 31, 2022	3,908,576	\$ 4.14

* Options exercisable in Canadian dollars as of March 31, 2022 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding options.

At March 31, 2022, options were outstanding enabling holders to acquire common shares as follows:

	<u>Exercise price</u>	<u>Number of options</u>	<u>Weighted average remaining contractual life (years)</u>
\$	3.23	3,674,188	7.52 *
\$	3.59	26,667	7.55
\$	3.81	185,816	6.87
\$	4.00	539,518	5.73
\$	4.67	183,511	7.59
\$	7.00	1,491,646	8.70
\$	8.47	120,000	9.54
\$	9.76	50,000	9.89
\$	13.96	190,000	8.79
\$	29.63	100,000	9.08
\$	31.62	75,000	9.17
C\$	4.90	129,503	5.16
C\$	5.06	29,887	6.87 *
		<u>6,795,736</u>	<u>7.71</u>

* 25,258 options expired unexercised subsequent to March 31, 2022

Share-based compensation

During the six months ended March 31, 2022, the Company granted a total of 170,000 (2021 – 1,714,646) stock options with a weighted average fair value of \$8.85 per option (2021 – \$7.77).

The Company recognized share-based payments expense for options granted and vesting, net of recoveries on cancellations of unvested options, during the period ended March 31, 2022 and 2021 with allocations to its functional expense as follows:

	For the three months ended		For the six months ended	
	March 31, 2022	2021	March 31, 2022	2021
Research and development expense	\$ 1,113,376	\$ 782,846	\$ 2,369,077	\$ 1,064,700
General and administrative	740,689	1,854,336	1,975,277	2,771,332
	<u>\$ 1,854,065</u>	<u>\$ 2,637,182</u>	<u>\$ 4,344,354</u>	<u>\$ 3,836,032</u>

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

	2022	2021
Risk-free interest rate	1.20 %	0.39 %
Expected life of options	10.00 years	10.00 years
Expected annualized volatility	80.00 %	78.05 %
Dividend	—	—

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	9,272,977	\$ 1.73
Warrants exercised	(6,038,227)	(0.06)
Balance outstanding and exercisable, September 30, 2021 and March 31, 2022	<u>3,234,750</u>	<u>\$ 4.84</u>

At March 31, 2022, 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
80,000	US\$ 4.00	January 9, 2023
2,920,000	US\$ 0.0001	August 23, 2024
<u>3,234,750</u>		

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

10. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities at March 31, 2022 is \$77,658 (September 30, 2021 - \$82,036) 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.

11. 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.

12. 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, GICs and term deposits included in short-term investments, receivables and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity. The fair value of U.S. treasury securities, corporate debt securities and commercial paper included in short-term investments are measured using Level 2 inputs based on standard observable inputs, including reported trades, broker/dealer quotes, and bids and/or offers (Note 4). 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 cash equivalents, short-term investments and receivables. 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. Short-term investments includes investments that may have maturity dates exceeding one year at the date of purchase; however, the Company may liquidate investment positions prior to maturity to implement management strategies. The Company maintains an investment policy which requires certain minimum investment grades over its investment instruments.

As of March 31, 2022, cash and cash equivalents consisted of cash in Canada and the United States and term deposits in Canada and investments in certain instruments which have a maturity of less than three months at the date of purchase. Balances in cash accounts 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, 2022, the Company had working capital of \$178,353,354. 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, 2022, the Company has cash and cash equivalents balances and short-term investments which are interest bearing. Interest income is not central to the Company's capital management strategy and not significant to the Company's projected operational budget. 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, UK pound and Euro. 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 dollar, UK Pound, Euro and U.S. dollar in relation to Canadian dollar, UK Pound, Euro dollars held at March 31, 2022 would result in a fluctuation of \$6,565 in the net loss recognized for the period. The Company does not currently engage in hedging activities.