Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ZYMEWORKS INC.
(Exact name of registrant as specified in its charter)

Canada	2834	47-2569713
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Suite 540—1385 West 8th Avenue
Vancouver, BC V6H 3V9
(604) 678-1388
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
(302) 658-7581
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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(416) 777-4700	Vancouver, BC, V7X 1L3	4401 Eastgate Mall	Vancouver, BC, V6E 0C5
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		(858) 550-6000	

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Shares	$75,000,000	$8,693

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").
(2) Includes common shares the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 31, 2017

PRELIMINARY PROSPECTUS

Shares

Zymeworks Inc.

Common Shares

We are offering common shares. Prior to this offering there has been no public market for our shares. We currently expect the initial public offering price to be between $ and $ per common share.

We have applied to list our common shares on the New York Stock Exchange and, we intend to apply to list our common shares on the Toronto Stock Exchange, under the symbol "ZYME."

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, will be subject to reduced public company reporting requirements.

Investing in our common shares involves a high degree of risk. See "Risk Factors" beginning on page 13.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us, before expenses	$	$

(1) See "Underwriting" for additional information regarding total underwriter compensation.

We have granted the underwriters the right to purchase up to an additional common shares to cover over-allotments, if any. The underwriters can exercise this right at any time within 30 days after the date of this prospectus.

The underwriters expect to deliver the common shares against payment in New York, New York on or about , 2017.

Neither the Securities and Exchange Commission nor any state or Canadian securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Citigroup **Barclays** **Wells Fargo Securities**

Lead Manager

Canaccord Genuity

Co-Manager

Cormark Securities (USA) Limited

Prospectus dated , 2017

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Neither we nor the underwriters have authorized anyone to provide you with information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give to you. The information contained in this prospectus or any free writing prospectus is accurate only as of the date of this prospectus or such free writing prospectus, regardless of the time of delivery of this prospectus or any free writing prospectus.

We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. Neither we nor the underwriters have taken any action to permit a public offering of our common shares or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States and Canada. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. Azymetric, Zymeworks, ZymeCAD and the phrase "Building Better Biologics" are our registered trademarks. The other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks, service marks, tradenames and copyrights

referred to in this prospectus are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

We express all amounts in this prospectus in U.S. dollars, except where otherwise indicated. References to "$" and "US$" are to U.S. dollars and references to "C$" are to Canadian dollars. Except as otherwise noted, all amounts referred to in this prospectus as "$, as converted" shall mean the U.S. dollar amount applying the noon conversion rate from Canadian dollars as of February 28, 2017. See "Exchange Rate Data."

Except as otherwise indicated, references in this prospectus to "Zymeworks," "the Company," "we," "us" and "our" refer to Zymeworks Inc. and its consolidated subsidiaries. Furthermore, except as otherwise indicated, references to "Merck," "Lilly," "Celgene," "GSK," and "Daiichi" refer to Merck Sharp & Dohme Research Ltd., Eli Lilly and Company, Celgene Corporation and Celgene Alpine Investment Co. LLC, GlaxoSmithKline Intellectual Property Development Limited and Daiichi Sankyo Co., Ltd., respectively.

SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should read and carefully consider the following summary together with the entire prospectus, especially the "Risk Factors" section of this prospectus and our consolidated financial statements and the notes thereto appearing elsewhere in this prospectus before deciding to invest in our common shares. For more information on our business refer to the "Business" section of this prospectus. Some of the statements in this prospectus constitute forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those discussed in the "Risk Factors" and other sections of this prospectus. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

Zymeworks is an innovative, clinical-stage biopharmaceutical company dedicated to the discovery, development and commercialization of next-generation multifunctional biotherapeutics, initially focused on the treatment of cancer. Our suite of complementary therapeutic platforms and our fully-integrated drug development engine provide the flexibility and compatibility to precisely engineer and develop highly-differentiated product candidates. These capabilities have resulted in multiple wholly-owned product candidates with the potential to drive superior outcomes in large underserved and unaddressed patient populations, as further described below.

Our lead product candidate, ZW25, is a novel bispecific (dual-targeting) antibody currently being evaluated in an adaptive Phase 1 clinical trial, targeting two distinct domains of the human epidermal growth factor receptor 2, or HER2, a protein that promotes the growth of cancer cells. This unique design enables ZW25 to address patient populations with all levels of HER2 expression, including those with low to intermediate HER2-expressing tumors, who are otherwise limited to chemotherapy or hormone therapy. Approximately 81% of patients with HER2-expressing breast cancer and 57% of patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2-targeted therapies, such as Herceptin and Perjeta, which generated combined sales of $8.6 billion in 2016. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumor activity across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies. Our second product candidate, ZW33, capitalizes on the unique design of ZW25 and is a bispecific antibody-drug conjugate, or ADC, based on the same antibody framework as ZW25 but armed with a cytotoxic (potent cancer cell-killing) payload. We designed ZW33 to be a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression for which we expect to initiate a Phase 1 clinical trial in the second half of 2017. We are also advancing a deep pipeline of preclinical product candidates and discovery-stage programs in immuno-oncology and other therapeutic areas. In addition to our wholly-owned pipeline, two of our therapeutic platforms have been further leveraged through multiple revenue-generating strategic partnerships with the following global pharmaceutical companies: Merck, Lilly, Celgene, GSK and Daiichi.

Our proprietary capabilities and technologies include four modular, complementary therapeutic platforms that can be easily used in combination with each other and with existing approaches. This ability to layer technologies without compromising manufacturability enables us to engineer next-generation biotherapeutics with synergistic activity, which we believe will result in superior patient outcomes. Our core platforms include:

- ***Azymetric***, our bispecific platform, which enables therapeutic antibodies to bind two distinct locations on a target, known as epitopes. This is achieved by tailoring multiple configurations of the antibody's Fab regions (locations on the antibody to which epitopes bind);
- ***ZymeLink,*** our ADC platform, which comprises multiple cytotoxic payloads and the linker technology used to couple these payloads to tumor-targeting antibodies or proteins. This platform can be used in conjunction with our other therapeutic platforms to increase safety and efficacy as compared to existing ADC technologies;

- ***EFECT,*** which enables finely-tuned modulation (both up and down) of immune cell recruitment and function; and
- ***AlbuCORE,*** our antibody-alternative platform, which augments the properties of naturally-occurring human serum albumin, or HSA, with multivalent (multi-targeted) binding to enable complex mechanisms of action that are not amenable to antibody-based approaches.

Our protein engineering expertise and proprietary structure-guided molecular modeling capabilities enable these therapeutic platforms. Together with our internal antibody discovery and generation technologies, we have established a fully-integrated drug development engine and toolkit that is capable of rapidly delivering a steady pipeline of next-generation product candidates in oncology and other therapeutic areas.

The field of oncology has benefited from major advances in the understanding of cancer biology over the past decade, which have led to the development of several successful biotherapeutics contributing to a global market valued at greater than $83.7 billion in 2015 and projected to grow to $128.0 billion by 2020. Despite this scientific progress, cancer remains the second-leading cause of death worldwide, leaving a substantial opportunity for Zymeworks to develop and deliver more effective medicines. We believe our novel therapeutic platforms, and our ability to build better biologics, uniquely position us to take advantage of recent advancements in cancer biology and address these underserved patient populations.

Our lead product candidate, ZW25, is an Azymetric bispecific antibody currently being evaluated in an adaptive Phase 1 clinical trial, which simultaneously binds two non-overlapping epitopes of HER2 resulting in dual HER2 signal blockade and increased tumor cell binding, immune cell recruitment and HER2 receptor downregulation as compared to existing HER2-targeted therapies. In our Phase 1 clinical trial, preliminary anti-tumor activity has been observed across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies. We plan to present detailed safety and preliminary anti-tumor activity data for ZW25 at the American Society of Clinical Oncology meeting in June 2017. For our second product candidate, ZW33, we expect to initiate a Phase 1 clinical trial in the second half of 2017. ZW33 is a bispecific anti-HER2 ADC that is based on the same antibody framework as ZW25, but is armed with a potent cytotoxic payload. The U.S. Food and Drug Administration, or FDA, has granted Orphan Drug Designation to both ZW25 and ZW33 for the treatment of ovarian cancer and to ZW25 for the treatment of gastric cancer. We will continue to focus on advancing multiple well-differentiated product candidates into clinical trials to build our pipeline portfolio as well as exploiting our protein engineering expertise to develop innovative therapeutic platforms.

Our unique combination of proprietary protein engineering capabilities and resulting therapeutic platform technologies was initially recognized by Merck and Lilly, with whom we established strategic partnerships focused on our Azymetric and EFECT therapeutic platforms. We subsequently entered into broader strategic partnerships with Celgene and GSK followed by a collaboration and cross-licensing agreement with Daiichi. During the initial partnerships with Merck, Lilly and GSK, the relationships were expanded to include either additional licenses or therapeutic platforms. These relationships provide our strategic partners with access to components of our proprietary Azymetric and EFECT therapeutic platforms for their development of a defined number of protein therapeutics on a predominantly non-target-exclusive basis. Importantly, these strategic partnerships have provided Zymeworks with non-dilutive funding as well as access to proprietary therapeutic assets, which increase our ability to rapidly advance our product candidates while maintaining worldwide commercial rights to our wholly-owned therapeutic pipeline.

The mission that unites everyone at Zymeworks is to create biotherapeutics that allow patients to return home to their loved ones, disease free. We intend to advance the development of disruptive therapeutic platforms and impactful biotherapeutics, especially in areas of unmet need. We believe we are well-positioned to deliver on our mission.

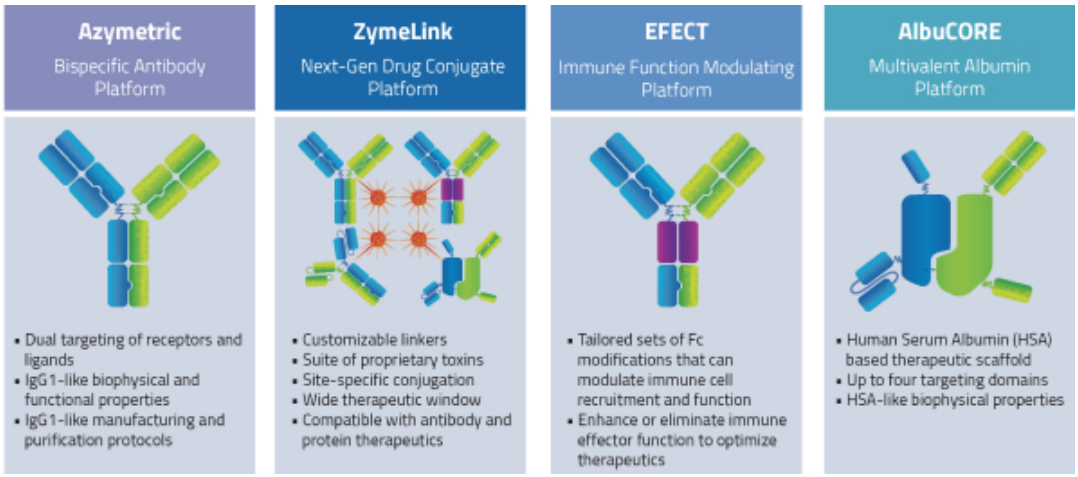
Overview of our Proprietary Therapeutic Platforms

Our expertise in protein engineering has enabled the development of our proprietary therapeutic platforms, a complementary suite of highly-tailored biologics solutions. Our therapeutic platforms can be used alone, or in combination, with synergistic activity to develop multifunctional fit-for-purpose biotherapeutics with bispecific capabilities (Azymetric), cytotoxic payload delivery (ZymeLink), finely-tuned immune function modulation (EFECT) and multivalent targeting (AlbuCORE). The modular design and ease of use of our therapeutic platforms allow for the design and evaluation of multiple candidates with different formats to determine the optimal therapeutic combination early in development. We continue to leverage these therapeutic platforms to expand our pipeline of next-generation biotherapeutics that we believe could represent significant improvements to the standard of care in multiple cancer types.

We believe our in-house biologics design and engineering capabilities confer significant competitive advantages to our therapeutic platforms and are ultimately reflected in our programs. Some of these key advantages are:

- ***Highly Modular and Customizable.*** Our platforms can be combined in multiple ways and this capability has achieved synergistic results in preclinical studies. For example, our ZymeLink platform enables the attachment of cytotoxic payloads to the candidates in any of our other platforms to create enhanced therapeutics, such as ADCs. These capabilities allow us to finely-tune characteristics such as tumor-killing potential, target specificity and immune cell engagement, and expand our ability to engineer superior drugs against multiple cancers.
- ***Fit-For-Purpose.*** Our platforms can also be utilized to engineer biotherapeutics that are tailored for the particular target and disease state. For example, Azymetric bispecifics can be developed with multiple antigen binding formats to provide specific engagement geometry for a given target. This allows us to identify the targets and diseases that we wish to exploit and then engineer an optimized biotherapeutic to maximize therapeutic effect. We believe this method of deliberate drug development is a more effective and efficient mechanism for the creation of next-generation biotherapeutics.
- ***Consistent with Native (Antibody or Albumin) Formats***. Our antibody platforms are differentiated from our competitors and have been engineered to retain the desirable biophysical characteristics of native antibody (Immunoglobulin, or IgG) formats such as a low risk of provoking an adverse anti-drug immune response, or immunogenicity, superior pharmacokinetics, the ability to beneficially recruit the immune system through effector function, and ease of manufacturing and purification. Likewise, our AlbuCORE platform builds on native HSA and exploits the natural accumulation of albumin in tumors, which we believe may lead to enhanced targeting of the tumor.
- ***Readily Scalable and Transferable***. Our in-house biologics design and engineering expertise and infrastructure is positioned to create a steady stream of product candidates that are scalable, efficient to manufacture (by us, a partner or a contract manufacturing organization) and naturally endorse favorable characteristics such as high production and purity levels. We believe this is a significant competitive advantage given the historical challenges faced by others in the field who manufacture complex biologics, such as bispecifics and ADCs.

Proprietary Therapeutic Platforms



Azymetric Bispecific Antibody Platform. The Azymetric platform consists of a library of proprietary amino acid substitutions that enable the transformation of monospecific antibodies into bispecific antibodies, which gives them the ability to simultaneously bind two non-overlapping epitopes. Azymetric bispecific technology enables the development of biotherapeutics with dual-targeting of receptors/ligands and simultaneous blockade of multiple signaling pathways, increasing tumor-specific targeting and efficacy while reducing toxicities and the potential for drug-resistance. In preclinical studies, the dual-targeting of Azymetric antibodies has demonstrated synergistic activity relative to the application of an equivalent dose of the corresponding monospecific antibodies. Azymetric bispecifics can also be engineered to enhance internalization of the antibody into the tumor cell and consequently increase the delivery of cytotoxic payloads.

First-generation bispecific platforms significantly alter the structure of monoclonal antibodies or rely upon complex and proprietary manufacturing processes. Azymetric bispecifics, in contrast, retain the desirable drug-like qualities of monoclonal antibodies, including long half-life, stability and low immunogenic potential, which increases their probability of success. Azymetric bispecifics are also compatible with standard manufacturing processes with high production yields and purity, which accelerates manufacturing timelines and reduces costs.

ZymeLink Conjugation Platform and Cytotoxins. The ZymeLink conjugation platform is a suite of novel site-specific protein coupling technologies and customizable cleavable linkers that allow for the delivery of our proprietary cytotoxic payloads, which can be applied to all of our antibody and albumin-based therapeutic platforms. We believe that ZymeLink provides multiple competitive advantages over existing approaches, including optimized activity and tolerability profiles through increased drug delivery to target cells with reduced off-target effects, product homogeneity, preservation of immune cell interaction and stable pharmacokinetics.

EFECT Antibody Effector Function Modulation Platform. The EFECT platform comprises sets of modifications to the crystallizable fragment, or Fc, region of antibodies that enable the selective modulation of recruited cytotoxic immune cells for diverse therapeutic applications. This allows us to rationally tailor the selective enhancement or elimination of immune effector function to optimize product candidates.

AlbuCORE Multispecific Antibody-Alternative Platform. The AlbuCORE platform is a novel and proprietary suite of multivalent scaffolds engineered from the HSA backbone from which therapeutics can be developed. This platform is highly flexible and enables the addition of up to four customized targeting domains, which allows for additional tumor specificity and synergistic activity as well as an increase in the affinity and

selectivity for a desired target. The resulting superstructure naturally accumulates in tumor microenvironments or areas of inflammation, and benefits from several attractive attributes of HSA, including superior pharmacokinetics and stability. Additionally, these AlbuCORE constructs possess standard manufacturing and purification protocols compatible with industry standard conjugation technologies, which accelerate the manufacturing process, while reducing costs.

Product Candidate Pipeline and Advanced Preclinical and Discovery Programs

We currently have one wholly-owned product candidate in clinical development and several wholly-owned product candidates in preclinical development that leverage our multiple therapeutic platforms to address areas of significant unmet medical need. We define our programs as "lead product candidates" when they initiate IND-enabling studies and as "preclinical stage programs" when lead molecules have been identified and demonstrate activity in biological models. Our lead product candidates, ZW25 and ZW33, utilize our Azymetric bispecific platform to address patient populations with all levels of HER2 expression, including those with low to intermediate HER2-expressing tumors, and are described in detail below. We are also actively advancing a diverse set of preclinical and discovery programs, which leverage one or more of our proprietary therapeutic platforms to create multifunctional biotherapeutics for several solid tumor indications. Our bispecific ADC programs utilize the Azymetric, EFECT and ZymeLink platforms and have demonstrated potent anti-tumor activity in preclinical studies with the potential for an enhanced therapeutic window. Our most advanced T cell-engaging bispecific program leverages the Azymetric and EFECT platforms combined with our proprietary protein engineering expertise, which results in potent anti-tumor activity and reduced toxicity in preclinical studies. We are also developing several checkpoint-modulating bispecifics for immuno-oncology and other therapeutic areas. Our goal is to advance at least one of these programs to the IND stage every year to create a deep pipeline of well-differentiated product candidates.

Lead Product Candidates

- *ZW25* is our lead product candidate currently being evaluated in an adaptive Phase 1 clinical trial in the United States, based on our Azymetric platform. It is a bispecific antibody that can simultaneously bind two non-overlapping epitopes, known as biparatopic binding, of HER2 resulting in dual HER2 signal blockade, increased binding and removal of HER2 protein from the cell surface, and enhanced effector function. These combined mechanisms of action have led to significant anti-tumor activity in preclinical models of breast cancer, including trastuzumab (currently branded as Herceptin) resistant high HER2-expressing tumors, as well as in tumors with lower levels of HER2 expression. Approximately 81% of patients with HER2-expressing breast cancer and 57% of the patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2-targeted therapies, such as Herceptin and Perjeta. In the United States and EU5 (France, Germany, Italy, Spain and the United Kingdom) alone, approximately 405,803 and 49,058 patients are diagnosed with HER2-expressing breast and gastroesophageal cancer, respectively, every year. In addition, multiple other cancers, including ovarian, bladder, colorectal and non-small cell lung cancers, or NSCLC, also express HER2 at varying levels. Therefore, there is a significant unmet need for HER2-targeted agents that can effectively treat these patients.

  We are developing ZW25 as a best-in-class HER2-targeting antibody intended as a treatment option for patients with any solid tumor that expresses HER2. Our initial focus is on the treatment of patients with breast or gastric cancers who have progressed after treatment with HER2-targeted therapies or who are not eligible for approved HER2-targeted therapies based on low to intermediate levels of HER2 expression. We then intend to develop ZW25 for other HER2-expressing cancers, including ovarian cancer. ZW25 has been granted Orphan Drug Designation for the treatment of both gastric and ovarian cancer by the FDA. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumor activity across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies.

- *ZW33* is a bispecific anti-HER2 ADC that is based on the same antibody framework as ZW25 but armed with a cytotoxic payload. ZW33 retains the mechanisms of action of ZW25 but takes advantage of high levels of antibody-target internalization to deliver a potent cytotoxin. We are developing ZW33 as a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression including breast and ovarian cancer, especially those that have progressed or are refractory to HER2-targeted agents, including Kadcyla. The FDA has granted Orphan Drug Designation for ZW33 for the treatment of ovarian cancer. We plan on initiating a Phase 1 clinical trial for ZW33 in the second half of 2017.

Our Strategy

Our goal is to leverage our next-generation therapeutic platforms and proprietary protein engineering capabilities to become a domain dominator in the discovery, development and commercialization of best-in-class multifunctional biotherapeutics for the treatment of cancer and other diseases with high unmet medical need.

Our key strategies to achieve this goal are to:

- aggressively advance our lead product candidate, ZW25, through the clinic in multiple HER2-expressing tumor types;
- pursue a rapid and multi-faceted development strategy for our novel and highly differentiated pipeline into clinical trials across many oncology indications with a critically high unmet medical need;
- leverage our therapeutic platforms and proprietary protein engineering capabilities to continue to discover and develop additional novel product candidates;
- leverage our strategic partnerships, while pursuing additional collaborations that can augment the power of our platforms and value of our pipeline; and
- continue to develop innovative therapeutic platforms and expand our therapeutic focus into logical areas such as autoimmunity and inflammatory diseases.

Risk Factors

Investing in our common shares is speculative and involves substantial risk. You should carefully consider all of the information in this prospectus prior to investing in our common shares. There are numerous risk factors related to our business that are described under “Risk Factors” and elsewhere in this prospectus. These risks could materially and adversely impact our business, results of operations, financial condition and future prospects, which could cause the trading price of our common shares to decline and could result in a loss of your investment. Among these important risks are the following:

- we have a limited number of product candidates, all of which are still in preclinical or early clinical development, and we may fail to obtain, or experience significant delays in obtaining, regulatory approval for one or more of our product candidates;
- our product candidates may have undesirable side effects that may delay or prevent marketing approval or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales; no regulatory agency has made any determination that any of our product candidates are safe or effective for use by the general public for any indication;
- we have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; our accumulated deficit was $97.8 million as of December 31, 2016, representing our cumulative losses since our inception in 2003;
- we have no products approved for commercial sale; to date we have not generated any revenue or profit from product sales and we may never achieve or sustain profitability;
- we will require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if available, may require us to delay, scale back, or cease our product development programs or operations;

- our existing strategic partnerships are important to our business, and future strategic partnerships may also be important to us; if we are unable to maintain any of these strategic partnerships, or if these strategic partnerships are not successful, we may not realize the anticipated benefits of our strategic partnerships and our business could be adversely affected;
- our commercial success depends significantly on our ability to operate without infringing the patents or proprietary rights of third parties; and
- we may not be able to obtain adequate protection for the intellectual property covering our product candidates or related technology.

As a result of these risks and other risks described under "Risk Factors" there is no guarantee that we will experience growth or profitability in the future.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act, or the JOBS Act. An emerging growth company may take advantage of specified exemptions from various requirements that are otherwise applicable generally to public companies in the United States. These provisions include:

- an exemption to include in an initial public offering registration statement less than five years of selected financial data; and
- an exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting.

The JOBS Act also permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have not elected to avail ourselves of the exemption that allows emerging growth companies to extend the transition period for complying with new or revised financial accounting standards. This election is irrevocable.

We will remain an emerging growth company until the earliest of:

- the last day of our fiscal year during which we have total annual gross revenues of at least $1.0 billion;
- the last day of our fiscal year following the fifth anniversary of the completion of this offering;
- the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or
- the date on which we are deemed to be a "large accelerated filer" under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our common shares that are held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter.

We have availed ourselves in this prospectus of the reduced reporting requirements described above with respect to selected financial data. As a result, the information that we are providing to you may be less comprehensive than what you might receive from other public companies. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Our Corporate Information

We were incorporated on September 8, 2003 under the Canada Business Corporations Act, or CBCA, under the name Zymeworks Inc. On October 22, 2003, we were registered as an extra-provincial company under the Company Act (British Columbia), the predecessor to the Business Corporations Act (British Columbia), or BCBCA. Effective as of January 1, 2017, we completed a short-form amalgamation with a former wholly-owned subsidiary, Zymeworks Biochemistry Inc. Immediately prior to the consummation of this offering, we will file a

continuation application to continue the Company to British Columbia under the BCBCA and to amend and redesignate our authorized and issued share capital. See “Description of Share Capital.” Our principal executive offices are located at 540-1385 West 8th Avenue, Vancouver, British Columbia V6H 3V9 and our telephone number is (604) 678-1388. Our website address is www.zymeworks.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

The Offering

Common shares offered by us	shares
Over-allotment option	We have granted the underwriters an option, exercisable within 30 days of the date of this prospectus, to purchase up to an additional common shares to cover over-allotments, if any, in connection with this offering.
Common shares to be outstanding after this offering	shares (shares if the over-allotment option is exercised in full).
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $ million, or approximately $ million if the underwriters exercise their option to purchase additional shares from us in full, based on an assumed initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering to fund approximately $ million to $ million of clinical development expenses for ZW25 through our ongoing adaptive Phase 1 clinical trial and additional product candidate manufacturing, approximately $ million to $ million of clinical development expenses for ZW33 through our planned Phase 1 clinical trial and additional product candidate manufacturing, approximately $ million to $ million to fund the development of additional product candidates in our pipeline and the remainder for working capital and general corporate purposes, which may include other research and development programs, such as our proprietary therapeutic platforms. See “Use of Proceeds.”
Proposed NYSE and TSX trading symbol	“ZYME”
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of factors you should consider carefully before investing in our common shares.

The number of common shares to be outstanding after this offering is based on common shares after giving effect to the conversion of all outstanding Class A convertible preferred shares as of February 28, 2017, which will occur immediately prior to the consummation of this offering, into an estimated aggregate of common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in “Capitalization — Special Conversion Adjustment for Class A Preferred Shares,” and excludes:

- 2,525,505 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of February 28, 2017, at a weighted-average exercise price of C$3.98 per share (or $3.00 per share, as converted);

- 2,949,825 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of February 28, 2017, at a weighted-average exercise price of C$7.51 per share (or $5.67 per share, as converted);
- 828,431 common shares reserved for future issuance under our stock option plan;
- 280,000 common shares issuable upon the exercise of outstanding common share warrants, at a weighted-average exercise price of C$4.86 per share (or $3.67 per share, as converted); and
- common shares issuable upon the exercise of an outstanding Class A preferred share warrant, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in “Capitalization — Special Conversion Adjustment for Class A Preferred Shares,” at an exercise price of $4.90 per share.

Unless otherwise indicated, all information in this prospectus reflects and assumes:

- no exercise by the underwriters of their option to purchase up to an additional common shares from us to cover over-allotments, if any, in connection with this offering;
- the conversion of all of our outstanding Class A preferred shares into an estimated aggregate of common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in “Capitalization — Special Conversion Adjustment for Class A Preferred Shares,” which will occur immediately prior to the consummation of this offering;
- the conversion of an outstanding Class A preferred share warrant to purchase 704,081 shares of our Class A preferred shares into a common share warrant to purchase common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in “Capitalization — Special Conversion Adjustment for Class A Preferred Shares,” which will occur immediately prior to the consummation of this offering;
- the effectiveness of a for reverse stock split of our common shares, which will occur immediately prior to the consummation of this offering; and
- the filing of a continuation application, which will occur immediately prior to the consummation of this offering to, among other things, continue our company to British Columbia under the BCBCA and to amend and redesignate our share capital.

Summary Historical Consolidated Financial Data

The following tables summarize our historical consolidated financial data for the periods presented and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Unaudited Pro Forma Condensed Consolidated Financial Statements" and our consolidated financial statements and related notes appearing elsewhere in this prospectus. The summary historical consolidated statements of operations data for the years ended December 31, 2014, 2015 and 2016 have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are presented in U.S. dollars except where otherwise indicated. Our historical results are not necessarily indicative of the results we expect in the future.

	Year Ended December 31,		
	2014	2015	2016
	(dollars in thousands except share and per share amounts)		
Consolidated Statements of Operations Data:			
Revenue	$ 1,670	$ 9,660	$ 11,009
Operating expenses:			
Research and development	12,622	24,654	36,816
Government grants and credits	(2,149)	(251)	(1,265)
	10,473	24,403	35,551
General and administrative	3,945	5,217	12,554
Impairment on acquired IPR&D	—	—	768
Total operating expenses	14,418	29,620	48,873
Loss from operations	(12,748)	(19,960)	(37,864)
Change in fair value of warrant liabilities	—	—	(808)
Other income (expense)	(194)	824	(212)
Loss before income taxes	(12,942)	(19,136)	(38,884)
Income tax expense	—	(34)	(430)
Deferred income tax benefit	—	—	5,505
Net loss	$ (12,942)	$ (19,170)	$ (33,809)
Net loss per common share (basic and diluted)	$ (0.74)	$ (0.71)	$ (1.11)
Weighted-average number of common shares (basic and diluted)	17,479,680	26,888,906	30,397,535
Pro forma basic net loss per common share(1)		$ (0.71)	$ (0.79)
Pro forma diluted net loss per common share(1)		$ (0.71)	$ (0.79)
Pro forma basic weighted-average number of common shares(1)		26,888,906	42,746,386
Pro forma diluted weighted-average number of common shares(1)		26,888,906	42,746,386

(1) The pro forma basic and diluted net loss per share reflects the estimated conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering, assuming (i) an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares", and (ii) all such Class A preferred shares had been converted to common shares for all periods in which such Class A preferred shares were outstanding.

	As of December 31, 2016		
	Actual	Pro Forma(3)	Pro Forma As Adjusted(2)(3)
	(dollars in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$16,437	$	$
Short-term investments	23,824		
Working capital (deficit)	29,928		
Total assets	93,995		
Total liabilities	26,133		
Total shareholders' equity	9,002		

(2) The pro forma consolidated balance sheet data reflect the estimated conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares;" the conversion of a warrant to purchase 704,081 of our Class A preferred shares into a warrant to purchase of our common shares immediately prior to the consummation of this offering, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," and the resultant reclassification of our common share warrant liability to additional paid-in capital, a component of total shareholders' equity and preferred shares, in connection with such conversion. The pro forma as adjusted consolidated balance sheet data give additional effect to the issuance of common shares at an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

(3) A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, pro forma as adjusted cash and cash equivalents, working capital (deficit), total assets and total shareholders' equity and preferred shares by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 common shares in the number of shares offered by us would increase or decrease, as applicable, the pro forma as adjusted cash and cash equivalents, working capital (deficit), total assets and total shareholders' equity and preferred shares by approximately $, assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

Investing in our common shares is speculative and involves a high degree of risk. You should consider carefully the following risk factors, as well as the other information in this prospectus, including our consolidated financial statements and notes thereto, before you decide to purchase our common shares. If any of the following risks actually occur, our business, financial conditions, results of operations and prospects could be materially adversely affected, the value of our common shares could decline and you may lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Business and the Development and Commercialization of Our Product Candidates

We have a limited number of product candidates, all which are still in preclinical or early clinical development. If we do not obtain regulatory approval of one or more of our product candidates, or experience significant delays in doing so, our business will be materially adversely affected.

We currently have no products approved for sale or marketing in any country, and may never be able to obtain regulatory approval for any of our product candidates. As a result, we are not currently permitted to market any of our product candidates in the United States or in any other country until we obtain regulatory approval from the FDA or regulatory authorities outside the United States. Our product candidates are in early stages of development and we have not submitted an application, or received marketing approval, for any of our product candidates. Furthermore, the fact that our core competencies have been recognized through strategic partnerships does not improve our product candidates' outlook for regulatory approval. We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA. Obtaining regulatory approval of our product candidates will depend on many factors, including, but not limited to, the following:

- successfully completing formulation and process development activities;
- completing clinical trials that demonstrate the efficacy and safety of our product candidates;
- receiving marketing approval from applicable regulatory authorities;
- establishing commercial manufacturing capabilities; and
- launching commercial sales, marketing and distribution operations.

Many of these factors are wholly or partially beyond our control, including clinical advancement, the regulatory submission process and changes in the competitive landscape. If we do not achieve one or more of these factors in a timely manner, we could experience significant delays or an inability to develop our product candidates at all.

Clinical trials are very expensive, time consuming and difficult to design and implement and involve uncertain outcomes. Furthermore, the results of previous preclinical studies and clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities.

Positive or timely results from preclinical or early-stage trials do not ensure positive or timely results in late-stage clinical trials or product approval by the FDA or comparable foreign regulatory authorities. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for use in a diverse population before we can seek regulatory approvals for their commercial sale. Our planned clinical trials may produce negative or inconclusive results, and we or any of our current and future strategic partners may decide, or regulators may require us, to conduct additional clinical or preclinical testing. Success in preclinical studies or early-stage clinical trials does not mean that future clinical

trials or registration clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities, despite having progressed through preclinical studies and initial clinical trials. Product candidates that have shown promising results in early clinical trials may still suffer significant setbacks in subsequent clinical trials or registration clinical trials. For example, a number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials. Similarly, preclinical interim results of a clinical trial do not necessarily predict final results.

If clinical trials for our product candidates are prolonged, delayed or stopped, we may be unable to obtain regulatory approval and commercialize our product candidates on a timely basis, or at all, which would require us to incur additional costs and delay our receipt of any product revenue.

We are currently enrolling an adaptive Phase 1 clinical trial of ZW25 in patients with recurrent or metastatic HER2-expressing solid tumors, and expect to commence an adaptive Phase 1 clinical trial of ZW33 in the second half of 2017. We may experience delays in our ongoing or future preclinical studies or clinical trials, and we do not know whether future preclinical studies or clinical trials will begin on time, need to be redesigned, enroll an adequate number of patients on time or be completed on schedule, if at all. The commencement or completion of these planned clinical trials could be substantially delayed or prevented by many factors, including:

- further discussions with the FDA or other regulatory agencies regarding the scope or design of our clinical trials;
- the limited number of, and competition for, suitable sites to conduct our clinical trials, many of which may already be engaged in other clinical trial programs, including some that may be for the same indication as our product candidates;
- any delay or failure to obtain approval or agreement to commence a clinical trial in any of the countries where enrollment is planned;
- inability to obtain sufficient funds required for a clinical trial;
- clinical holds on, or other regulatory objections to, a new or ongoing clinical trial;
- delay or failure to manufacture sufficient supplies of the product candidate for our clinical trials;
- delay or failure to reach agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites or clinical research organizations, or CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different sites or CROs; and
- delay or failure to obtain institutional review board, or IRB, approval to conduct a clinical trial at a prospective site;
- slower than expected rates of patient recruitment and enrollment;
- failure of patients to complete the clinical trial;
- the inability to enroll a sufficient number of patients in studies to ensure adequate statistical power to detect statistically significant treatment effects;
- unforeseen safety issues, including severe or unexpected drug-related adverse effects experienced by patients, including possible deaths;
- lack of efficacy during clinical trials;
- termination of our clinical trials by one or more clinical trial sites;
- inability or unwillingness of patients or clinical investigators to follow our clinical trial protocols;
- inability to monitor patients adequately during or after treatment by us or our CROs;

- our CROs or clinical study sites failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all, deviating from the protocol or dropping out of a study;
- the inability to produce or obtain sufficient quantities of a product candidate to complete clinical studies;
- in ability to address any noncompliance with regulatory requirements or safety concerns that arise during the course of a clinical trial;
- the need to repeat or terminate clinical trials as a result of inconclusive or negative results or unforeseen complications in testing; and
- our clinical trials may be suspended or terminated upon a breach or pursuant to the terms of any agreement with, or for any other reason by, current or future strategic partners that have responsibility for the clinical development of any of our product candidates.

Changes in regulatory requirements, policies and guidelines may also occur and we may need to significantly amend clinical trial protocols to reflect these changes with appropriate regulatory authorities. These changes may require us to renegotiate terms with CROs or resubmit clinical trial protocols to IRBs for re-examination, which may impact the costs, timing or successful completion of a clinical trial. Our clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, the IRB overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, or us.

Any failure or significant delay in commencing or completing clinical trials for our product candidates would adversely affect our ability to obtain regulatory approval and our commercial prospects and ability to generate product revenue will be diminished.

If we are unable to enroll patients in clinical trials, we will be unable to complete these trials on a timely basis.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the size and nature of the patient population, the proximity of subjects to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, ability to obtain and maintain patient consents, risk that enrolled subjects will drop out before completion, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating. In particular, we are developing certain of our products for the treatment of rare diseases, which have limited pools of patients from which to draw for clinical testing. If we are unable to enroll a sufficient number of patients to complete clinical testing, we will be unable to gain marketing approval for such product candidates and our business will be harmed.

The design or our execution of clinical trials may not support regulatory approval.

The design or execution of a clinical trial can determine whether its results will support regulatory approval and flaws in the design or execution of a clinical trial may not become apparent until the clinical trial is well advanced. In some instances, there can be significant variability in safety or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We do not know whether any Phase 2, Phase 3 or other clinical trials we or any of our strategic partners may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates.

Further, the FDA and comparable foreign regulatory authorities have substantial discretion in the approval process an in determining when or whether regulatory approval will be obtained for any of our product candidates. Our product candidates may not be approved even if they achieve their primary endpoints in future Phase 3 clinical trials or registration trials. The FDA or other non-U.S. regulatory authorities may disagree with

our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal Phase 3 clinical trial that has the potential to result in FDA or other agencies' approval. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA or other non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates.

Our product candidates may have undesirable side effects that may delay or prevent marketing approval or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales; no regulatory agency has made any such determination that any of our product candidates are safe or effective for use by the general public for any indication.

All of our product candidates are still in preclinical or early clinical development. Additionally, all of our product candidates are required to undergo ongoing safety testing in humans as part of clinical trials. Consequently, not all adverse effects of drugs can be predicted or anticipated. Unforeseen side effects from any of our product candidates could arise either during clinical development or, if approved by regulatory authorities, after the approved product has been marketed. While we believe our lead product candidates have demonstrated a favorable safety profile in animals, ZW25 has recently commenced dosing in an adaptive Phase 1 clinical trial and ZW33 has never been tested in humans. Therefore, the results from clinical trials may not demonstrate a favorable safety profile in humans. The results of future clinical trials may show that ZW25 or our other product candidates cause undesirable or unacceptable side effects, which could interrupt, delay or halt clinical trials, and result in delay of, or failure to obtain, marketing approval from the FDA and other regulatory authorities, or result in marketing approval from the FDA and other regulatory authorities with restrictive label warnings, limited patient populations or potential product liability claims. Even if we believe that our Phase 1 clinical trial and preclinical studies demonstrate the safety and efficacy of our product candidates, only the FDA and other comparable regulatory agencies may ultimately make such determination. No regulatory agency has made any such determination that any of our product candidates are safe or effective for use by the general public for any indication.

If any of our product candidates receive marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products:

- regulatory authorities may require us to take our approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may be subject to limitations on how we may promote the product;
- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us or our current or future strategic partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating revenue from the sale of any future products.

We face significant competition and if our competitors develop and market products that are more effective, safer or less expensive than our product candidates, our commercial opportunities will be negatively impacted.

The life sciences industry is highly competitive and subject to rapid and significant technological change. We are currently developing biotherapeutics that will compete with other drugs and therapies that currently exist or are being developed. Products we may develop in the future are also likely to face competition from other drugs and therapies, some of which we may not currently be aware. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies, universities and other research institutions. Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and in manufacturing pharmaceutical products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection or FDA approval or discovering, developing and commercializing products in our field before we do.

Specifically, there are a large number of companies developing or marketing treatments for cancer and autoimmune disorders, including many major pharmaceutical and biotechnology companies. These treatments consist both of small molecule drug products, as well as biologics that work by using next-generation antibody therapeutic platforms to address specific cancer targets. In addition, several companies are also developing bispecific antibodies. Other companies are developing new treatments for cancer that enhance the Fc regions of antibodies to create more potent antibodies, including Macrogenics, Inc., Xencor, Inc. and F. Hoffmann-La Roche AG.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for our product candidates, which could result in our competitors establishing a strong market position before we are able to enter the market.

Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third-parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. In addition, the biopharmaceutical industry is characterized by rapid technological change. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical.

Our product candidates, for which we intend to seek approval, may face competition sooner than anticipated.

Our ability to compete may be affected in many cases by insurers or other third-party payors seeking to encourage the use of biosimilar products. Biosimilar products are expected to become available over the coming years. Even if our product candidates achieve marketing approval, they may be priced at a significant premium over competitive biosimilar products, if any have been approved by then. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the PPACA,

created a new regulatory scheme authorizing the FDA to approve biosimilars. Under the PPACA, a manufacturer may submit an application for licensure of a biologic product that is "biosimilar to" or "interchangeable with" a previously approved biological product or "reference product." Under this new statutory scheme, an application for a biosimilar product may not be submitted to the FDA until four years following approval of the reference product. The FDA may not approve a biosimilar product until 12 years from the date on which the reference product was approved. Even if a product is considered to be a reference product eligible for exclusivity, another company could market a competing version of that product if the FDA approves a full Biologics License Application, or BLA, for such product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. Furthermore, recent legislation has proposed that the 12-year exclusivity period for each a reference product may be reduced to seven years.

If any of our product candidates receive regulatory approval, the approved products may not achieve broad market acceptance among physicians, patients, the medical community and third-party payors, in which case revenue generated from their sales would be limited.

The commercial success of our product candidates will depend upon their acceptance among physicians, patients and the medical community. The degree of market acceptance of our product candidates will depend on a number of factors, including:

- limitations or warnings contained in the approved labeling for a product candidate;
- changes in the standard of care for the targeted indications for any of our product candidates;
- limitations in the approved clinical indications for our product candidates;
- demonstrated clinical safety and efficacy compared to other products;
- lack of significant adverse side effects;
- sales, marketing and distribution support;
- availability of coverage and extent of reimbursement from managed care plans and other third-party payors;
- timing of market introduction and perceived effectiveness of competitive products;
- the degree of cost-effectiveness of our product candidates;
- availability of alternative therapies at similar or lower cost, including generic and over-the-counter products;
- the extent to which the product candidate is approved for inclusion on formularies of hospitals and managed care organizations;
- whether the product is designated under physician treatment guidelines as a first-line therapy or as a second or third-line therapy for particular diseases;
- whether the product can be used effectively with other therapies to achieve higher response rates;
- adverse publicity about our product candidates or favorable publicity about competitive products;
- convenience and ease of administration of our products; and
- potential product liability claims.

If any of our product candidates are approved, but do not achieve an adequate level of acceptance by physicians, patients and the medical community, we may not generate sufficient revenue from these products, and we may not become or remain profitable. In addition, efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful.

We may be unable to obtain orphan drug exclusivity in specific indications for ZW25 or ZW33 or in future product candidates that we may develop. If our competitors are able to obtain orphan product exclusivity for their products in specific indications, we may not be able to have competing products approved in those indications by the applicable regulatory authority for a significant period of time.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product candidate as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States. The FDA has granted Orphan Drug Designation to both ZW25 and ZW33 for the treatment of ovarian cancer and to ZW25 for the treatment of gastric cancer and we may seek Orphan Drug Designation for additional indications in the future. Orphan Drug Designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

Generally, if a product candidate with an Orphan Drug Designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the European Medicines Agency, or EMA, or the FDA from approving another marketing application for the same drug for the same indication for that time period. The applicable period is seven years in the United States and 10 years in Europe. The European exclusivity period can be reduced to six years if a product no longer meets the criteria for Orphan Drug Designation or if the product is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the product to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan drug exclusivity for ZW25 or ZW33, or for any other product candidates that receive an Orphan Drug Designation in the future, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition. Further, in the United States, even after an orphan drug is approved, the FDA can subsequently approve the same drug for the same condition submitted by a competitor if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. If we fail to maintain our current Orphan Drug Designations for our product candidates, ZW25 and ZW33, or for any other product candidates that receive an Orphan Drug Designation in the future, or if the FDA approves Orphan Drug Designation for similar product candidates of other pharmaceutical companies, our competitive position would be harmed.

Even if we obtain FDA approval of any of our product candidates, we may never obtain approval or commercialize such products outside of the United States, which would limit our ability to realize their full market potential.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approvals could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our target market will be reduced and our ability to realize the full market potential of our products will be harmed.

Reimbursement decisions by third-party payors may have an adverse effect on pricing and market acceptance. If there is not sufficient reimbursement for our products, it is less likely that our products will be widely used.

Even if our product candidates are approved for sale by the appropriate regulatory authorities, market acceptance and sales of these products will depend on reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will reimburse and establish payment levels. We cannot be certain that reimbursement will be available for any products that we develop. If reimbursement is not available or is available on a limited basis, we may not be able to successfully commercialize any of our approved products.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, also called the Medicare Modernization Act, or the MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation established Medicare Part D, which expanded Medicare coverage for outpatient prescription drug purchases by the elderly but provided authority for limiting the number of drugs that will be covered in any therapeutic class. The MMA also introduced a new reimbursement methodology based on average sales prices for physician-administered drugs. We expect to experience pricing pressures in connection with the sale of any products that we develop, due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative proposals.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA, EMA or other regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution expenses. Interim reimbursement levels for new drugs, if applicable, may also be insufficient to cover our and any collaborator's costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our or any collaborator's inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved products that we or our strategic partners develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize product candidates and our overall financial condition.

If the market opportunities for any product that we or our strategic partners develop are smaller than we believe they are, our revenue may be adversely affected and our business may suffer.

We intend to initially focus our independent product candidate development on treatments for oncology. Our projections of addressable patient populations that have the potential to benefit from treatment with our product candidates are based on estimates. If any of the foregoing estimates are inaccurate, the market opportunities for any of our product candidates could be significantly diminished and have an adverse material impact on our business.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we focus on research programs, therapeutic platforms and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other therapeutic platforms or product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize

on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs, therapeutic platforms and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

We may not be successful in our efforts to use and expand our therapeutic platforms to build a pipeline of product candidates.

A key element of our strategy is to use and expand our therapeutic platforms to build a pipeline of product candidates and progress these product candidates through clinical development for the treatment of a variety of diseases. Although our research and development efforts to date have resulted in a pipeline of product candidates directed at various cancers, we may not be able to develop product candidates that are safe and effective. In addition, although we expect that our therapeutic platforms will allow us to develop a steady stream of product candidates, they may not prove to be successful at doing so. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not continue to successfully develop and begin to commercialize product candidates, we will face difficulty in obtaining product revenue in future periods, which could result in significant harm to our financial position and adversely affect our share price.

Even if we receive regulatory approval to commercialize any of the product candidates that we develop, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense.

Any regulatory approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or subject to certain conditions of approval, and may contain requirements for potentially costly post-approval trials, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the marketed product.

For any approved product, we will be subject to ongoing regulatory obligations and extensive oversight by regulatory authorities, including with respect to manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product. These requirements include submissions of safety and other post-approval information and reports, as well as continued compliance with current good manufacturing practices, or cGMP, and current good clinical practices, or cGCP, for any clinical trials that we or our strategic partners conduct post-approval. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product;
- withdrawal of the product from the market or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA, EMA or another applicable regulatory authority to approve pending applications or supplements to approved applications filed by us or our strategic partners, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

Occurrence of any of the foregoing could have a material and adverse effect on our business and results of operations. Further, the FDA's or other ex-U.S. regulator's policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

If any product liability lawsuits are successfully brought against us or any of our strategic partners, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability lawsuits related to the testing of our product candidates in seriously ill patients, and will face an even greater risk if product candidates are approved by regulatory authorities and introduced commercially. Product liability claims may be brought against us or our strategic partners by participants enrolled in our clinical trials, patients, health care providers or others using, administering or selling any of our future approved products. If we cannot successfully defend ourselves against any such claims, we may incur substantial liabilities. Regardless of their merit or eventual outcome, liability claims may result in:

- decreased demand for any future approved products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- termination of clinical trial sites or entire trial programs;
- increased regulatory scrutiny;
- significant litigation costs;
- substantial monetary awards to or costly settlement with patients or other claimants;
- product recalls or a change in the indications for which they may be used;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize our product candidates.

If any of our product candidates are approved for commercial sale, we will be highly dependent upon consumer perceptions of us and the safety and quality of our products. We could be adversely affected if we are subject to negative publicity. We could also be adversely affected if any of our products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to patients. Because of our dependence upon consumer perceptions, any adverse publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies could have a material adverse impact on our financial condition or results of operations.

We may need to have in place increased product liability coverage when we begin the commercialization of our product candidates. Insurance coverage is becoming increasingly expensive. As a result, we may be unable to maintain or obtain sufficient insurance at a reasonable cost to protect us against losses that could have a material adverse effect on our business. A successful product liability claim or series of claims brought against us, particularly if judgments exceed any insurance coverage we may have, could decrease our cash resources and adversely affect our business, financial condition and results of operation.

Changes in methods of product candidate manufacturing or formulation may result in additional costs or delay.

As product candidates are developed through preclinical to late-stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing

methods and formulation, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidates and jeopardize our ability, or our strategic partners' ability, to commence product sales and generate revenue.

Acquisitions or joint ventures could disrupt our business, cause dilution to our shareholders and otherwise harm our business.

We actively evaluate various strategic transactions on an ongoing basis and recently acquired Kairos Therapeutics Inc., or Kairos. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of Kairos" and "Unaudited Pro Forma Condensed Consolidated Financial Statements." We may acquire other businesses, products or technologies as well as pursue strategic alliances, joint ventures or investments in complementary businesses. Any of these transactions could be material to our financial condition and operating results and expose us to many risks, including:

- disruption in our relationships with existing strategic partners or suppliers as a result of such a transaction;
- unanticipated liabilities related to acquired companies;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- retention of key employees;
- diversion of management time and focus from operating our business to management of strategic alliances or joint ventures or acquisition integration challenges;
- increases in our expenses and reductions in our cash available for operations and other uses; and
- possible write-offs or impairment charges relating to acquired businesses.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

Also, the anticipated benefit of any strategic alliance, joint venture or acquisition may not materialize or such strategic alliance, joint venture or acquisition may be prohibited. In June 2016, we entered into a credit facility, or the Perceptive Facility, with Perceptive Credit Opportunities Fund, L.P., or Perceptive, and PCOF Phoenix II Fund, L.P., or, together with Perceptive, the Perceptive Facility Lenders. The Credit Agreement and Guaranty which we entered into in connection with the Perceptive Facility, or the Credit Agreement, restricts our ability to pursue certain mergers, acquisitions, amalgamations or consolidations that we may believe to be in our best interest. Additionally, future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. We cannot predict the number, timing or size of future joint ventures or acquisitions, or the effect that any such transactions might have on our operating results.

Foreign governments tend to impose strict price controls, which may adversely affect our future profitability.

In most foreign countries, particularly in those in the European Union, prescription drug pricing and reimbursement is subject to governmental control. In those countries that impose price controls, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or our strategic partners may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to other available therapies.

Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we or our strategic partners might obtain marketing approval for a product candidate in a particular country, but then be subject to price regulations that delay commercial launch of the product candidate, possibly for lengthy time periods, and negatively impact the revenue that are generated from the sale of the product in that country. If reimbursement of such product candidates is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, or if there is competition from lower priced cross-border sales, our profitability will be negatively affected.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or protected health information or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store petabytes of sensitive data, including legally protected health information, personally identifiable information, intellectual property and proprietary business information owned or controlled by ourselves or our strategic partners. We manage and maintain our applications and data by utilizing a combination of on-site systems, managed data center systems and cloud-based data center systems. These applications and data encompass a wide variety of business-critical information, including research and development information, commercial information and business and financial information. We face four primary risks relative to protecting this critical information, including loss of access risk, inappropriate disclosure risk, inappropriate modification risk and the risk of being unable to adequately monitor our controls over the first three risks.

The secure processing, storage, maintenance and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure and that of any third-party billing and collections provider we may utilize, may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, such as HIPAA and regulatory penalties. Although we have implemented security measures and a formal enterprise security program to prevent unauthorized access to patient data, there is no guarantee that we can continue to protect our systems from breach. Unauthorized access, loss or dissemination could also disrupt our operations, including our ability to conduct our analyses, provide test results, bill payors or providers, process claims and appeals, conduct research and development activities, collect, process and prepare company financial information, provide information about any future products, manage the administrative aspects of our business and damage our reputation, any of which could adversely affect our business.

The U.S. Office of Civil Rights may impose penalties on us or our CROs if we, or our CROs, do not fully comply with requirements of HIPAA. Penalties will vary significantly depending on factors such as whether we, or our CROs, knew or should have known of the failure to comply, or whether our failure, or that of our CROs, to comply was due to willful neglect. These penalties include civil monetary penalties of $100 to $50,000 per violation, up to an annual cap of $1,500,000 for identical violations. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 per violation and up to one-year imprisonment. The criminal penalties increase to $100,000 per violation and up to five-years imprisonment if the wrongful conduct involves false pretenses, and to $250,000 per violation and up to 10-years imprisonment if the wrongful conduct involves the intent to sell, transfer, or use identifiable health information for commercial advantage, personal gain, or malicious harm. The U.S. Department of Justice is responsible for criminal prosecutions under HIPAA. Furthermore, in the event of a breach as defined by HIPAA, we have specific reporting requirements to the Office of Civil Rights under the HIPAA regulations as

well as to affected individuals, and we may also have additional reporting requirements to other state and federal regulators, including the Federal Trade Commission, and to the media. Issuing such notifications can be costly, time and resource intensive, and can generate significant negative publicity. Breaches of HIPAA may also constitute contractual violations that could lead to contractual damages or terminations.

In addition, the interpretation and application of consumer, health-related and data protection laws in the United States, the European Union, or EU, and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business. In addition, these privacy regulations vary between states, may differ from country to country, and may vary based on whether testing is performed in the United States or in the local country. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business.

Furthermore, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on other third parties for the manufacture of our product candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business.

Current and future legislation may increase the difficulty and cost for us to commercialize any products that we or our strategic partners develop and affect the prices we may obtain.

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change healthcare systems in ways that could affect our ability to sell any of our product candidates profitably, if such product candidates are approved for sale. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

In March 2010, the PPACA was enacted, which includes measures that have significantly changed, or will significantly change, the way healthcare is financed by both governmental and private insurers. Among the provisions of the PPACA of importance to the pharmaceutical industry are the following:

- an annual, non-deductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% of the average manufacturer price, or AMP, for branded drugs or the difference between AMP and best price, whichever is greater. For generic drugs the rebate is 13%;
- Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts to negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level, thereby potentially increasing manufacturers' Medicaid rebate liability;

- requirement that applicable manufacturers and group purchasing organizations report annually to the U.S. Department of Health and Human Services, or HHS, information certain payments and other transfers of value given to physicians and teaching hospitals, and any ownership or investment interest physicians, or their immediate family members, have in their company;
- a requirement to annually report drug samples that manufacturers and distributors provide to physicians;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, when and if empaneled, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare & Medicaid Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the PPACA. In January, Congress voted to adopt a budget resolution for fiscal year 2017, or the Budget Resolution, that authorizes the implementation of legislation that would repeal portions of the PPACA. The Budget Resolution is not a law, however, it is widely viewed as the first step toward the passage of legislation that would repeal certain aspects of the PPACA. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the PPACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the PPACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress is currently considering a bill to revise the PPACA and could consider subsequent legislation to replace elements of the PPACA that are repealed.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year pursuant to the Budget Control Act of 2011, which began in 2013 and will remain in effect through 2025 unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our product candidates, if approved, and, accordingly, our financial operations. Also, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which have resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products.

In the EU similar political, economic and regulatory developments may affect our ability to profitably commercialize our current or any future products. In addition to continuing pressure on prices and cost containment measures, legislative developments at the EU or member state level may result in significant additional requirements or obstacles that may increase our operating costs. In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. Our future products, if any, might not be considered medically reasonable and necessary for a specific indication or cost-effective by third-party payors, an adequate level of reimbursement might not be available for such products and third-party payors' reimbursement policies might adversely affect our or our strategic partners' ability to sell any future products profitably.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-approval testing and other requirements.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we or our strategic partners are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or our strategic partners are not able to maintain regulatory compliance, our product candidates may lose any marketing approval that may have been obtained and we may not achieve or sustain profitability, which would adversely affect our business.

Our business may become subject to economic, political, regulatory and other risks associated with international operations.

Our business is subject to risks associated with conducting business internationally. Some of our suppliers and collaborative and clinical trial relationships are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- differing regulatory requirements for drug approvals in foreign countries;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with non-U.S. laws and regulations;
- changes in non-U.S. regulations and customs, tariffs and trade barriers;
- changes in non-U.S. currency exchange rates and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by U.S. or non-U.S. governments;
- differing reimbursement regimes, including price controls;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- difficulties associated with staffing and managing foreign operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

Our business and current and future relationships with customers and third-party payors in the United States and elsewhere will be subject, directly or indirectly, to applicable federal and state anti-kickback, fraud and abuse, false claims, transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens, and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors in the United States and elsewhere play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval.

Our current and future arrangements with healthcare professionals, principal investigators, consultants, customers, and third-party payors and other entities may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act, that may constrain the business or financial arrangements and relationships through which we conduct clinical research on product candidates and market, sell and distribute any products for which we obtain marketing approval. In addition, we may be subject to transparency laws and patient privacy regulation by the federal government and by the U.S. states and foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws and regulations that may affect our ability to operate include, but are not limited to, the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration (including any kickback, bribe or rebate), directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid;
- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, which impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, or other third party payor claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the U.S. Health Insurance Portability and Accountability Act of 1996, or HIPAA, which among other things, imposes criminal liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or to obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g. public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of or payment for healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without the appropriate authorization by entities subject to the law, such as health plans, healthcare clearinghouses and healthcare providers and their respective business associates;
- the federal Open Payments program under the Physician Payments Sunshine Act, created under Section 6002 of the PPACA and its implementing regulations requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to HHS information related to "payments or other transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and applicable group purchasing organizations to report annually to HHS ownership and investment interests held by physicians (as defined above) and their immediate family members; and
- analogous state and foreign laws and regulations, including: state anti-kickback and false claims laws which may apply to our business practices, including, but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by state governmental and non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government; state laws that require drug manufacturers to track gifts and other remuneration and items of value provided to healthcare professionals and entities and file reports relating to pricing and marketing information; and state and

foreign laws that govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under the U.S. federal Anti-Kickback Statute and analogous state laws, it is possible that some of our current and future business activities could be subject to challenge under one or more of such laws. In addition, recent healthcare reform legislation has strengthened these laws. For example, the PPACA, among other things, amends the intent requirement of the U.S. federal Anti-Kickback Statute and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them in order to be in violation. Moreover, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws and the curtailment or restructuring of our operations, which could have a material adverse effect on our business. If any of the physicians or other providers or entities with whom we expect to do business, including our strategic partners, is found not to be in compliance with applicable laws, it may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also materially affect our business.

We are subject to U.S. and certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. Compliance with these legal standards could impair our ability to compete in domestic and international markets. We can face criminal liability and other serious consequences for violations which can harm our business.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act 2010, the Proceeds of Crime Act 2002, and other state and national anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other partners from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We may engage third parties for clinical trials outside of the United States, to sell our products abroad once we enter a commercialization phase, or to obtain necessary permits, licenses, patent registrations, and other regulatory approvals. We may have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other partners, even if we do not explicitly authorize or have actual knowledge of such activities. Any violation of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales. We may never achieve or sustain profitability.

We are a clinical-stage biopharmaceutical company. We have incurred significant losses since our inception. Our net loss for the years ended December 31, 2014, 2015 and 2016 was $12.9 million, $19.2 million and $33.8 million, respectively. As of December 31, 2016, our accumulated deficit was approximately $97.8 million. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates, prepare for and begin to commercialize any approved product candidates and add infrastructure and personnel to support our product development efforts and operations as a public company. The net losses and negative cash flows incurred to date, together with expected future losses, have had, and likely will continue to have, an adverse effect on our shareholders' deficit and working capital. The amount of future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. For example, our expenses could increase if we are required by the FDA to perform trials in addition to those that we currently expect to perform, or if there are any delays in completing our currently planned clinical trials or in the development of any of our product candidates.

To become and remain profitable, we must succeed in developing and commercializing product candidates with significant market potential. This will require us to be successful in a range of challenging activities for which we are only in the preliminary stages, including developing product candidates, obtaining regulatory approval for such product candidates, and manufacturing, marketing and selling those product candidates for which we may obtain regulatory approval. We may never succeed in these activities and may never generate revenue from product sales that is significant enough to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, develop other product candidates, or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. We have never generated any revenue from product sales and may never be profitable.

We have devoted substantially all of our financial resources and efforts to developing our proprietary therapeutic platforms, identifying potential product candidates and conducting preclinical studies and a clinical trial. We and our partners are still in the early stages of developing our product candidates, and we have not completed development of any products. Our revenue to date has been primarily revenue from the license of our proprietary therapeutic platforms for the development of product candidates by others or revenue from our strategic partners. Our ability to generate revenue and achieve profitability depends in large part on our ability, alone or with our strategic partners, to achieve milestones and to successfully complete the development of, obtain the necessary regulatory approvals for, and commercialize, product candidates. We do not anticipate generating revenue from sales of products for the foreseeable future.

We will require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not available, may require us to delay, scale back, or cease our product development programs or operations.

We are currently advancing two of our product candidates through preclinical and clinical development as well as other potential product candidates through discovery. Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. In order to obtain such regulatory approval, we will be required to conduct clinical trials for each indication for each of our product candidates. We will continue to require additional funding beyond this contemplated offering to complete the development and commercialization of our product candidates and to continue to advance the development of our other product candidates and such funding may not be available on acceptable terms or at all. In addition, in June 2016, we entered into the Credit Agreement with the Perceptive Facility Lenders pursuant to which we are able to borrow up to an aggregate of $15 million, consisting of Tranche A and Tranche B term loans for $7.5 million each. The Credit Agreement requires us to pay monthly interest payments up until June 2, 2018, after which monthly principal payments of $225,000 will also commence. The remaining outstanding principal balance under the Credit Agreement will need to be paid on June 2, 2020. Furthermore, in August 2016 we entered into a license agreement with Innovative Targeting Solutions Inc., or ITS, which requires licensing payments to ITS totaling $12.0 million over the following five year period.

Although it is difficult to predict our liquidity requirements, based upon our current operating plan, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents will enable us to advance the clinical development of ZW25 and ZW33 product candidates. We may also be eligible to receive certain research, development and commercial milestone payments in the future, as described under “Business – Strategic Partnerships and Collaborations.” However, because successful development of our product candidates and the achievement of milestones by our strategic partners is uncertain, we are unable to estimate the actual funds we will require to complete research and development and to commercialize our product candidates.

Our future funding requirements will depend on many factors, including but not limited to:

- the number and characteristics of other product candidates that we pursue;
- the scope, progress, timing, cost and results of research, preclinical development, and clinical trials;
- the costs, timing and outcome of seeking and obtaining FDA and non-U.S. regulatory approvals;
- the costs associated with manufacturing our product candidates and establishing sales, marketing and distribution capabilities;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make in connection with the licensing, filing, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management, scientific and medical personnel;
- the effect of competing products that may limit market penetration of our product candidates;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems; and
- the economic and other terms, timing of and success of our existing strategic partnerships, and any collaboration, licensing, or other arrangements into which we may enter in the future, including the timing of receipt of any milestone or royalty payments under these agreements.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through a combination of public and private equity offerings, debt financings, strategic partnerships and grant funding. However, subject to limited

exceptions, the Credit Agreement prohibits us from incurring indebtedness without the prior written consent of the Perceptive Facility Lenders. If sufficient funds on acceptable terms are not available when needed, or at all, we could be forced to significantly reduce operating expenses and delay, scale back or eliminate one or more of our development programs or our business operations.

Raising additional capital may cause dilution to our shareholders, including purchasers of common shares in this offering, restrict our operations or require us to relinquish substantial rights.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these new securities may include liquidation or other preferences that adversely affect your rights as a common shareholder. Debt financing, if available at all, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, product candidates, or future revenue streams, or grant licenses on terms that are not favorable to us. We cannot assure you that we will be able to obtain additional funding if and when necessary. If we are unable to obtain adequate financing on a timely basis, we could be required to delay, scale back or eliminate one or more of our development programs or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Unstable market and economic conditions may have serious adverse consequences on our business and financial condition.

Global credit and financial markets experienced extreme disruptions at various points over the last decade, characterized by diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. If another such disruption in credit and financial markets and deterioration of confidence in economic conditions occurs, our business may be adversely affected. If the equity and credit markets were to deteriorate significantly in the future, it may make any necessary debt or equity financing more difficult to complete, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and share price and could require us to delay or abandon development or commercialization plans. In addition, there is a risk that one or more of our current strategic partners, service providers, manufacturers and other partners would not survive or be able to meet their commitments to us under such circumstances, which could directly affect our ability to attain our operating goals on schedule and on budget.

We are subject to risks associated with currency fluctuations, and changes in foreign currency exchange rates could impact our results of operations.

Management assesses its functional currency to be the U.S. dollar based on management’s analysis of the changes in the primary economic environment in which we operate.

As of December 31, 2016, approximately 33% of our cash and cash equivalents was denominated in Canadian dollars. Fluctuations in U.S. dollar and Canadian dollar exchange rates could result in a material increase in reported expenses relative to revenue, and therefore could cause our operating income (expense) to appear to decline materially. Fluctuations in foreign currency exchange rates also impact the reporting of our receivables and payables in non-Canadian currencies. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common shares could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. For example, we maintain a natural currency hedge against fluctuations in the U.S./Canadian foreign exchange rate by matching the amount of U.S. dollar and Canadian dollar investments to the expected amount of future U.S. dollar and Canadian dollar obligations, respectively. Any hedging technique we implement may fail to be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on the trading price of our common shares.

The terms of our credit facility require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

The Perceptive Facility is secured by a lien covering substantially all of our assets, including our intellectual property. Subject to the terms of the Credit Agreement, amounts borrowed under the facility can be repaid at any time, subject to certain penalty payments, prior to the June 2, 2020 maturity date, at which time all amounts borrowed will be due and payable. In connection with the Perceptive Facility, Perceptive was concurrently issued a warrant that entitles Perceptive to purchase up to 704,081 of our Class A preferred shares at an exercise price of $4.90 per share, with a term of five years.

The Credit Agreement contains customary affirmative and negative covenants, indemnification provisions and events of default. The affirmative covenants include, among others, covenants requiring us to maintain our legal existence and governmental approvals, deliver certain financial reports and maintain certain intellectual property rights. The negative covenants include, among others, restrictions on transferring or licensing our assets, changing our business, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, and creating other liens on our assets, in each case subject to customary exceptions. If we default under the Credit Agreement, the Perceptive Facility Lenders will be able to declare all obligations immediately due and payable and take control of our pledged assets, potentially requiring us to renegotiate our agreement on terms less favorable to us or to immediately cease operations. Further, if we are liquidated, the Perceptive Facility Lenders' rights to repayment would be senior to the rights of the holders of our common shares to receive any proceeds from the liquidation. The Perceptive Facility Lenders could declare a default under the Credit Agreement upon the occurrence of any event that the Perceptive Facility Lenders interpret as a material adverse change as defined under the credit agreement, thereby requiring us to repay the loan immediately or to attempt to reverse the declaration of default through negotiation or litigation. Any declaration by the Perceptive Facility Lenders of an event of default could significantly harm our business and prospects and could cause the price of our common shares to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

Risks Related to Our Dependence on Third Parties

Our existing strategic partnerships are important to our business, and future strategic partnerships will likely also be important to us. If we are unable to maintain our strategic partnerships, or if these strategic partnerships are not successful, our business could be adversely affected.

We have limited capabilities for drug development and do not yet have any capability for sales, marketing or distribution. Accordingly, we have entered into strategic partnerships with other companies that we believe can provide such capabilities, including our collaboration and license agreements with Merck, Lilly, Celgene, GSK and Daiichi. These relationships also have provided us with non-dilutive funding for our wholly-owned pipeline and therapeutic platforms and we expect to receive additional funding under these strategic partnerships in the future. Our existing strategic partnerships, and any future strategic partnerships we enter into, may pose a number of risks, including the following:

- strategic partners have significant discretion in determining the efforts and resources that they will apply to these partnerships;
- strategic partners may not perform their obligations as expected;

- strategic partners may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the partners' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- strategic partners may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- strategic partners could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates if the strategic partners believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than our product candidates;
- product candidates discovered in collaboration with us may be viewed by our strategic partners as competitive with their own product candidates or products, which may cause strategic partners to cease to devote resources to the commercialization of our product candidates;
- a strategic partner with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product candidates;
- disagreements with strategic partners, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- strategic partners may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- strategic partners may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- strategic partnerships may be terminated for the convenience of the partner and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates. For example, each of our collaboration and license agreements with Merck, Lilly, Celgene, GSK and Daiichi may be terminated for convenience upon the completion of a specified notice period.

We may not realize the anticipated benefits of our strategic partnerships.

If our strategic partnerships do not result in the successful development and commercialization of product candidates or if one of our partners terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. Moreover, our estimates of the potential revenue we are eligible to receive under our strategic partnerships may include potential payments in respect of therapeutic programs for which our partners have discontinued development or may discontinue development in the future. Furthermore, our strategic partners may not keep us informed as to the status of their in-house research activities and they may fail to exercise options embedded within certain agreements. Any discontinuation of product development by our strategic partners could reduce the amounts receivable under our strategic partnerships below the stated amounts we are eligible to receive under those agreements. If we do not receive the funding we expect under these agreements, our development of our therapeutic platforms and product candidates could be delayed and we may need additional resources to develop product candidates and our therapeutic platforms. All of the risks relating to product development, regulatory approval and commercialization described in this prospectus also apply to the activities of our program strategic partners.

Additionally, subject to its contractual obligations to us, if one of our strategic partners is involved in a business combination, the partner might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us. If one of our strategic partners terminates its agreement with us, we may find it more difficult to attract new partners.

We face significant competition in seeking new strategic partners.

For some of our product candidates, we may in the future determine to collaborate with additional pharmaceutical and biotechnology companies for development and potential commercialization of therapeutic products. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the strategic partner's resources and expertise, the terms and conditions of the proposed collaboration and the proposed strategic partner's evaluation of a number of factors. These factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The strategic partner may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate.

Strategic partnerships are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future strategic partners. If we are unable to reach agreements with suitable strategic partners on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into strategic partnerships and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our therapeutic platforms and our business may be materially and adversely affected.

We rely on third-party manufacturers to produce our clinical product candidates. Any failure by a third-party manufacturer to produce acceptable product candidate for us may delay or impair our ability to initiate or complete our clinical trials or commercialize approved products.

We do not currently own or operate any manufacturing facilities nor do we have any in-house manufacturing experience or personnel. We rely on our strategic partners to manufacture product candidates licensed to them or work with multiple third-party contract manufacturers to produce sufficient quantities of materials required for the manufacture of our product candidates for preclinical testing and clinical trials, in compliance with applicable regulatory and quality standards, and intend to do so for the commercial manufacture of our products. If we are unable to arrange for such third-party manufacturing sources, or fail to do so on commercially reasonable terms, we may not be able to successfully produce sufficient supply of product candidate or we may be delayed in doing so. Such failure or substantial delay could materially harm our business.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured product candidates ourselves, including reliance on the third party for regulatory compliance and quality control and assurance, volume production, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control (including a failure to synthesize and manufacture our product candidates

in accordance with our product specifications) and the possibility of termination or nonrenewal of the agreement by the third-party at a time that is costly or damaging to us. In addition, the FDA, EMA and other regulatory authorities require that our product candidates be manufactured according to current cGMPs and similar foreign standards. Pharmaceutical manufacturers and their subcontractors are required to register their facilities or products manufactured at the time of submission of the marketing application and then annually thereafter with the FDA and certain state and foreign agencies. They are also subject to periodic unannounced inspections by the FDA, state and other foreign authorities. Any subsequent discovery of problems with a product, or a manufacturing or laboratory facility used by us or our strategic partners, may result in restrictions on the product or on the manufacturing or laboratory facility, including marketed product recall, suspension of manufacturing, product seizure, or a voluntary withdrawal of the drug from the market. We may have little to no control regarding the occurrence of third-party manufacturer incidents. Any failure by our third-party manufacturers to comply with cGMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of product candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our product candidates.

The manufacture of our product candidates is complex. We and our third-party manufacturers may encounter difficulties in production. If we encounter any such difficulties, our ability to supply our product candidates for clinical trials or, if approved, for commercial sale could be delayed or halted entirely.

The manufacture of biopharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. The process of manufacturing our product candidates is extremely susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, vendor or operator error, contamination and inconsistency in yields, variability in product characteristics and difficulties in scaling the production process. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. All of our engineered antibodies are manufactured by starting cells that are stored in a cell bank. We have one master cell bank for each antibody manufactured in accordance with cGMP and multiple working cell banks. While we believe we would have adequate back up should any cell bank be lost in a catastrophic event, it is possible that we could lose multiple cell banks and have our manufacturing severely impacted by the need to replace the cell banks. Any adverse developments affecting manufacturing operations for our product candidates, if any are approved, may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

We rely on third parties to monitor, support, conduct and oversee clinical trials of the product candidates that we are developing and, in some cases, to maintain regulatory files for those product candidates. We may not be able to obtain regulatory approval for our product candidates or commercialize any products that may result from our development efforts, if we are not able to maintain or secure agreements with such third parties on acceptable terms, if these third parties do not perform their services as required, or if these third parties fail to timely transfer any regulatory information held by them to us.

We rely on entities outside of our control, which may include academic institutions, CROs, hospitals, clinics and other third-party strategic partners, to monitor, support, conduct and oversee preclinical studies and clinical trials of our current and future product candidates. We also rely on third parties to perform clinical trials on our current and future product candidates when they reach that stage. As a result, we have less control over the timing and cost of these studies and the ability to recruit trial subjects than if we conducted these trials with our own personnel.

If we are unable to maintain or enter into agreements with these third parties on acceptable terms, or if any such engagement is terminated prematurely, we may be unable to enroll patients on a timely basis or otherwise conduct our trials in the manner we anticipate. In addition, there is no guarantee that these third parties will devote adequate time and resources to our studies or perform as required by our contract or in accordance with regulatory requirements, including maintenance of clinical trial information regarding our product candidates. If these third parties fail to meet expected deadlines, fail to transfer to us any regulatory information in a timely manner, fail to adhere to protocols or fail to act in accordance with regulatory requirements or our agreements with them, or if they otherwise perform in a substandard manner or in a way that compromises the quality or accuracy of their activities or the data they obtain, then clinical trials of our product candidates may be extended or delayed with additional costs incurred, or our data may be rejected by the FDA, EMA or other regulatory agencies.

Ultimately, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities.

We and our CROs are required to comply with cGCP regulations and guidelines enforced by the FDA, the competent authorities of the member states of the EU and comparable foreign regulatory authorities for products in clinical development. Regulatory authorities enforce these cGCP regulations through periodic inspections of clinical trial sponsors, principal investigators and clinical trial sites. If we or any of our CROs fail to comply with applicable cGCP regulations, the clinical data generated in our clinical trials may be deemed unreliable and our submission of marketing applications may be delayed or the FDA may require us to perform additional clinical trials before approving our marketing applications. Upon inspection, the FDA could determine that any of our clinical trials fail or have failed to comply with applicable cGCP regulations. In addition, our clinical trials must be conducted with product produced under the cGMP regulations enforced by the FDA, and our clinical trials may require a large number of test subjects. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process and increase our costs. Moreover, our business may be implicated if any of our CROs violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

If any of our clinical trial sites terminate for any reason, we may experience the loss of follow-up information on patients enrolled in our ongoing clinical trials unless we are able to transfer the care of those patients to another qualified clinical trial site. Further, if our relationship with any of our CROs is terminated, we may be unable to enter into arrangements with alternative CROs on commercially reasonable terms, or at all.

Switching or adding CROs or other suppliers can involve substantial cost and require extensive management time and focus. In addition, there is a natural transition period when a new CRO or supplier commences work. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines. If we are required to seek alternative supply arrangements, the resulting delays and potential inability to find a suitable replacement could materially and adversely impact our business.

We rely on third parties for various operational and administrative aspects of our business, including for certain cloud-based software platforms, which impact our financial, operational and research activities. If any of these third parties fail to provide timely, accurate and ongoing service or if the cloud-based platforms suffer outages that we are unable to mitigate, our business may be adversely affected.

We currently rely upon third party consultants and contractors to provide certain operational and administrative services. These services include external tax advice and clinical and research consultation. The failure of any of these third parties to provide accurate and timely service may adversely impact our business operations. In addition, if such third-party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruption, increase their fees or if our relationships with these providers deteriorate, we could suffer increased costs until an equivalent provider could be found, if at all,

or we could develop internal capabilities, if ever. In addition, if we are unsuccessful in choosing or finding high-quality partners, if we fail to negotiate cost-effective relationships with them, or if we ineffectively manage these relationships, it could have an adverse impact on our business and financial performance.

Further, our operations depend on the continuing and efficient operation of our information technology and communications systems and infrastructure, and specifically on the "cloud-based" platforms. These platforms are vulnerable to damage or interruption from earthquakes, vandalism, sabotage, terrorist attacks, floods, fires, power outages, telecommunications failures, and computer viruses or other deliberate attempts to harm the systems. The occurrence of a natural or intentional disaster, any decision to close a facility we are using without adequate notice, or particularly an unanticipated problem at our cloud-based virtual server facility, could result in harmful interruptions in our service, resulting in adverse effects to our business.

Risks Related to Our Intellectual Property

Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. Other entities may have or obtain patents or proprietary rights that could limit our ability to make, use, sell, offer for sale or import our future approved products or impair our competitive position. For example, certain patent applications held by third parties cover Fab region engineering methods for bispecific antibodies and mutations in Fab heavy and light chains regions to generate correctly paired bispecific antibodies. Although we believe that these applications will not be granted with the currently pending claims, if any patent applications are eventually granted with claims that cover any Fab region heavy and light chains used in our products or our strategic partners' products and we are unable to invalidate those patents, or if licenses for them are not available on commercially reasonable terms or at all, our business could be materially harmed.

We are also aware of third party patents and patent applications containing claims directed to compositions and methods for treating various forms of cancer with antibodies targeting HER2, alone or in combination with other anti-cancer agents, as well as compositions and methods for making and using anti-HER2 antibody conjugates comprising certain toxins, which patents and applications could potentially be construed to cover our product candidates and the use thereof to treat cancer. If our products or our strategic partners' products were to be found to infringe any such patents, and we were unable to invalidate those patents, or if licenses for them are not available on commercially reasonable terms, or at all, our business could be materially harmed. These patents may not expire before we receive marketing authorization for our product candidates, and could delay the commercial launch or one or more future products. There is also no assurance that there are not third-party patents or patent applications of which we are aware, but which we do not believe are relevant to our business, which may, nonetheless, ultimately be found to limit our ability to make, use, sell, offer for sale or import our future approved products or impair our competitive position.

Patents that we may ultimately be found to infringe could be issued to third parties. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from developing product candidates using our technology. Our failure to obtain a license to any technology that we require may materially harm our business, financial condition and results of operations. Moreover, our failure to maintain a license to any technology that we require may also materially harm our business, financial condition and results of operations. Furthermore, we would be exposed to a threat of litigation.

In the pharmaceutical industry, significant litigation and other proceedings regarding patents, patent applications, trademarks and other intellectual property rights have become commonplace. The types of situations in which we may become a party to such litigation or proceedings include:

- we or our strategic partners may initiate litigation or other proceedings against third parties seeking to invalidate the patents held by those third parties, to obtain a judgment that our products or processes do not infringe those third parties' patents or to obtain a judgement that those parties' patents are unenforceable;

- if our competitors file patent applications that claim technology also claimed by us or our licensors, we or our licensors may be required to participate in interference, derivation or opposition proceedings to determine the priority of invention, which could jeopardize our patent rights and potentially provide a third-party with a dominant patent position;
- if third parties initiate litigation claiming that our processes or products infringe their patent or other intellectual property rights or initiating other proceedings, including post-grant proceedings and *inter partes* reviews , we and our strategic partners will need to defend against such proceedings; and
- if a license to necessary technology is terminated, the licensor may initiate litigation claiming that our processes or products infringe or misappropriate their patent or other intellectual property rights and/or that we breached our obligations under the license agreement, and we and our strategic partners would need to defend against such proceedings.

These lawsuits would be costly and could affect our results of operations and divert the attention of our management and scientific personnel. Some of our competitors may be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. There is a risk that a court would decide that we or our strategic partners are infringing the third party's patents and would order us or our strategic partners to stop the activities covered by the patents. In that event, we or our strategic partners may not have a viable alternative to the technology protected by the patent and may need to halt work on the affected product candidate or cease commercialization of an approved product. In addition, there is a risk that a court will order us or our strategic partners to pay third party damages or some other monetary award, depending upon the jurisdiction. An adverse outcome in any litigation or other proceeding could subject us to significant liabilities to third parties, potentially including treble damages and attorneys' fees if we are found to have willfully infringed, and we may be required to cease using the technology that is at issue or to license the technology from third parties. We may not be able to obtain any required licenses on commercially acceptable terms or at all. Any of these outcomes could have a material adverse effect on our business.

If we are unable to obtain, maintain and enforce patent and trade secret protection for our product candidates and related technology, our business could be materially harmed.

Our strategy depends on our ability to identify and seek patent protection for our discoveries. This process is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner or in all jurisdictions where protection may be commercially advantageous. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we have licensed from third parties. Therefore, our owned or in-licensed patents and patent applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. Our patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless, and until, patents issues from such applications, and then only to the extent the issued claims cover the technology. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our current and future product candidates in the United States or in other foreign countries.

Moreover, the patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. The issuance of a patent does not ensure that it is valid or enforceable. Third parties may challenge the validity, enforceability or scope of our issued patents, and such patents may be narrowed, invalidated, circumvented, or deemed unenforceable. In addition, changes in law may introduce uncertainty in the enforceability or scope of patents owned by biotechnology companies. If, our patents are narrowed, invalidated or held unenforceable, third parties may be able to commercialize our technology or products and compete directly with us without payment to us. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been

found, and such prior art could potentially invalidate one or more of our patents or prevent a patent from issuing from one or more of our pending patent applications. There is also no assurance that there is not prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim in our patents and patent applications, which may, nonetheless, ultimately be found to affect the validity or enforceability of a claim. Furthermore, even if our patents are unchallenged, they may not adequately protect our intellectual property, provide exclusivity for our product candidates, prevent others from designing around our claims or provide us with a competitive advantage. The legal systems of certain countries do not favor the aggressive enforcement of patents, and the laws of foreign countries may not allow us to protect our inventions with patents to the same extent as the laws of the United States. Because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in scientific literature lag behind actual discoveries, we cannot be certain that we were the first to make the inventions claimed in our issued patents or pending patent applications, or that we were the first to file for protection of the inventions set forth in our patents or patent applications. As a result, we may not be able to obtain or maintain protection for certain inventions. Therefore, the issuance, validity, enforceability, scope and commercial value of our patents in the United States and in foreign countries cannot be predicted with certainty and, as a result, any patents that we own or license may not provide sufficient protection against competitors. We may not be able to obtain or maintain patent protection from our pending patent applications, from those we may file in the future, or from those we may license from third parties. Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives. In addition, the issuance of a patent does not give us the right to practice the patented invention. Third parties may have blocking patents that could prevent us from marketing our own patented product and practicing our own patented technology.

Our patents covering one or more of our products or product candidates could be found invalid or unenforceable if challenged.

Any of our intellectual property rights could be challenged or invalidated despite measures we take to obtain patent and other intellectual property protection with respect to our product candidates and proprietary technology. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States and in some other jurisdictions, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld material information from the United States Patent and Trademark Office, or USPTO, or the applicable foreign counterpart, or made a misleading statement, during prosecution. A litigant or the USPTO itself could challenge our patents on this basis even if we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith. The outcome following such a challenge is unpredictable.

With respect to challenges to the validity of our patents, for example, there might be invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a product candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. The cost of defending such a challenge, particularly in a foreign jurisdiction, and any resulting loss of patent protection could have a material adverse impact on one or more of our product candidates and our business.

Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend, particularly in a foreign jurisdiction, and could require us to pay substantial damages, cease the sale of certain products or enter into a license agreement and pay

royalties (which may not be possible on commercially reasonable terms or at all). Any efforts to enforce our intellectual property rights are also likely to be costly and may divert the efforts of our scientific and management personnel.

Our intellectual property rights will not necessarily provide us with competitive advantages.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make compounds that are similar to our product candidates but that are not covered by the claims of the patents that we or our strategic partners own or have exclusively licensed;
- others may independently develop similar or alternative technologies without infringing our intellectual property rights;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- we may obtain patents for certain compounds many years before we obtain marketing approval for products containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of our patents may be limited;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may fail to develop additional proprietary technologies that are patentable;
- the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States, or we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from marketing one or more of our product candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

We may become involved in lawsuits to protect or enforce our patents and trade secrets, which could be expensive, time consuming and unsuccessful.

Third parties may seek to market biosimilar versions of any approved products. Alternatively, third parties may seek approval to market their own products similar to or otherwise competitive with our product candidates. In these circumstances, we may need to defend or assert our patents, including by filing lawsuits alleging patent infringement. The outcome following legal assertions of invalidity and unenforceability is unpredictable. In any of these types of proceedings, a court or agency with jurisdiction may find our patents invalid or unenforceable. Even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

Even after they have issued, our patents and any patents that we license may be challenged, narrowed, invalidated or circumvented. If our patents are invalidated or otherwise limited or will expire prior to the commercialization of our product candidates, other companies may be better able to develop products that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

The following are examples of litigation and other adversarial proceedings or disputes that we could become a party to involving our patents or patents licensed to us:

- we or our strategic partners may initiate litigation or other proceedings against third parties to enforce our patent and trade secret rights;
- third parties may initiate litigation or other proceedings seeking to invalidate patents owned by or licensed to us or to obtain a declaratory judgment that their product or technology does not infringe our patents or patents licensed to us;
- third parties may initiate opposition or reexamination proceedings challenging the validity or scope of our patent rights, requiring us or our strategic partners and/or licensors to participate in such proceedings to defend the validity and scope of our patents;
- there may be a challenge or dispute regarding inventorship or ownership of patents or trade secrets currently identified as being owned by or licensed to us;
- the USPTO may initiate an interference between patents or patent applications owned by or licensed to us and those of our competitors, requiring us or our strategic partners and/or licensors to participate in an interference proceeding to determine the priority of invention, which could jeopardize our patent rights; or
- third parties may seek approval to market biosimilar versions of our future approved products prior to expiration of relevant patents owned by or licensed to us, requiring us to defend our patents, including by filing lawsuits alleging patent infringement.

These lawsuits and proceedings would be costly and could affect our results of operations and divert the attention of our managerial and scientific personnel. Adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors can. There is a risk that a court or administrative body would decide that our patents are invalid or not infringed or trade secrets not misappropriated by a third party's activities, or that the scope of certain issued claims must be further limited. An adverse outcome in a litigation or proceeding involving our own patents or trade secrets could limit our ability to assert our patents or trade secrets against these or other competitors, affect our ability to receive royalties or other licensing consideration from our licensees, and may curtail or preclude our ability to exclude third parties from making, using and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition.

We may not be able to prevent, alone or with our licensors, infringement or misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States. Any litigation or other proceedings to enforce our intellectual property rights may fail, and even if successful, may result in substantial costs and distract our management and other employees.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the price of our common shares.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to develop a platform that is similar to, or better than, ours in a way that is not covered by the claims of our patents;
- others may be able to make compounds that are similar to our product candidates but that are not covered by the claims of our patents;

- we might not have been the first to make the inventions covered by patents or pending patent applications;
- we might not have been the first to file patent applications for these inventions;
- any patents that we obtain may not provide us with any competitive advantages or may ultimately be found invalid or unenforceable; or
- we may not develop additional proprietary technologies that are patentable or that afford meaningful trade secret protection.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired, we may be open to competition from competitive products, including biosimilars. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

If we do not obtain protection under the Hatch-Waxman amendments and similar foreign legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

If we are unable to protect the confidentiality of our proprietary information, the value of our technology and products could be adversely affected.

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, and other proprietary information. For example, we treat our proprietary computational technologies, including unpatented know-how and other proprietary information, as trade secrets. To maintain the confidentiality of trade secrets and proprietary information, we enter into confidentiality agreements with our employees, consultants, strategic partners and others upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. Our agreements with employees and our personnel policies also provide that any inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with their terms. Thus, despite such agreement, such inventions may become assigned to third

parties. In the event of unauthorized use or disclosure of our trade secrets or proprietary information, these agreements, even if obtained, may not provide meaningful protection, particularly for our trade secrets or other confidential information. To the extent that our employees, consultants or contractors use technology or know-how owned by third parties in their work for us, disputes may arise between us and those third parties as to the rights in related inventions. To the extent that an individual who is not obligated to assign rights in intellectual property to us is rightfully an inventor of intellectual property, we may need to obtain an assignment or a license to that intellectual property from that individual, or a third party or from that individual's assignee. Such assignment or license may not be available on commercially reasonable terms or at all.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming and the outcome is unpredictable. The disclosure of our trade secrets would impair our competitive position and may materially harm our business, financial condition and results of operations. Costly and time consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to maintain trade secret protection could adversely affect our competitive business position. In addition, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, or if we otherwise lose protection for our trade secrets or proprietary know-how, the value of this information may be greatly reduced and our business and competitive position could be harmed. Adequate remedies may not exist in the event of unauthorized use or disclosure of our proprietary information.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously or concurrently employed at research institutions and/or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers, or that patents and applications we have filed to protect inventions of these employees, even those related to one or more of our product candidates, are rightfully owned by their former or concurrent employer. Litigation may be necessary to defend against these claims. Such trade secrets or other proprietary information could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by regulations and governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents or applications will be due to the USPTO and various foreign patent offices at various points over the lifetime of our patents or applications. We have systems in place to remind us to pay these fees, and we rely on our outside patent annuity service to pay these fees when due. Additionally, the USPTO and various foreign patent offices require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with rules applicable to the particular jurisdiction. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If such an event were to occur, it could have a material adverse effect on our business.

We may be subject to claims challenging the inventorship of our patents and other intellectual property.

Although we are not currently experiencing any claims challenging the inventorship or ownership of our patents , we may in the future be subject to claims that former employees, strategic partners or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. While it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. For example, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, or we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Patent protection and patent prosecution for some of our product candidates may be dependent on, and the ability to assert patents and defend them against claims of invalidity may be maintained by, third parties.

There may be times in the future when certain patents that relate to our product candidates or any approved products are controlled by our licensees or licensors. Although we may, under such arrangements, have rights to consult with our strategic partners on actions taken as well as back-up rights of prosecution and enforcement, we have in the past and may in the future relinquish rights to prosecute and maintain patents and patent applications within our portfolio as well as the ability to assert such patents against infringers.

If any current or future licensee or licensor with rights to prosecute, assert or defend patents related to our product candidates fails to appropriately prosecute and maintain patent protection for patents covering any of our product candidates, or if patents covering any of our product candidates are asserted against infringers or defended against claims of invalidity or unenforceability in a manner which adversely affects such coverage, our ability to develop and commercialize any such product candidate may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products.

Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products.

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in the interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowed or found to be enforceable in our patents, in our strategic partners' patents or in third-party patents. The United States has enacted and is currently implementing wide-ranging patent reform legislation. Further, recent U.S. Supreme Court rulings have either narrowed the scope of patent protection available in certain circumstances or weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the validity, scope and value of patents, once obtained.

For our U.S. patent applications containing a priority claim after March 16, 2013, there is a greater level of uncertainty in the patent law. In September 2011, the Leahy-Smith America Invents Act, also known as the America Invents Act, or AIA, was signed into law. The AIA includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation.

The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have an adverse effect on our business. An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications are filed by different parties disclosing or claiming the same invention. A third party that has filed, or does file a patent application in the USPTO after March 16, 2013 but before us, could be awarded a patent covering a given invention, even if we had made the invention before it was made by the third party. This requires us to be cognizant going forward of the time from invention to filing of a patent application.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal court necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Depending on decisions by the U.S. Congress, the U.S. federal courts, the USPTO or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that may weaken our and our licensors' ability to obtain new patents or to enforce existing patents we and our licensors or partners may obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our current or future products, if any, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Recent United States Supreme Court cases have narrowed the scope of what is considered patentable subject matter, for example, in the areas of software and diagnostic methods involving the association between treatment outcome and biomarkers. This could impact our ability to patent certain aspects of our technology in the United States.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Additionally, the requirements for patentability may differ in certain countries, particularly developing countries. For example, unlike other countries, China has a heightened requirement for patentability, and specifically requires a detailed description of medical uses of a claimed drug. In India, unlike the United States, there is no link between regulatory approval of a drug and its patent status. In addition to India, certain countries in Europe and developing countries, including China, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license.

We will need to obtain FDA approval for any proposed product candidate names, and any failure or delay associated with such approval may adversely affect our business.

Any proprietary name or trademark we intend to use for our product candidates will require approval from the FDA regardless of whether we have secured a formal trademark registration from the USPTO. The FDA typically conducts a review of proposed product candidate names, including an evaluation of the potential for confusion with other product names. The FDA may also object to a product name if it believes the name inappropriately implies certain medical claims or contributes to an overstatement of efficacy. If the FDA objects to any product candidate names we propose, we may be required to adopt an alternative name for our product candidates. If we adopt an alternative name, we would lose the benefit of any existing trademark applications for such product candidate and may be required to expend significant additional resources in an effort to identify a suitable product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. We may be unable to build a successful brand identity for a new trademark in a timely manner or at all, which would limit our ability to commercialize our product candidates.

Risks Related to Additional Legal and Compliance Matters

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with federal and state health care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Conduct and Business Ethics, or Code of Conduct, which will be effective immediately prior to the consummation of this offering, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

If we market products in a manner that violates healthcare fraud and abuse laws, or if we violate government price reporting laws, we may be subject to civil or criminal penalties.

In addition to FDA restrictions on the marketing of pharmaceutical products, federal and state healthcare laws restrict certain business practices in the biopharmaceutical industry. Although we currently do not have any

products on the market, we may be subject, and once our product candidates are approved and we begin commercialization will be subject, to additional healthcare laws and regulations enforced by the federal government and by authorities in the states and foreign jurisdictions in which we conduct our business. These state and federal healthcare laws, commonly referred to as "fraud and abuse" laws, have been applied in recent years to restrict certain marketing practices in the pharmaceutical industry, and include, but are not limited to, anti-kickback, false claims, data privacy and security and transparency statutes and regulations.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are several statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Most states also have statutes or regulations similar to the federal anti-kickback law and federal false claims laws, which may apply to items such as pharmaceutical products and services reimbursed by private insurers. Administrative, civil and criminal sanctions may be imposed under these federal and state laws.

Over the past few years, a number of pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of promotional and marketing activities, such as:

- providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers;
- reporting to pricing services inflated average wholesale prices that were then used by federal programs to set reimbursement rates;
- engaging in off-label promotion; and
- submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates.

The civil monetary penalties statute imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

HIPAA created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, including private third-party payors, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of, or payment for, healthcare benefits, items or services.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by HITECH, and its implementing regulations, imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates—independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, and newly empowered state attorneys general with the authority to enforce

HIPAA. In January 2013, the Office for Civil Rights of the U.S. Department of Health and Human Services issued the Final Omnibus Rule under HIPAA pursuant to HITECH that makes significant changes to the privacy, security and breach notification requirements and penalties. The Final Omnibus Rule generally took effect in September 2013 and enhances certain privacy and security protections, and strengthens the government's ability to enforce HIPAA. The Final Omnibus Rule also enhanced requirements for both covered entities and business associates regarding notification of breaches of unsecured protected health information. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways. These state laws may not have the same effect and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Additionally, the PPACA also included the federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members. Failure to comply with required reporting requirements could subject applicable manufacturers and others to substantial civil money penalties.

Also, many states have similar healthcare statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Certain states require pharmaceutical companies to implement a comprehensive compliance program that includes a limit or outright ban on expenditures for, or payments to, individual medical or health professionals and/or require pharmaceutical companies to track and report gifts and other payments made to physicians and other healthcare providers.

If our operations are found to be in violation of any of the healthcare laws or regulations described above or any other laws that apply to us, we may be subject to penalties, including potentially significant criminal, civil or administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion of products from reimbursement under government programs, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings or the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products will be sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

If we do not comply with laws regulating the protection of the environment and health and human safety, our business could be adversely affected.

Our research and development involves, and may in the future involve, the use of potentially hazardous materials and chemicals. Our operations may produce hazardous waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards mandated by local, state and federal laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations and fire and building codes, including those governing laboratory procedures, exposure to blood-borne pathogens, use and storage of flammable agents and the handling of biohazardous materials. Although we maintain workers' compensation insurance as prescribed by the Washington State and the Province of British Columbia to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of these materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. Additional federal, state and local

laws and regulations affecting our operations may be adopted in the future. We may incur substantial costs to comply with, and substantial fines or penalties if we violate, any of these laws or regulations.

We may lose our "foreign private issuer" status in the future, which could result in additional costs and expenses to us.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the Securities and Exchange Commission, or SEC. We may in the future lose foreign private issuer status if a majority of our common shares are held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (i) a majority of our directors or executive officers are U.S. citizens or residents; (ii) a majority of our assets are located in the United States; or (iii) our business is administered principally in the United States. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. If we are not a foreign private issuer, we would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose the ability to rely upon exemptions from corporate governance requirements that are available to foreign private issuers. Further, if we engage in capital raising activities after losing foreign private issuer status, there is a higher likelihood that investors may require us to file resale registration statements with the SEC as a condition to any such financing.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on the research and development, clinical and business expertise of Dr. Ali Tehrani, Ph.D., our President and Chief Executive Officer, Mr. Neil Klompas, our Chief Financial Officer, as well as other members of our senior management, scientific and clinical team. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We currently maintain "key person" insurance coverage for Dr. Tehrani (C$5.0 million) and Mr. Neil Klompas (C$2.0 million). The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. In addition, we will need to expand and effectively manage our managerial, operational, financial, development and other resources in order to successfully pursue our research, development and commercialization efforts for our existing and future product candidates. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited talent pool in our industry due to the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Intense competition for attracting key skill-sets may limit our ability to retain and motivate these key personnel on acceptable terms. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We will need to grow our organization, and we may experience difficulty in managing this growth, which could disrupt our operations.

As of February 28, 2017, we had 128 full-time employees. As our development and commercialization plans and strategies develop, and as we transition into operating as a public company, we expect to expand our employee base for managerial, operational, financial and other resources. Additionally, as our product candidates enter and advance through preclinical studies and any clinical trials, we will need to expand our development, manufacturing, regulatory sales and marketing capabilities or contract with other organizations to provide these capabilities for us. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. Also, our management may need to divert a disproportionate amount of their attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, give rise to operational errors, loss of business opportunities, loss of employees and reduced productivity amongst remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of existing and additional product candidates. If our management is unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate or grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize our product candidates and compete effectively with others in our industry will depend on our ability to effectively manage any future growth.

Risks Related to Our Common Shares and this Offering

Our share price is likely to be volatile and the market price of our common shares after this offering may drop below the price you pay.

You should consider an investment in our common shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. You may be unable to sell your common shares at or above the initial public offering price due to fluctuations in the market price of our common shares arising from changes in our operating performance or prospects. In addition, the stock market has recently experienced significant volatility, particularly with respect to pharmaceutical, biotechnology and other life sciences company stocks. The volatility of pharmaceutical, biotechnology and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock. Some of the factors that may cause the market price of our common shares to fluctuate or decrease below the price paid in this offering include:

- results and timing of our clinical trials and clinical trials of our competitors' products;
- failure or discontinuation of any of our development programs;
- issues in manufacturing our product candidates or future approved products;
- regulatory developments or enforcement in the United States and foreign countries with respect to our product candidates or our competitors' products;
- competition from existing products or new products that may emerge;
- developments or disputes concerning patents or other proprietary rights;
- introduction of technological innovations or new commercial products by us or our competitors;
- announcements by us, our strategic partners or our competitors of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- changes in estimates or recommendations by securities analysts, if any cover our common shares;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;

- public concern over our product candidates or any future approved products;
- litigation;
- future sales of our common shares;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- additions or departures of key personnel;
- changes in the structure of health care payment systems in the United States or overseas;
- failure of any of our product candidates, if approved, to achieve commercial success;
- economic and other external factors or other disasters or crises;
- period-to-period fluctuations in our financial condition and results of operations, including the timing of receipt of any milestone or other payments under commercialization or licensing agreements;
- general market conditions and market conditions for biopharmaceutical stocks;
- overall fluctuations in U.S. equity markets; and
- other factors that may be unanticipated or out of our control.

In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit and divert the time and attention of our management, which could seriously harm our business.

An active trading market for our common shares may not be sustained.

There is currently no public market for our common shares. An active trading market for our shares may not develop or be sustained. If an active market for our common shares does not continue, it may be difficult for our shareholders to sell their shares without depressing the market price for the shares or sell their shares at or above the prices at which they acquired their shares or sell their shares at the time they would like to sell. The initial public offering price of our common shares will be determined through negotiations between us and the underwriters. The initial public offering price may not be indicative of the market price of our common shares after the offering. Any inactive trading market for our common shares may also impair our ability to raise capital to continue to fund our operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

A significant portion of our total outstanding common shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common shares to drop significantly, even if our business is doing well.

Sales of a substantial number of our common shares in the public market could occur in the future. These sales, or the perception in the market that the holders of a large number of common shares intend to sell shares, could reduce the market price of our common shares. Immediately after closing this offering, we will have outstanding common shares. This figure includes the shares sold in this offering, which are eligible to be resold in the public market immediately and the remaining shares that are currently restricted under securities laws or as a result of lock-up agreements but will be able to be resold as described in the “Shares Eligible for Future Sale” section of this prospectus. Moreover, holders of an aggregate of 31,492,303 common shares have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. Certain of the holders of such registration right may not elect to sell any shares in this offering and therefore those holders could require us to file additional registration statements covering their shares in the future. We also intend to file a registration

statement on Form S-8 to register all common shares that we may issue under our stock option plan, and, they therefore can be freely sold in the public market upon issuance and once vested, subject to the lock-up agreements described in the "Underwriting" section of this prospectus.

Substantial future sales of our common shares, or the perception that these sales could occur, may cause the price of our common shares to drop significantly, even if our business is performing well.

A large volume of sales of our common shares could decrease the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales of our common shares does not occur, the mere perception of the possibility of these sales could depress the market price of our common shares and have a negative effect on our ability to raise capital in the future.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to corporate governance standards.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff will be required to perform additional tasks. For example, in anticipation of becoming a public company, we will need to adopt additional internal controls and disclosure controls and procedures, retain a transfer agent and adopt an insider trading policy. As a public company, we will bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws.

In addition, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the related rules and regulations implemented by the SEC, the applicable Canadian securities regulators, the New York Stock Exchange, or NYSE, and the Toronto Stock Exchange, or TSX, have increased legal and financial compliance costs and will make some compliance activities more time consuming. We are currently evaluating these rules, and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment will result in increased general and administrative expenses and may divert management's time and attention from our other business activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. In connection with this offering, we increased our directors' and officers' insurance coverage which increased our insurance cost. In the future, it may be more expensive or more difficult for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

Under the corporate governance standards of the NYSE, a majority of our board of directors and each member of our audit committee must be an independent director no later than the first anniversary of the completion of this offering. The policies of the TSX require our board of directors to consist of at least two independent directors and Canadian securities laws require each member of the audit committee to be independent within the meaning of Canadian securities laws. We may encounter difficulty in attracting qualified persons to serve on our board of directors and the audit committee, and our board of directors and management may be required to divert significant time and attention and resources away from our business to identify qualified directors. If we fail to attract and retain the required number of independent directors, we may be subject to the delisting of our common shares from the NYSE and TSX.

We are a "foreign private issuer" and may have disclosure obligations that are different from those of U.S. domestic reporting companies. As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which could limit the information publicly available to our shareholders.

As a "foreign private issuer", we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. We are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. For example, we are not required to issue quarterly reports, proxy statements that comply with the requirements applicable to U.S. domestic reporting companies, or individual executive compensation information that is as detailed as that required of U.S. domestic reporting companies. We will also have four months after the end of each fiscal year to file our annual reports with the SEC and will not be required to file current reports as frequently or promptly as U.S. domestic reporting companies. Furthermore, our officers, directors and principal shareholders are exempt from the insider reporting and short-swing profit recovery requirements in Section 16 of the Exchange Act. Accordingly, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell their common shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer. As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. As a result of such varied reporting obligations, shareholders should not expect to receive the same information at the same time as information provided by U.S. domestic companies.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices rather than those of the United States, except to the extent that such laws would be contrary to U.S. securities laws, provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all domestic U.S. corporate governance requirements.

We are an "emerging growth company," and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an "emerging growth company," we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an "emerging growth company" for up to five years following the completion of this offering, although, if we have more than $1.0 billion in annual revenue, if the market value of our common shares held by non-affiliates exceeds $700 million as of June 30 of any year, or we issue more than $1.0 billion of non-convertible debt over a three-year period before the end of that five-year period, we would cease to be an "emerging growth company" as of the following December 31. Investors could find our common shares less attractive if we choose to rely on these exemptions. If some investors find our common shares less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common shares and our share price may be more volatile.

In connection with the audit of our financial statements as of and for the years ended December 31, 2014 and 2015 and 2016 material weaknesses in our internal control over financial reporting were identified and we may identify additional material weaknesses in the future.

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting.

In connection with the preparation and audits of our financial statements as of and for the years ended December 31, 2014 and 2015 and 2016 material weaknesses (as defined under the Exchange Act and by the auditing standards of the U.S. Public Company Accounting Oversight Board, or PCAOB) were identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. The identified material weaknesses arose from a lack of resources in our finance function that resulted in (a) the incorrect determination that a beneficial conversion feature existed in a 2013 extension to a convertible debenture, which debenture was settled through conversion in 2014, (b) errors in the calculation of Scientific Research and Experimental Development, or SR&ED, credits and SR&ED receivables for the year ended December 31, 2015 (c) errors in the classification of certain legal expenses related to our intellectual property, for the years ended December 31, 2015 and 2014 and (d) errors in classification of stock options, determination of volatility rates used in the Black-Scholes model, determination of the appropriate marketability discount in a valuation and identification of related parties, for the year ended December 31, 2016, each of which resulted in post-closing audit adjustments.

In light of the identified material weaknesses, it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting in accordance with PCAOB standards, additional control deficiencies may have been identified.

We have begun taking measures, and plan to continue to take measures, to remediate these material weaknesses. However, the implementation of these measures may not fully address these material weaknesses in our internal control over financial reporting, and, if so, we would not be able to conclude that they have been fully remedied. Our failure to correct these material weaknesses or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our common shares, may be materially and adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common shares.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an “emerging growth company” for up to five years. An independent assessment of the

effectiveness of our internal controls could detect problems that our management's assessment might not. In addition, our management and independent registered public accounting firm did not perform an evaluation of our internal control over financial reporting as of December 31, 2014, December 31, 2015 or December 31, 2016, in accordance with the provisions of the Sarbanes-Oxley Act. Had we and our independent registered public accounting firm performed such an evaluation, control deficiencies may have been identified by management or our independent registered public accounting firm, and those control deficiencies could have also represented one or more material weaknesses. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

We do not anticipate paying cash dividends, and accordingly, shareholders must rely on share appreciation for any return on their investment.

We have never paid any dividends on our common shares. We currently intend to retain our future earnings, if any, to fund the development and growth of our businesses and do not anticipate that we will declare or pay any cash dividends on our common shares in the foreseeable future. See "Dividend Policy." The Credit Agreement also contains a negative covenant which prohibits us from paying dividends subject to limited exceptions. As a result, capital appreciation, if any, of our common shares will be your sole source of gain on your investment for the foreseeable future. Investors seeking cash dividends should not invest in our common shares.

Our management team will have broad discretion to use the net proceeds from this offering and its investment of these proceeds may not yield a favorable return. They may invest the proceeds of this offering in ways with which investors disagree.

Our management team will have broad discretion in the application of the net proceeds from this offering and could spend or invest the proceeds in ways with which our shareholders disagree. Accordingly, investors will need to rely on our management team's judgment with respect to the use of these proceeds. We intend to use the proceeds from this offering in the manner described under "Use of Proceeds." The failure by management to apply these funds effectively could negatively affect our ability to operate and grow our business.

We cannot specify with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering. In addition, the amount, allocation and timing of our actual expenditures will depend upon numerous factors, including milestone payments received from our strategic partnerships and royalties received on sale of our approved product and any future approved product. Accordingly, we will have broad discretion in using these proceeds. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could materially harm our business.

Investors in this offering will pay a much higher price than the book value of our common shares and therefore you will incur immediate and substantial dilution of your investment. Furthermore, depending on the pricing of this offering, our outstanding Class A preferred shares may experience a favorable conversion adjustment causing additional dilution of your investment.

The initial public offering price will be substantially higher than the net tangible book value per common share based on the total value of our tangible assets less our total liabilities immediately following this offering. Therefore, if you purchase common shares in this offering, you will experience immediate and substantial dilution of approximately $ per share, representing the difference between our pro forma as adjusted net

tangible book value per share after giving effect to this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus. As at February 28, 2017, we have issued 5,475,330 outstanding stock options and 280,000 outstanding warrants to acquire common shares and an outstanding warrant to acquire 704,081 Class A preferred shares at prices below the assumed initial public offering price. To the extent these outstanding options and warrants are ultimately exercised, you will experience further dilution. See "Dilution."

Moreover, immediately prior to the completion of this offering, each of our outstanding Class A preferred shares will automatically convert into common shares at the applicable conversion ratio then in effect. It is possible that the initial public offering price of our common shares will be lower or higher than the midpoint of the range set forth on the cover page of this prospectus, which would increase or decrease, respectively, the number of common shares to be issued upon the conversion of our Class A preferred shares. We will not know the initial public offering price and, as a result, the total number of common shares to be issued upon such conversion, until the determination of the actual price per share following the effectiveness of the registration statement of which this prospectus forms a part. See "Description of Share Capital — Special Conversion Adjustment for Class A Preferred Shares" for more information about the conversion ratios for our Class A preferred shares.

The NYSE or TSX may delist our securities from its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

We have applied to list our common shares on the NYSE and, we intend to apply to list our common shares on the TSX, under the trading symbol "ZYME." In order to make a final determination of compliance with their listing criteria, the NYSE or TSX may look to the first trading day's activity and, particularly, the last bid price on such day. In the event the trading price for our common shares drops below NYSE or TSX's minimum bid requirements, the NYSE or TSX could rescind our initial listing approval. If we failed to list the common shares on NYSE and TSX, the liquidity for our common shares would be significantly impaired, which may substantially decrease the trading price of our common shares.

In addition, in the future, our securities may fail to meet the continued listing requirements to be listed on the NYSE or TSX. If the NYSE or TSX delists our common shares from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a determination that our common shares is a "penny stock" which will require brokers trading in our common shares to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common shares;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We are governed by the corporate laws of Canada which in some cases have a different effect on shareholders than the corporate laws of the United States.

Immediately prior to the completion of this offering, we will be governed by the BCBCA and other relevant laws, which may affect the rights of shareholders differently than those of a company governed by the laws of a U.S. jurisdiction, and may, together with our charter documents, have the effect of delaying, deferring or discouraging another party from acquiring control of our company by means of a tender offer, a proxy contest or otherwise, or may affect the price an acquiring party would be willing to offer in such an instance. The material differences between the BCBCA and Delaware General Corporation Law, or DGCL, that may have the greatest such effect include, but are not limited to, the following: (i) for certain corporate transactions (such as mergers and amalgamations or amendments to our articles) the BCBCA generally requires the voting threshold to be a

special resolution approved by 66 2/3% of shareholders, or as set out in the articles, as applicable, whereas DGCL generally only requires a majority vote; and (ii) under the BCBCA a holder of 5% or more of our common shares can requisition a special meeting of shareholders, whereas such right does not exist under the DGCL. We cannot predict whether investors will find our company and our common shares less attractive because we are governed by foreign laws.

U.S. civil liabilities may not be enforceable against us, our directors, our officers or certain experts named in this prospectus.

Immediately prior to the completion of this offering, we will be governed by the BCBCA and our principal place of business is in Canada. Many of our directors and officers, as well as certain experts named herein, reside outside of the United States, and all or a substantial portion of their assets as well as all or a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us and such directors, officers and experts or to enforce judgments obtained against us or such persons, in U.S. courts, in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws or any other laws of the United States. Additionally, rights predicated solely upon civil liability provisions of U.S. federal securities laws or any other laws of the United States may not be enforceable in original actions, or actions to enforce judgments obtained in U.S. courts, brought in Canadian courts, including courts in the Province of British Columbia. Furthermore, provisions in our articles that will become effective immediately prior to the consummation of this offering provide that, unless we consent in writing to the selection of an alternative forum, the Supreme Court of British Columbia and the appellate courts therefrom, to the fullest extent permitted by law, will be the sole and exclusive forum for certain actions or proceedings brought against us, our directors and/or our officers. See “Description of Share Capital.”

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common shares will depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We cannot assure you that analysts will cover us or provide favorable coverage. If one or more of the analysts who cover us downgrade our stock or change their opinion of our common shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

U.S. holders of the company’s shares may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

We believe that we were not classified as a passive foreign investment company, or PFIC, for the taxable year ending December 31, 2016. However, the determination as to whether we are a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules that are subject to differing interpretations. If we are a PFIC for any taxable year during which a U.S. Holder (as defined under “United States Federal Income Tax Considerations for United States Holders”) holds the common shares, it would likely result in adverse U.S. federal income tax consequences for such U.S. Holder. U.S. Holders should carefully read “United States Federal Income Tax Considerations for United States Holders” for more information and consult their own tax advisors regarding the likelihood and consequences if we are treated as a PFIC for U.S. federal income tax purposes, including the advisability of making a “qualified electing fund” election (including a protective election), which may mitigate certain possible adverse U.S. federal income tax consequences but may result in an inclusion in gross income without receipt of such income.

Insiders have substantial control over us which could delay or prevent a change in corporate control or result in the entrenchment of management or the board of directors.

After this offering, our directors, executive officers and principal shareholders, together with their affiliates and related persons, will beneficially own, in the aggregate, approximately % of our outstanding common shares. As a result, these shareholders, if acting together, may have the ability to determine the outcome of matters submitted to our shareholders for approval, including the election and removal of directors and any merger, or sale of all or substantially all of our assets. In addition, these persons, acting together, may have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership may harm the market price of our common shares by:

- delaying, deferring, or preventing a change in control;
- entrenching our management or the board of directors;
- impeding a merger, takeover, or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Provisions in our corporate charter documents and Canadian law could make an acquisition of us, which may be beneficial to our shareholders, more difficult and may prevent attempts by our shareholders to replace or remove our current management and/or limit the market price of our common shares.

Provisions in our notice of articles and articles that will become effective immediately prior to consummation of this offering, as well as certain provisions under the BCBCA, and applicable Canadian securities laws, may discourage, delay or prevent a merger, acquisition or other change in control of us that shareholders may consider favorable, including transactions in which they might otherwise receive a premium for their common shares. These provisions include the establishment of a staggered board of directors, which divides the board into three groups, with directors in each group serving a three-year term. The existence of a staggered board can make it more difficult for shareholders to replace or remove incumbent members of our board of directors. As such, these provisions could also limit the price that investors might be willing to pay in the future for our common shares, thereby depressing the market price of our common shares. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors. Among other things, these provisions include the following:

- shareholders cannot amend our articles unless such amendment is approved by shareholders holding at least a majority of the shares entitled to vote on such approval;
- our board of directors may, without shareholder approval, issue preferred shares having any terms, conditions, rights, preferences and privileges as the board of directors may determine; and
- shareholders must give advance notice to nominate directors or to submit proposals for consideration at shareholders' meetings.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes “forward-looking statements” within the meaning of U.S. securities laws and “forward-looking information” within the meaning of Canadian securities laws, or collectively, forward-looking statements. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” Forward-looking statements can often be identified by the use of terminology such as “subject to”, “believe,” “anticipate,” “plan,” “expect,” “intend,” “estimate,” “project,” “may,” “will,” “should,” “would,” “could,” “can,” the negatives thereof, variations thereon and similar expressions, or by discussions of strategy. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, forward-looking statements in this prospectus include, but are not limited to, statements about:

- the size of our addressable markets and our ability to commercialize product candidates;
- the achievement of advances in and expansion of our therapeutic platforms and antibody engineering expertise;
- the likelihood of product candidate development and clinical trial success;
- our ability to predict and manage government regulation; and
- the proposed use of proceeds of this offering.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Certain assumptions made in preparing the forward-looking statements include:

- our ability to manage our growth effectively;
- the absence of material adverse changes in our industry or the global economy;
- trends in our industry and markets;
- our ability to maintain good business relationships with our strategic partners and partners;
- our ability to comply with current and future regulatory standards;
- our ability to protect our intellectual property rights;
- our continued compliance with third-party license terms and the non-infringement of third-party intellectual property rights;
- our ability to manage and integrate acquisitions;
- our ability to retain key personnel; and
- our ability to raise sufficient debt or equity financing to support our continued growth.

We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under “Risk Factors”), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- our ability to obtain regulatory approval for our product candidates without significant delays;
- the predictive value of our current or planned clinical trials;

- delays with respect to the development and commercialization of our product candidates, which may cause increased costs or delay receipt of product revenue;
- our ability to enroll subjects in clinical trials and thereby complete trials on a timely basis;
- the design or our execution of clinical trials may not support regulatory approval;
- the potential for our product candidates to have undesirable side effects;
- our ability to face significant competition;
- no regulatory agency has made a determination that any of our product candidates are safe or effective for use by the general public or for any indication;
- the competitive threat of biosimilar products;
- the likelihood of broad market acceptance of our product candidates;
- our ability to obtain Orphan Drug Designation or exclusivity for some or all of our product candidates;
- our ability to commercialize products outside of the United States;
- the outcome of reimbursement decisions by third-party payors relating to our products;
- our expectations with respect to the market opportunities for any product that we or our strategic partners develop;
- our ability to pursue product candidates that may be profitable or have a high likelihood of success;
- our ability to use and expand our therapeutic platforms to build a pipeline of product candidates;
- our ability to meet the requirements of ongoing regulatory review;
- the threat of product liability lawsuits against us or any of our strategic partners;
- changes in product candidate manufacturing or formulation that may result in additional costs or delay;
- the potential disruption of our business and dilution of our shareholdings associated with acquisitions and joint ventures;
- the potential for foreign governments to impose strict price controls;
- the risk of security breaches or data loss, which could compromise sensitive business or health information;
- current and future legislation that may increase the difficulty and cost of commercializing our product candidates;
- economic, political, regulatory and other risks associated with international operations;
- our exposure to legal and reputational penalties as a result of any of our current and future relationships with various third parties;
- our ability to comply with export control and import laws and regulations;
- our history of significant losses since inception;
- our ability to generate revenue from product sales and achieve profitability;
- our requirement for substantial additional funding;
- the potential dilution to our shareholders associated with future financings;
- unstable market and economic conditions;
- currency fluctuations and changes in foreign currency exchange rates;
- restrictions on our ability to seek financing, which are imposed by our current credit agreement and or may be imposed by future debt;

- our ability to maintain existing and future strategic partnerships;
- our ability to realize the anticipated benefits of our strategic partnerships;
- our ability to secure future strategic partners;
- our intention to rely on third-party manufacturers to produce our clinical product candidate supplies;
- our reliance on third parties to oversee clinical trials of our product candidates and, in some cases, maintain regulatory files for those product candidates;
- our reliance on the performance of independent clinical investigators and CROs;
- our reliance on third parties for various operational and administrative aspects of our business including our reliance on third parties' cloud-based software platforms;
- our ability to operate without infringing the patents and other proprietary rights of third parties;
- our ability to obtain and enforce patent protection for our product candidates and related technology;
- our patents could be found invalid or unenforceable if challenged;
- our intellectual property rights may not necessarily provide us with competitive advantages;
- we may become involved in expensive and time consuming patent lawsuits;
- we may be unable to protect the confidentiality of our proprietary information;
- the risk that the duration of our patents will not adequately protect our competitive position;
- our ability to obtain protection under the Hatch-Waxman Amendments and similar foreign legislation;
- our ability to comply with procedural and administrative requirements relating to our patents;
- the risk of claims challenging the inventorship of our patents and other intellectual property;
- our intellectual property rights for some of our product candidates are dependent on the abilities of third parties to assert and defend such rights;
- patent reform legislation and court decisions can diminish the value of patents in general, thereby impairing our ability to protect our products;
- we may not be able to protect our intellectual property rights throughout the world;
- we will require FDA approval for any proposed product candidate names and any failure or delay associated with such approval may adversely affect our business;
- the risk of employee misconduct including noncompliance with regulatory standards and insider trading;
- our ability to market our products in a manner that does not violate the law and subject us to civil or criminal penalties;
- if we do not comply with law regulating the protection of the environment and health and human safety, our business could be adversely affected;
- we risk losing our "foreign private issuer" status;
- our ability to retain key executives and attract and retain qualified personnel; and
- our ability to manage organizational growth.

Consequently, forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events, except as required by law.

PRESENTATION OF FINANCIAL INFORMATION

We prepare and report our consolidated financial statements in accordance with U.S. GAAP. We maintain our books and records in U.S. dollars.

We have made rounding adjustments to some of the figures included in this prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE DATA

We express all amounts in this prospectus in U.S. dollars, except where otherwise indicated. References to "$" and "US$" are to U.S. dollars and references to "C$" are to Canadian dollars. The following table sets forth, for the periods indicated, the high, low, average and end of period noon rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada during the respective periods.

	Year Ended December 31,		
	2014	2015	2016
Highest rate during the period	1.1643	1.3990	1.4589
Lowest rate during the period	1.0614	1.1728	1.2544
Average noon spot rate for the period(1)	1.1084	1.2907	1.3231
Rate at the end of the period	1.1601	1.3840	1.3427

(1) Determined by averaging the rates on the last day of each month during the respective period.

On February 28, 2017, the Bank of Canada noon rate of exchange was $1.00 = C$1.3248. On March 30, 2017, the Bank of Canada noon rate of exchange was $1.00 = C$1.3279.

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our market position, market opportunity and market size, is based on information from various sources such as industry publications, on assumptions that we have made based on such data and other similar sources and on our knowledge of the markets for our products. These data involve a number of assumptions and limitations. We have not independently verified any third-party information.

In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million, based upon an assumed initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares from us in full, we estimate that the net proceeds will be approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 common shares in the number of common shares offered by us would increase or decrease the net proceeds to us from this offering by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We are undertaking this offering in order to increase our liquidity and raise capital to further develop and advance our pipeline of product candidates. We intend to use the net proceeds of this offering as follows:

- approximately $ million to $ million to fund clinical development expenses for ZW25 through our ongoing adaptive Phase 1 clinical trial (approximately $ million to $ million), including monotherapy and combination therapy cohort expansion arms, as well as to potentially commence Phase 2 randomized studies or accelerated registrational studies (approximately $ million to $ million), and additional product candidate manufacturing (approximately $ million to $ million);
- approximately $ million to $ million to fund clinical development expenses for ZW33 through our planned Phase 1 clinical trial and additional product candidate manufacturing;
- approximately $ million to $ million to fund the development of additional product candidates in our pipeline, including our bispecific ADC, T-Cell engaging bispecific and checkpoint modulating bispecific programs (see “Business – Overview – Our Pipeline of Product Candidates and Discovery Programs”); and
- the remainder for working capital and general corporate purposes, which may include other research and development programs, such as our proprietary therapeutic platforms (see “Business – Overview – Overview of our Proprietary Therapeutic Platforms.”)

We may also use a portion of the net proceeds in connection with any exercise of co-development or co-promotion rights under our current or future strategic partnerships; however, no such rights exist or are currently exercisable. In addition, we may also use a portion of the net proceeds to acquire, license and invest in complementary products, technologies or businesses; however, we currently have no agreements or commitments to complete any such transaction.

We currently conduct our research development, or R&D, using a hybrid model approach where both computational and wet-lab methods are employed. All of the computational R&D is performed internally whereas a majority of the wet-lab R&D is subcontracted to third party contract research and manufacturing organizations. For research, a significant portion of the subcontracted work is performed by Canadian companies and institutions (e.g. National Research Council of Canada and universities); however, certain activities may transition internally as our laboratory facility becomes operational. In contrast, the majority of the subcontracted development and manufacturing work is performed by international companies.

We have established cGMP manufacturing processes for the manufacturing of our product candidates, ZW25 and ZW33. We have manufactured sufficient quantities of ZW25 and ZW33 to satisfy our near-term clinical trial requirements. Pending potential future clinical and commercial needs, we will be required to

produce additional quantities of ZW25 and ZW33. Additionally, there may be opportunities to further optimize the manufacturing processes for ZW25 and ZW33 to minimize the cost of goods prior to commercial production of these compounds.

We have funded our operations with proceeds from equity financings and collaboration payments, and expect to seek additional financing through equity financings and strategic collaborations to finance our product development and corporate growth. Although it is difficult to predict future liquidity requirements, based upon our current operating plan, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents will enable us to continue to advance the clinical development of our ZW25 and ZW33 product candidates. We may also be eligible to receive certain research, development and commercial milestone payments in the future, as described under "Business – Strategic Partnerships and Collaborations." However, because successful development of our product candidates and the achievement of milestones by our strategic partners is uncertain, we are unable to estimate the actual funds we will require to complete the research, development and commercialization of our product candidates. See "Risk Factors – Risk Related to Our Dependence on Third Parties – We may not realize the anticipated benefits of our strategic partnerships."

This expected use of the net proceeds of this offering represents our intentions based on our current plans and business conditions, which could change in the future as our plans and business conditions evolve. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering or the amounts that we will actually spend on the uses set forth above. The amounts, allocation and timing of our actual expenditures will depend upon numerous factors, including:

- the focus, scope and results of our research, drug discovery, preclinical and clinical development activities;
- the type, number, costs and results of clinical trials for our product candidates;
- regulatory actions relating to our product candidates;
- our ability to achieve milestones and obtain royalty payments from our strategic partners;
- whether any co-funding or co-promotion rights under our strategic partnerships are exercised;
- competitive and technological developments; and
- the rate of growth, if any, of our business.

Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in a variety of capital preservation investments, including short-term, interest-bearing, investment-grade securities, certificates of deposit or government securities.

Business Objectives and Milestones

We expect that the net proceeds from the offering will allow us to continue the development of ZW25 through to estimated completion of its ongoing adaptive Phase 1 clinical trial, including dose escalation in the second quarter of 2017, as well as monotherapy and combination therapy cohort expansion arms in the fourth quarter of 2018, and potentially commence Phase 2 randomized clinical trials or accelerated registration clinical trials in either the second half of 2018 or the first quarter of 2019. In addition, the net proceeds will enable us to continue the development of ZW33 through to estimated completion of our planned Phase 1 clinical trial in the second half of 2018. Our product development progress is contingent upon a number of factors, and there can be no assurances that we will complete each stage of development in accordance with the timelines and estimated costs set out above, or at all. See "Risk Factors."

DIVIDEND POLICY

We have never paid any dividends on our common shares or any of our other securities. We currently intend to retain any future earnings to finance the growth and development of our business, and we do not anticipate that we will declare or pay any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements, restrictions under any future indebtedness and other factors the board of directors deems relevant. In addition, the terms of the Credit Agreement restrict our ability to pay dividends to limited circumstances.

CAPITALIZATION

The following table indicates our capitalization, cash and cash equivalents, short-term investments and long-term debt at December 31, 2016:

- on an actual basis;
- on a pro forma basis to reflect the automatic estimated conversion of our outstanding Class A preferred shares into common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in below, and to reflect the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase of our common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in below, and the resultant reclassification of our common share warrant liability to additional paid-in capital, a component of total shareholders' equity, in connection with such conversion, each of which will occur immediately prior to the consummation of this offering; and
- on a pro forma as adjusted basis to give further effect to our issuance and sale of common shares in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our cash, cash equivalents and short-term investments and consolidated capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing. You should read this table together with "Selected Historical Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Condensed Consolidated Financial Statements," and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2016		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(dollar in thousands, except share data)		
Cash and cash equivalents	$ 16,437	$	$
Short-term investments	23,824		
Long-term debt	$ 4,417	$ —	$ —
Common share purchase warrant liabilities	1,028	—	—
Preferred share purchase warrant liabilities	3,314	—	—
Redeemable, convertible preferred shares and shareholders' equity:			
Redeemable, convertible preferred shares, 15,306,123 authorized shares, no par value; 12,554,665 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted.	58, 860		
Common shares, unlimited authorized shares, no par value; 31,327,561 shares issued and outstanding, actual; shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	106,595		
Additional paid-in capital	6,856		
Accumulated other comprehensive loss	(6,659)		
Accumulated deficit	(97,790)		
Total shareholders' equity	$ 9,002	$	$
Consolidated capitalization	$ 76,621	$	$

(1) A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase or decrease, as

applicable, pro forma as adjusted cash and cash equivalents, additional paid-in capital and total shareholders' equity by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable us. An increase or decrease of 1,000,000 common shares in the number of shares offered by us would increase or decrease, as applicable, the pro forma as adjusted cash and cash equivalents and additional paid-in capital and total preferred shares and shareholders' equity by approximately $, assuming that the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable us.

The number of common shares shown as outstanding in the table above is based on 43,882,226 common shares after giving effect to the estimated conversion of all outstanding Class A convertible preferred shares as of December 31, 2016, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in below, which will occur immediately prior to the consummation of this offering, into an aggregate of common shares and excludes:

- 2,184,871 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of December 31, 2016, at a weighted-average exercise price of C$3.61 per share (or $2.72 per share, as converted);
- 2,387,304 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of December 31, 2016, at a weighted-average exercise price of C$6.08 per share (or $4.59 per share, as converted);
- 1,693,337 common shares reserved for future issuance under our stock option plan;
- 280,000 common shares issuable upon the exercise of outstanding common share warrants, at an exercise price of C$4.86 per share (or $3.67 per share, as converted); and
- common shares issuable upon the exercise of an outstanding Class A preferred share warrant, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," at an exercise price of $4.90 per share.

For additional information regarding our capital structure, see "Management — Employee Benefit Plans," "Description of Share Capital" and Note 11 of the Notes to our consolidated financial statements included elsewhere in this prospectus.

Special Conversion Adjustment for Class A Preferred Shares

Immediately prior to the completion of this offering, each of our outstanding Class A preferred shares will automatically convert into common shares at the applicable conversion ratio then in effect. See "Description of Share Capital — Special Conversion Adjustment for Class A Preferred Shares" for more information about the conversion ratios for our Class A preferred shares. The number of common shares to be issued upon the conversion of all outstanding Class A preferred shares depends, in part, on the initial public offering price of our common shares. We expect the initial public offering price of our common shares to be between $ and $ per share, as set forth on the cover page of this prospectus. However, the actual initial public offering price may be lower or higher than the midpoint of this range, which would increase or decrease, respectively, the number of common shares to be issued upon the conversion of our Class A preferred shares, as described in more detail below. We will not know the initial public offering price and, as a result, the total number of common shares to be issued upon the conversion of the Class A preferred shares, until the determination of the actual price per share following the effectiveness of the registration statement of which this prospectus forms a part. The

terms of our Class A preferred shares provide that the ratio at which such shares automatically convert into common shares in connection with this offering will increase if the initial public offering price is below $7.35 per share, or the Conversion Threshold Price. If the initial public offering price is below the Conversion Threshold Price for the Class A preferred shares, the conversion ratio will be adjusted to be the ratio determined by (i) dividing $4.90 by (ii) the quotient obtained by dividing (a) the initial public offering price by (b) 1.5, which would result in additional common shares being issued upon conversion of our Class A preferred shares upon the completion of this offering. The special conversion adjustment applicable to the Class A preferred shares are similarly applicable to all outstanding warrants to purchase Class A preferred shares.

The table below shows the effect of the special conversion adjustment of the Class A preferred shares at various initial public offering prices (i.e., the increase in number of common shares issued and outstanding pro forma and pro forma as adjusted in the table above). The initial public offering prices below of $, $ or $, represent the low, mid and highpoint of the estimated price range set forth on the cover page if this prospectus. The initial public offering prices shown in the table below are hypothetical and illustrative.

Initial Public Offering Price Per Share	Increase in the Number of Common Shares Issued Upon Conversion of Class A Convertible Preferred Shares	Total Number of Common Shares to be Outstanding after this Offering
$		
$		
$		

DILUTION

If you invest in our common shares in this offering, your interest will be immediately diluted to the extent of the difference between the initial public offering price per common share and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our historical net tangible book value as of December 31, 2016 was $35.22 million, or $1.12 per share. The historical net tangible book value (deficit) per share represents the amount of our total tangible assets (total assets less intangible assets) less our total liabilities, divided by the number of common shares outstanding as of December 31, 2016.

Our pro forma net tangible book value as of December 31, 2016 was $ million, or $ per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of common shares after giving effect to (1) the amendment and redesignation of our Class A preferred shares as common shares and (2) the estimated conversion of our outstanding Class A preferred shares into common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustments more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares;" and to reflect the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," and the resultant reclassification of our common share warrant liability to additional paid-in capital, a component of total shareholders' equity, in connection with such conversion, each of which will occur immediately prior to the consummation of this offering.

After giving effect to (1) the estimated conversion of the outstanding Class A preferred shares into common shares immediately prior to the consummation of this offering, assuming an initial public offering price of $ per common share (the midpoint of the estimated price range set forth on the cover page of this prospectus) and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares"; (2) the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustments more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares," which will occur immediately prior to the consummation of this offering; (3) the issuance of common shares in this offering; and (4) receipt of the net proceeds from the sale of common shares in this offering at an assumed initial public offering price of $ per common share (the midpoint of the estimated price range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, the pro forma as adjusted net tangible book value as of December 31, 2016 would have been approximately $ million, or $ per common share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per common share to existing shareholders and an immediate dilution of $ per common share to new investors purchasing common shares in this offering.

The following table illustrates this dilution on a per common share basis to new investors:

Assumed initial price to public per common share	$
Historical net tangible book value per common share as of December 31, 2016	$ 1.12
Decrease per common share attributable to conversion of Class A preferred shares	
Pro forma net tangible book deficit per common share before this offering	
Increase in net tangible book value per common share attributable to investors participating in this offering	
Pro forma as adjusted net tangible book value per common share, as adjusted to give effect to this offering	
Pro forma dilution per common share to investors participating in this offering	$

Each $1.00 increase or decrease in the assumed initial public offering price of $ per common share (the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, the pro forma as adjusted net tangible book value by approximately $ million, or approximately $ per common share, and increase or decrease the pro forma dilution per share to investors in this offering by approximately $ per common share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of common shares we are offering. An increase or decrease of 1,000,000 common shares in the number of shares offered by us would increase or decrease, as applicable, the pro forma as adjusted net tangible book value by approximately $, or $ per common share, and the pro forma dilution per common share to investors in this offering by $ per common share, assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

The following table summarizes, as of December 31, 2016, on a pro forma as adjusted basis as described above, the aggregate number of common shares, as well as the total consideration and the average price per share paid to us by existing shareholders and to be paid by new investors acquiring shares in this offering.

	Shares Acquired		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing shareholders		%	$	%	$
New investors					$
Totals		100%	$	100%	

If the underwriters' option to purchase additional common shares to cover over-allotments, if any, in connection with this offering, is exercised in full, the number of shares held by the existing shareholders after this offering would be reduced to % of the total number of shares outstanding after this offering, and the number of shares held by new investors would increase to shares, or % of the total number of shares outstanding after this offering.

The number of common shares shown as outstanding in the table above is based on common shares after giving effect to the automatic conversion of all outstanding Class A convertible preferred shares as of December 31, 2016, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares," which will occur immediately prior to the consummation of this offering, into an estimated aggregate of common shares and excludes:

- 2,184,871 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of December 31, 2016, at a weighted-average exercise price of C$3.61 per share (or $2.72 per share, as converted);
- 2,387,304 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of December 31, 2016, at a weighted-average exercise price of C$6.08 per share (or $4.59 per share, as converted);
- 1,693,337 common shares reserved for future issuance under our stock option plan;
- 280,000 common shares issuable upon the exercise of outstanding common share warrants, at a weighted-average exercise price of C$4.86 per share (or $3.67 per share, as converted); and

- common shares issuable upon the exercise of an outstanding Class A preferred share warrant, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares," at an exercise price of $4.90 per share.

To the extent that new options are issued under our share-based compensation plans or we issue additional common shares, convertible debt or equity-linked instruments in the future, there will be further dilution to investors participating in this offering.

Special Conversion Adjustment for Class A Preferred Shares

As discussed in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares" and "Description of Share Capital —Special Conversion Adjustment for Class A Preferred Shares," the number of common shares to be issued upon the conversion of all outstanding Class A preferred shares depends, in part, on the initial public offering price of our common shares. We expect the initial public offering price of our common shares to be between $ and $ per share, as set forth on the cover page of this prospectus. However, the actual initial public offering price may be lower or higher, which would increase or decrease, respectively, the number of common shares to be issued upon the conversion of our Class A preferred shares, as described in more detail below. We will not know the initial public offering price and, as a result, the total number of common shares to be issued upon the conversion of the Class A preferred shares, until the determination of the actual price per share following the effectiveness of the registration statement of which this prospectus forms a part.

The table below shows the effect of the special conversion adjustment of the Class A preferred shares at various initial public offering prices on our tangible book value and the dilution to new investors. The initial public offering prices below of $, $ or $, represent the low, mid and highpoint of the estimated price range set forth on the cover page if this prospectus. The initial public offering prices shown in the table below are hypothetical and illustrative.

	As of December 31, 2016		
IPO Price Per Share	**Pro Forma Net Tangible Book Value Per Share**	**Pro Forma As Adjusted Net Tangible Book Value Per Share**	**Dilution Per Common Share to New Investors in This Offering**
$	$	$	$
$	$	$	$
$	$	$	$

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data for the years ended December 31, 2014, 2015 and 2016 and the consolidated balance sheet data as of December 31, 2015 and 2016 included in this prospectus have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. dollars except where otherwise indicated. Our historical results are not necessarily indicative of the results we expect in the future. The following data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Unaudited Pro Forma Condensed Consolidated Financial Statements" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	Year Ended December 31,		
	2014	2015	2016
	(dollars in thousands except share and per share amounts)		
Consolidated Statements of Operations Data:			
Revenue	$ 1,670	$ 9,660	$ 11,009
Operating expenses:			
Research and development	12,622	24,654	36,816
Government grants and credits	(2,149)	(251)	(1,265)
	10,473	24,403	35,551
General and administrative	3,945	5,217	12,554
Impairment on acquired IPR&D	—	—	768
Total operating expenses	14,418	29,620	48,873
Loss from operations	(12,748)	(19,960)	(37,864)
Change in fair value of warrant liabilities	—	—	(808)
Other income (expense)	(194)	824	(212)
Loss before income taxes	(12,942)	(19,136)	(38,884)
Income tax expense	—	(34)	(430)
Deferred income tax benefit	—	—	5,505
Net loss	$ (12,942)	$ (19,170)	$ (33,809)
Net loss per common share (basic and diluted)	$ (0.74)	$ (0.71)	$ (1.11)
Weighted-average number of common shares (basic and diluted)	17,479,680	26,888,906	30,397,535
Pro forma basic net loss per common share(1)		$ (0.71)	$ (0.79)
Pro forma diluted net loss per common share(1)		$ (0.71)	$ (0.79)
Pro forma basic weighted-average number of common shares(1)		26,888,906	42,746,386
Pro forma diluted weighted-average number of common shares(1)		26,888,906	42,746,386

(1) The pro forma basic and diluted net loss per share reflects the estimated conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering, assuming (i) an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares," and (ii) all such Class A

preferred shares had been converted to common shares for all periods in which such Class A preferred shares were outstanding.

	As of December 31,	
	2015	2016
	(dollars in thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$11,519	$16,437
Short-term investments	3,641	23,824
Working capital (deficit)	12,828	29,928
Total assets	23,149	93,995
Total liabilities	4,910	26,133
Total shareholders' equity and preferred shares	18,239	67,862

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements reflect the historical financial statements of Zymeworks on a pro forma basis to give effect to our March 18, 2016 acquisition of Kairos. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Acquisition of Kairos.”

Our (i) unaudited pro forma condensed consolidated statement of loss for the year ended December 31, 2016 and (ii) unaudited pro forma condensed consolidated statement of loss for the year ended December 31, 2015, have each been prepared giving effect to the acquisition of Kairos as if the acquisition had occurred on January 1, 2015. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with our historical financial statements and related notes for the periods presented.

The pro forma adjustments to our unaudited historical condensed consolidated financial statements are based on currently available information and certain estimates and assumptions. The actual effect of the transaction discussed in the accompanying notes may differ from the unaudited pro forma adjustments included herein. However, we believe that the assumptions utilized to prepare the pro forma adjustments provide a reasonable basis for presenting the significant effects of the transaction and that the unaudited pro forma adjustments are factually supportable, give appropriate effect to the impact of the events that are directly attributable to the transaction, and reflect those items expected to have a continuing impact on our financial condition.

The unaudited pro-forma financial statements do not necessarily reflect what the combined company’s results of operations would have been had the acquisition occurred on January 1, 2015. They may also not be useful in predicting future results of operations for the combined company. The actual results from operations may differ significantly from the pro forma results reflected therein. The combined results of operations do not reflect the realization of any expected cost savings or other synergies from the acquisition of Kairos as a result of planned cost savings or other initiatives following the completion of the acquisition.

For further information on the pro forma condensed consolidated financial statements, see our unaudited pro forma condensed consolidated financial statements and related notes appearing elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations contains important information about Zymeworks' business and its performance for the years ended December 31, 2014, 2015 and 2016 and should be read together with our consolidated financial statements, prepared in accordance with U.S. GAAP, and the related notes and the other financial information included elsewhere in this prospectus. Amounts for subtotal, totals and percentage variances included in tables may not sum or calculate using the numbers as they appear in the tables due to rounding. This discussion contains forward-looking statements that involve significant risks and uncertainties. Our actual results, performance and achievements could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Overview

Zymeworks is an innovative, clinical-stage biopharmaceutical company dedicated to the discovery, development and commercialization of next-generation multifunctional biotherapeutics, initially focused on the treatment of cancer. Our suite of complementary therapeutic platforms and our fully-integrated drug development engine provide the flexibility and compatibility to precisely engineer and develop highly-differentiated product candidates. These capabilities have resulted in multiple wholly-owned product candidates with the potential to drive superior outcomes in large underserved and unaddressed patient populations, as further described below.

Our lead product candidate, ZW25, is a novel bispecific antibody currently being evaluated in an adaptive Phase 1 clinical trial, targeting two distinct domains of the HER2 receptor. This unique design enables ZW25 to address patient populations with all levels of HER2 expression, including those with low to intermediate HER2-expressing tumors, who are otherwise limited to chemotherapy or hormone therapy. Approximately 81% of patients with HER2-expressing breast cancer and 57% of patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2-targeted therapies, such as Herceptin and Perjeta. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumour activity across multiple cancer types in patients who have progressed after second lines of treatment HER2- targeted therapies. Our second product candidate, ZW33, capitalizes on the unique design of ZW25 and is a bispecific ADC based on the same antibody framework as ZW25 but armed with a cytotoxic payload. We designed ZW33 to be a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression for which we expect to initiate a Phase I clinical trial in the first half of 2017. We are also advancing a deep pipeline of preclinical product candidates and discovery-stage programs in immuno-oncology and other therapeutic areas. In addition to our wholly-owned pipeline, two of our therapeutic platforms have been further leveraged through multiple revenue-generating strategic partnerships with the following global pharmaceutical companies: Merck, Lilly, Celgene, GSK and Daiichi.

Our proprietary capabilities and technologies include four modular, complementary platforms that can be easily used in combination with each other and with existing approaches. This ability to layer technologies without compromising manufacturability enables us to engineer next-generation biotherapeutic product candidates with synergistic activity, which we believe will result in superior patient outcomes. Our core platforms include Azymetric, ZymeLink, EFECT and AlbuCORE. These therapeutic platforms are enabled by our protein engineering expertise and proprietary structure-guided molecular modeling capabilities. Together with our internal antibody discovery and generation technologies, we have established a fully-integrated drug development engine and toolkit that is capable of rapidly delivering a steady pipeline of next-generation product candidates in oncology and potentially other therapeutic areas.

We commenced active operations in 2003, and have since devoted substantially all of our resources to research and development activities including developing our therapeutic platforms, identifying and developing

potential product candidates and undertaking preclinical studies as well as providing general and administrative support, business planning, raising capital and protecting our intellectual property. We have not generated any revenue from product sales to date and do not expect to do so until such time as we obtain regulatory approval of and commercialize one or more of our product candidates. We cannot be certain of the timing or success of approval of our product candidates. We have financed our operations primarily through private equity placements, an issuance of convertible debentures, payments received under license and collaboration agreements, government grants and Scientific Research and Experimental Development, or SR&ED, tax credits. From inception through December 31, 2016, we received $142.5 million, net of share issue costs, from private equity placements, and the issuance of convertible debt which subsequently converted into equity securities. Payments received from our license and collaboration agreements include upfront fees and milestone payments as well as research support and reimbursement payments through our strategic partnerships and government grants. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our existing cash and cash equivalents and short term investments as of December 31, 2016, combined with the collaboration payments we anticipate receiving, together with the estimated net proceeds of this offering, will enable us to fund the clinical and preclinical development of our lead product candidates for at least the next twelve months.

Through December 31, 2016, we had an accumulated deficit of $97.8 million. We reported a net loss of $33.8 million for the year ended December 31, 2016. We expect that over the next several years we will increase our research and development expenditures in connection with the ongoing development of our product candidates and other clinical, preclinical and regulatory activities.

Acquisition of Kairos

On December, 21 2015, we acquired a 19.99% ownership interest in Kairos, a privately held company specializing in the discovery and development of ADCs, for $3.6 million (C$5.0 million), paid in cash, which was accounted for under the equity method. On March 18, 2016, we completed the acquisition of the remaining shares of Kairos for approximately $24.8 million (C$32.3 million). The consideration was comprised of $23.0 million (C$30.0 million) in common share equity of Zymeworks, and $1.7 million (C$2.3 million) in cash, pursuant to a net working capital adjustment determined at closing. At the time of acquisition, we issued 3,628,572 common shares having a fair value of $19.2 million (C$25.0 million) as part of the consideration. The remaining 725,714 common shares, having a fair value of $3.8 million (C$5.0 million), were held back for a period of six months under the terms of the agreement for the sellers' satisfaction of general representations and warranties and potential working capital adjustments and were issuable in six months, subject to adjustments for any undisclosed matters that may have arisen during that period. On September 18, 2016, 721,445 common shares were issued after accounting for the finalization of adjustments relating to certain additional pre-acquisition invoices. Subsequent to the acquisition, the name of Kairos was changed to Zymeworks Biochemistry Inc. Effective as of January 1, 2017, we completed a short-form amalgamation with Zymeworks Biochemistry Inc.

The acquisition is accounted for in accordance with Accounting Standards Codification, or ASC, 805 Business Combinations. The purchase consideration has been allocated on a preliminary basis based on management's best estimates at the time the consolidated financial statements for the year ended December 31, 2016 were prepared. As a result of the allocation of consideration, $20.7 million has been allocated to the in-process research and development intangible asset, or IPR&D, and $12.0 million has been allocated to goodwill. During the year ended December 31, 2016, we recorded a $0.1 million loss related to the equity in Kairos and a $0.2 million gain related to increase in fair value of equity investment at the time of the acquisition. For more detail and Kairos' historical financial statements and our unaudited pro forma financial information, see "Unaudited Pro Forma Condensed Consolidated Financial Statements," our consolidated financial statements and the related notes included elsewhere in this prospectus.

Strategic Partnerships and Licenses

Our unique combination of proprietary protein engineering capabilities and resulting therapeutic platform technologies was initially recognized by Merck and Lilly, with whom we established strategic partnerships focused on our Azymetric and EFECT therapeutic platforms. We subsequently entered into broader strategic partnerships with Celgene and GSK and a collaboration and cross-licensing agreement with Daiichi. Following the completion of the initial agreements with Merck, Lilly and GSK, the relationships were subsequently expanded to include either additional licenses or therapeutic platforms. These strategic partnerships have provided non-dilutive funding as well as access to proprietary therapeutic assets, and increase our ability to rapidly advance our product candidates while maintaining worldwide commercial rights to our wholly-owned therapeutic pipeline. Our strategic partnerships include the following:

- *Research and License Agreement with Merck*

  In August 2011, we entered into a research and license agreement with Merck, which was amended and restated in December 2014, to develop and commercialize three bispecific antibodies generated through the use of the Azymetric and EFECT platforms. Under the terms of the agreement, we granted Merck a worldwide, royalty-bearing antibody sequence pair exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $190.75 million, including an upfront payment ($1.25 million received in 2011), research milestone payments totaling $3.5 million ($2.0 million and $1.5 million received in 2012 and 2013, respectively), payments for completion of IND-enabling studies of up to $6.0 million, development milestone payments of up to $66.0 million and commercial milestone payments of up to $114.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products, or (ii) for five years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates will be reduced.

  Under the agreement, we are sharing certain research and development responsibilities with Merck to generate bispecific antibodies with the Azymetric and EFECT platforms. Merck provides funding for a portion of our internal and external research costs in support of the collaboration. After the conclusion of the research program, Merck will be solely responsible for the further research, development, manufacturing and commercialization of the products.

- *Licensing and Collaboration Agreement with Lilly*

  In December 2013, we entered into a licensing and collaboration agreement with Lilly to research, develop and commercialize one bispecific antibody, with an option for a second antibody, generated through the use of the Azymetric platform. Under the terms of the agreement, we granted Lilly a worldwide, royalty-bearing antibody target pair-specific exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $103.0 million, including an upfront payment ($1.0 million received in 2013) and per product potential milestone payments, comprised of research milestone payments totaling $1.0 million ($1.0 million received in 2015), IND submission milestone payments of $2.0 million, development milestone payments of $8.0 million and commercial milestone payments of $40.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced.

  Under the agreement, we are sharing certain research and development responsibilities with Lilly to generate bispecific antibodies with the Azymetric platform. Lilly provides funding for a portion of our internal and external research costs in support of the collaboration. After the conclusion of the research program, Lilly will be solely responsible for the further research, development, manufacturing, and commercialization of the products.

- *Second Licensing and Collaboration Agreement with Lilly*

  In October 2014, we entered into a second licensing and collaboration agreement with Lilly to research, develop and commercialize three bispecific antibodies generated through the use of the Azymetric platform. This agreement did not alter or amend the initial agreement entered in 2013. Under the terms of the agreement, we granted Lilly a worldwide, royalty-bearing antibody target-pair exclusive (for two bispecific antibodies) and an antibody sequence pair-specific (for one bispecific antibody) license to research, develop and commercialize certain licensed products. We are eligible to receive up to $375.0 million, comprised of research milestone payments of up to $6.0 million ($2.0 million earned in 2016), IND submission milestone payments of up to $24.0 million, development milestone payments of up to $60.0 million and commercial milestone payments of up to $285.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced. In conjunction with this collaboration agreement, Lilly purchased approximately $24.0 million of our common shares.

  Under the agreement, we are sharing certain research and development responsibilities with Lilly to generate bispecific antibodies with the Azymetric platform. We are responsible for our internal and external research costs in support of this collaboration. After the conclusion of the research program, Lilly will be solely responsible for the further research, development, manufacturing and commercialization of the products.

- *Licensing and Collaboration Agreement with Celgene*

  In December 2014, we entered into a collaboration agreement with Celgene to research, develop and commercialize up to eight bispecific antibodies generated through the use of the Azymetric platform. Under the terms of the agreement, we granted Celgene a right to exercise options to worldwide, royalty-bearing, antibody sequence pair-specific exclusive licenses to research, develop and commercialize certain licensed products. Celgene has the right to exercise options on up to eight programs and if Celgene opts in on a program, we are eligible to receive up to $164.0 million per product candidate (up to $1.3 billion for all eight programs), comprised of a commercial license option payment of $7.5 million, development milestone payments of up to $101.5 million and commercial milestone payments of up to $55.0 million. No development or commercial milestone payments or royalties have been received to date.

  In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for 10 years, beginning from the first commercial sale, whichever period is longer. Celgene also has the right, prior to the first dosing of a patient in a Phase 3 clinical trial for a product, to buy down the royalty to a flat low-single digit rate with a payment of $10.0 million per percentage point. In addition to this collaboration agreement, the parties also entered into an equity subscription agreement under which Celgene paid $8.6 million for common shares.
  Under the agreement, we are collaborating with Celgene to generate and develop a number of bispecific antibodies during the research program, the term of which expires in April 2018 but can be extended by Celgene by 24 months if Celgene makes an additional payment. After the conclusion of the research program, Celgene will be solely responsible for the further research, development, manufacturing and commercialization of the products.

- *Licensing and Collaboration Agreement with GSK*

  In December 2015, we entered into a collaboration and license agreement with GSK to research, develop and commercialize up to 10 new Fc-engineered monoclonal and bispecific antibodies generated through

the use of the EFECT and Azymetric platforms. Under the terms of the agreement, we granted GSK a worldwide, royalty-bearing antibody target-exclusive license to new intellectual property generated to the EFECT platform under this collaboration and a non-exclusive license to the Azymetric platform to research, develop and commercialize future licensed products. We are eligible to receive up to $1.1 billion, including research, development and commercial milestone payments of up to $110.0 million for each product. In addition, we are eligible to receive tiered royalties in the low-single digits on net sales of products, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products or certain joint patent coverage on products, or (ii) for 10 years beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage or certain joint patent coverage on products, royalty rates will be reduced. No development or commercial milestone payments or royalties have been received to date. We retained the right to develop up to four products, free of royalties, using the new intellectual property generated in this collaboration, and after a period of time, to grant licenses to such intellectual property for development of additional products by third-parties.

Under the collaboration and license agreement, we are sharing certain research and development responsibilities with GSK to generate new Fc-engineered antibodies. Each party will bear its own costs for the responsibilities assigned to it during the research period. After the conclusion of the research period, each party will be solely responsible for the further research, development, manufacturing and commercialization of its own respective products. During the term of the agreement and solely based on the outcome of the research collaboration, we have granted GSK exclusive rights to develop and commercialize monospecific antibodies against targets nominated by GSK. If GSK develops bispecific antibodies using its own platform approaches, we have granted GSK exclusive rights to develop and commercialize such antibodies comprising of specific antibody sequence pairs.

- *Second Licensing and Collaboration Agreement with GSK*

In April 2016, we entered into a licensing agreement with GSK to research, develop and commercialize up to six bispecific antibodies generated through the use of the Azymetric platform. This may include bispecific antibodies incorporating new engineered Fc regions generated under the 2015 GSK agreement outlined in the preceding section. Under the terms of this agreement, we granted GSK a worldwide, royalty-bearing antibody sequence pair-specific exclusive license to research, develop and commercialize licensed products. We are eligible to receive up to $908.0 million, including an upfront payment as a technology access fee ($6.0 million received in 2016), research milestone payments of up to $30.0 million, development milestone payments of up to $152.0 million and commercial milestone payments of up to $720.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products, or (ii) for ten years beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced. No research, development or commercial milestone payments or royalties have been received to date. GSK has the right, prior to the first dosing of a patient in a Phase 3 clinical trial for a product, to buy down the royalty payable on such product by only 1% with a payment of $10.0 million.

Under the agreement, GSK will bear all responsibility and all costs associated with research, development and commercialization of products generated using the Azymetric platform.

- *Licensing and Collaboration Agreement with Daiichi*

In September 2016, we entered into a collaboration and cross-license agreement with Daiichi to research, develop and commercialize one bispecific antibody generated through the use of the Azymetric and EFECT platforms. Under the terms of the agreement, we granted Daiichi a worldwide, royalty-bearing antibody sequence pair-specific exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $149.9 million, including an upfront payment as a technology

access fee of $2.0 million (received in 2016), research and development milestone payments and a commercial option payment totaling up to $67.9 million and commercial milestone payments of up to $80.0 million. In addition, we are eligible to receive tiered royalties ranging from the low single digits up to 10% on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years beginning from the first commercial sale, whichever period is longer. No research, development or commercial milestone payments or royalties have been received to date. We also gained non-exclusive rights to develop and commercialize up to three products using Daiichi's proprietary immune-oncology antibodies, with royalties in the low single digits to be paid to Daiichi on sales of such products.

Under the agreement, we are sharing certain research and development responsibilities with Daiichi to generate bispecific antibodies with the Azymetric platform. Daiichi is responsible for our internal and external research costs in support of this collaboration during the research program term. After the research program term, Daiichi will be solely responsible for the further research, development, manufacturing and commercialization of the products. Under the non-exclusive immuno-oncology antibody license to Zymeworks, we are solely responsible for all research, development and commercialization of the resulting products.

For additional information on our strategic partnerships, see "Business—Strategic Partnerships."

Financial Operations Overview

Revenue

Our revenue consists of collaboration revenue, including amounts recognized relating to upfront non-refundable payments for licenses or options to obtain future licenses, research and development funding and milestone payments earned under collaboration and license agreements with strategic partners. We expect these and other strategic partnerships to be our primary source of revenue for the foreseeable future.

Research and Development Expense

Research and development expenses consist of expenses incurred in performing research and development activities. These expenses include conducting research experiments, preclinical studies, and other indirect expenses in support of advancing our product candidates and therapeutic platforms. The following items are included in research and development expenses:

- employee-related expenses such as salaries and benefits;
- employee-related overhead expenses such as facilities and other allocated items;
- share-based compensation expense to employees and consultants engaged in research and development activities;
- depreciation of laboratory equipment, computers and leasehold improvements;
- fees paid to consultants, subcontractors, CROs, and other third party vendors for work performed under our clinical trials and preclinical studies, including but not limited to laboratory work and analysis, database management, statistical analysis, and other items; and
- amounts paid to vendors and suppliers for laboratory supplies.

The following table shows a summary of our research and development expenses for the years ended December 31, 2014, 2015 and 2016.

	Year Ended December 31,		
	2014	2015	2016
	(dollars in millions)		
Research and development expense			
ZW25	$ 2.8	$ 5.2	$ 6.1
ZW33	1.5	5.3	9.2
Therapeutic platforms	4.0	5.9	7.6
Other research activities	4.3	8.3	13.9
Total research and development expense	$ 12.6	$ 24.7	$ 36.8
Less: Government credits	2.1	0.3	1.3
	$ 10.5	$ 24.4	$ 35.5

It is difficult to determine with certainty the duration and completion costs of our current or future clinical trials and preclinical programs of our product candidates, or if, when or to what extent we will generate revenue from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including the uncertainties of clinical trials and preclinical studies, uncertainties in clinical trial enrollment rate and significant and changing government regulation. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential.

For the year ended December 31, 2016, our research and development expenditures increased by $11.1 million, compared to the prior year. This was primarily due to increased clinical manufacturing activities and Investigational New Drug Application, or IND-enabling studies associated with ZW25 and ZW33, as well as increased activities associated with our therapeutic platforms and early-stage research and discovery programs recorded in other research activities. The increase in expenses was partially offset by the increase in government credits due to an increase in SR&ED claims in 2016 of approximately $1.0 million. We expect to incur additional expenses as we advance our product candidates, pursue regulatory approval, identify future product candidates and advance our therapeutic platforms.

General and Administrative Expense

General and administrative expenses consist of salaries and related benefit costs for employees in our executive, finance, intellectual property, business development, human resources and other support functions, legal and professional fees, and travel and general office expenses. We expect to incur additional expenses related to supporting our ongoing research and development activities, operating as a public company and other administrative expenses.

Other Income (Expense)

Other income (expense) primarily consists of interest and accretion expenses, change in fair value of warrant liabilities, foreign exchange gain (loss), income (expense) from investments and impairment expense.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial conditions and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of

these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and the reported amount of the revenue and expenses recorded during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. We review and evaluate these estimates on an ongoing basis. These assumptions and estimates form the basis for making judgments about the carrying values of assets and liabilities and amounts that have been recorded as revenue and expenses. Actual results and experiences may differ from these estimates. The results of any material revisions would be reflected in the consolidated financial statements prospectively from the date of the change in estimate.

While a summary of significant accounting policies has been included in note 2 of our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies are the most critical to assist you in fully understanding and evaluating our financial results and any affect the estimates and judgments we used in preparing our consolidated financial statements. There have been no material changes to our critical accounting policies during the year ended December 31, 2016 with the exception of the change in our functional currency as described below.

Functional Currency

Prior to January 1, 2016, our functional currency was the Canadian dollar.

We reassessed our functional currency and determined that, as at January 1, 2016, our functional currency changed from the Canadian dollar to the U.S. dollar based on management's analysis of the changes in the primary economic environment in which we operate. The change in functional currency is accounted for prospectively from January 1, 2016 and prior year financial statements have not been restated for the change in functional currency.

For periods prior to January 1, 2016, the effects of exchange rate fluctuations on translating foreign currency monetary assets and liabilities into Canadian dollars were included in the statement of operations and comprehensive loss as foreign exchange gain/loss. Revenue and expense transactions were translated into the U.S. dollar reporting currency at the balance sheet date at average exchange rates during the period, and assets and liabilities were translated at end of period exchange rates, except for equity transactions, which were translated at historical exchange rates. Translation gains and losses from the application of the U.S. dollar as the reporting currency while the Canadian dollar was the functional currency are included as part of the cumulative foreign currency translation adjustment, which is reported as a component of shareholders' equity under accumulated other comprehensive loss.

For periods commencing January 1, 2016, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Opening balances related to non-monetary assets and liabilities are based on prior period translated amounts, and non-monetary assets and non-monetary liabilities incurred after January 1, 2016 are translated at the approximate exchange rate prevailing at the date of the transaction. Revenue and expense transactions are translated at the approximate exchange rate in effect at the time of the transaction. Foreign exchange gains and losses are included in the statement of operations and comprehensive loss as foreign exchange gain (loss).

The functional currency of Zymeworks Biopharmaceuticals Inc. and Zymeworks Biochemistry Inc. is also the U.S. dollar.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration of a business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by us to the former owners of the acquiree in exchange for

control of the acquiree. Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. We estimate the fair value of acquired IPR&D using the cost approach. The cost approach uses estimated total research costs incurred to date in order to recreate the asset, estimated cost multiples from comparable companies and expected investor return rates.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over our interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If our interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. Goodwill will be evaluated for impairment on an annual basis or more frequently if an indicator of impairment is present. Goodwill is subject to a two-step impairment test on an annual basis. The first step compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired, and the second step of the impairment test is unnecessary. If the carrying amount exceeds the implied fair value of the reporting unit, the second step measures the amount of the impairment loss. If the carrying amount exceeds the fair value of the reporting unit, an impairment loss is recognized equal to that excess.

In-Process Research and Development Intangible Asset

The IPR&D arose from the Kairos acquisition on March 18, 2016 and the fair value of the IPR&D was determined to be $20,700 at such acquisition date. The Kairos ADC platform technology (currently known as "ZymeLink") that we acquired as part of Kairos acquisition constitutes the most significant part of the IPR&D. The total carrying value of the Kairos ADC platform technology was $17,628 in our consolidated financial statements as of December 31, 2016.

ZymeLink comprises multiple potent cancer cell-killing payloads and the linker technology used to couple these payloads to tumor-targeting antibodies or proteins. This platform can be used in conjunction with our other therapeutic platforms to increase safety and efficacy as compared to existing ADC technologies and broaden the therapeutic window. Currently, ZymeLink is being applied to a number of discovery programs at the preclinical stage.

Kairos is at an early stage of development and a detailed and reliable financial forecast is not available, whereas historical costs incurred by Kairos were known and the total platform development costs to date could be reasonably estimated. Furthermore, guideline licensing transactions data for companies with similar technology were available. Accordingly, the fair value of Kairos ADC platform technology has been estimated using the cost approach. The cost approach estimates the total value of the asset by reference to costs that would have been incurred in order to recreate the asset. Within the cost approach, the combination of following valuation methods were used: comparable public company cost multiple approach and expected investor return approach. The primary inputs and assumptions that were used for the calculation were:

- estimated cost multiple, which was determined based on the average cost multiples of entities comparable to Kairos in terms of the therapeutic area that they operate and the status for their lead product candidates;
- estimated non-risk adjusted venture capital returns that were selected from independent resources; and
- estimated in-kind support provided by Kairos' parent company during the period prior to acquisition.

IPR&D is classified as indefinite-lived and is not amortized. IPR&D becomes definite-lived upon the completion or abandonment of the associated research and development efforts. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which are the respective patent terms. Amortization begins when intangible assets with finite lives are put into use. If there is a major event indicating that the carrying value of intangible assets may be impaired, then management will perform an

impairment test and if the carrying value exceeds the recoverable value, based on discounted future cash flows, then such assets are written down to their fair values.

The costs incurred in establishing and maintaining patents for intellectual property developed internally are expensed in the period incurred.

Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has been substantially completed and collectability is reasonably assured.

Our revenues are primarily derived from research and development agreements with strategic partners for the research and development of therapeutics products. The terms of the agreements may include non-refundable signing and licensing fees, research funding, milestone payments and royalties on any product sales derived from strategic arrangements.

We analyze agreements with more than one element, or deliverable, based on the guidance in ASC 605-25, Revenue Recognition—Multiple Element Arrangements ("ASC 605-25"). Each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting. A delivered item or items are considered separate units of accounting if they have value to the collaborator or licensee on a stand-alone basis and, if the agreement includes a general right of return, the delivery or performance of undelivered items is considered probable and within our control.

In assessing whether an item or items have stand-alone value, we consider if the deliverable or deliverables have been sold separately on a stand-alone basis. Additional factors considered include research capabilities of the strategic partner or licensee, the availability of the associated expertise in the general marketplace, whether the delivered item or items can be used for their intended purpose without receipt of the remaining item(s), whether the value of the delivered item(s) is dependent on the undelivered item(s) and whether there are other vendors that can provide the undelivered item(s).

Arrangement consideration that is fixed or determinable is allocated at the inception of the agreement to all identified units of accounting based on the relative estimated selling prices in accordance with the selling price hierarchy. The selling price of each deliverable is determined using vendor specific objective evidence of selling prices, if it exists; otherwise, third-party evidence of selling prices. If neither vendor specific objective evidence nor third-party evidence exists, we use our best estimate of the selling price for each deliverable. We may be required to exercise considerable judgment in estimating the selling prices of identified units of accounting under our agreements. The arrangement consideration otherwise allocable to delivered units is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions.

When we determine that the license and the related therapeutic platform have stand-alone value to the licensee, these items are considered a unit of accounting and arrangement consideration allocated to this unit of accounting is recognized upon delivery of the therapeutic platform. When research services related to the transfer of the technical information are required, then the license, the applicable research services, and therapeutic platform are considered a unit of accounting and we must determine the period over which the performance obligations will be performed, which generally relates to the period the research services will be performed, and over which revenue is recognized. If we cannot reasonably estimate the timing and the level of effort to complete its performance obligations under the arrangement, then revenue under the arrangement is recognized on a straight-line basis over the period we expect to complete our performance obligations.

We recognize other research support payments as revenue upon the performance of activities, which are eligible for research support payments from our strategic partners, in accordance with the respective licensing and collaboration agreements.

We analyze milestones based on the guidance in ASC 605-28, Revenue Recognition—Milestone Method ("ASC 605-28"). We evaluate milestone payments on an individual basis and recognize revenue from non-refundable milestone payments when the earnings process is complete and the payment is reasonably assured. Non-refundable milestone payments related to arrangements under which we have continuing performance obligations are recognized as revenue upon achievement of the associated milestone, provided that the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement.

A milestone event is considered substantive if (i) the milestone is commensurate with either (a) our performance to achieve the milestone or (b) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from our performance to achieve the milestone; (ii) it relates solely to past performance; and (iii) it is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement. If any portion of the milestone payment does not relate to performance, does not relate solely to past performance or is refundable or adjustable based on future performance, the milestone is not considered to be substantive.

Certain milestones in the agreements do not meet the ASC 605-28 definition of a milestone because achievement of the milestone solely depends on the performance of the licensee. Any revenue from these contingent payments is subject to an allocation of arrangement consideration and is recognized over the remaining period of performance obligations, if any, relating to the arrangement. If there are no remaining performance obligations under the arrangement at the time the contingent payment is triggered, the contingent payment is recognized as revenue in full upon the triggering event occurring.

Options for future deliverables are considered substantive if, at the inception of the arrangement, we are at risk as to whether the licensee will choose to exercise the option. Factors that we consider in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the licensee might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, we do not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated option fees are not included in the initial consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, we would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in the initial consideration.

Royalty revenue will be recognized upon the sale of the related products provided we have no remaining performance obligations under the arrangement.

We periodically enter into contract amendments and subsequent contracts with the same entity. Contracts that amend the terms of existing agreements are treated in substance as one arrangement. Subsequent contracts that contain unrelated deliverables are accounted for as separate arrangements. The factors considered by us when determining if a deliverable in one agreement is unrelated to a deliverable in another agreement include assessing if the different deliverables in each agreement are closely interrelated or interdependent in terms of design, technology and function, if the fee in one agreement is impacted by the performance in another agreement, and is a deliverable in one agreement essential to the functionality of a deliverable in another agreement.

Research and Development Expense and Related Accrued Expenses

As part of the process of preparing our consolidated financial statements, we may be required to estimate accrued expenses. In order to obtain reasonable estimates, we review open contracts and purchase orders. In addition, we communicate with applicable personnel in order to identify services that have been performed, but for which we have not yet been invoiced. In most cases, our vendors provide us with monthly invoices in arrears for services performed. We confirm our estimates with these vendors and make adjustments as needed. The following are examples of our accrued expenses:

- fees paid to clinical research organizations ("CROs") for services performed on preclinical studies; and
- fees paid for professional services.

Liability classified awards

For awards accounted for under Accounting Standards Codification ("ASC") 718 "Compensation—Stock Options" ("ASC 718"), with an exercise price which is not denominated in: (a) the currency of a market in which a substantial portion of our equity securities trades, (b) the currency in which the individual's pay is denominated, or (c) our functional currency, are required to be classified as liabilities. For awards accounted for under ASC 815 "Derivatives and Hedging" ("ASC 815"), any warrant or option that provides for an exercise price which is not denominated in our functional currency is required to be classified as a liability.

Liability classified awards are subsequently measured at fair value at each balance sheet date until exercised or cancelled, with changes in fair value recognized as compensation cost or additional paid-in capital (ASC 718 awards) or other income and expenses (ASC 815 awards) for the period. Under ASC 718, when an award is reclassified from equity to liability, if at the reclassification date the original vesting conditions are expected to be satisfied, then the minimum amount of compensation cost to be recognized is based on the grant date fair value of the original award. Fair value changes below this minimum amount are recorded in additional paid-in capital. Fair value is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model uses various inputs to measure fair value, including estimated fair value of our underlying common shares at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of our common shares.

Share-based Compensation

We recognize share-based compensation expense on share awards granted to employees and members of the board of directors based on their estimated grant date fair value using the Black-Scholes option pricing model. This Black-Scholes option pricing model uses various inputs to measure fair value, including estimated fair value of our underlying common share at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of our common shares. We recognize share-based compensation expense, net of estimated forfeitures, in the consolidated statements of loss and comprehensive loss on a straight-line basis over the requisite service period. We apply an estimated forfeiture rate derived from historical employee termination behavior. If the actual number of forfeitures differs from those estimated by management, adjustments to compensation expense may be required in future periods.

Share based compensation expense related to stock options granted to individual service providers who are not employees is measured on the date of performance using the Black-Scholes option-pricing model and the awards are periodically remeasured as the underlying options vest. The fair value of the share-based awards is amortized over the vesting period.

In the absence of a public trading market for our common shares, on each grant date, we develop an estimate of the fair value of our common shares in order to determine an exercise price for the option grants. We engaged an independent third-party valuation firm to assist our board of directors in determining an estimated fair value of

the common shares underlying our equity awards in accordance with the guidance provided in the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation ("The Practice Guide"). Findings of the independent third-party valuation firm are discussed with management and the audit committee of the board in regards to the operation of the business, key assumptions, risks and other factors. All options to purchase our common shares have been granted with an exercise price per share no less than the estimated fair value per common share underlying those options on the date of grant, based on the information known to us on the date of grant.

The Practice Guide identifies various available methods for allocating enterprise value across classes and series of common shares to determine the estimated fair value of common shares at each valuation date. In determining an estimated fair value for our common shares, we used the following methods:

- Probability-Weighted Expected Return Method. The probability-weighted expected return method ("PWERM") is a scenario-based analysis that estimates value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.
- Option Pricing Method. Under the option pricing method ("OPM") shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The estimated fair values of the preferred shares and common shares are inferred by analyzing these options. Given the absence of a public trading market for our common shares, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common shares, including:
  - our stage of development;
  - the status of research and development efforts;
  - the status of our strategic and collaboration transactions;
  - the rights, preferences and privileges of our preferred shares relative to those of our common shares;
  - our operating results and financial condition, including our levels of available capital resources;
  - equity market conditions affecting comparable public companies;
  - general U.S. market conditions; and
  - the lack of marketability of our common shares.

For valuations after the completion of our initial public offering, the fair value of each share of underlying common shares will be based on the closing public trading price of our common shares on the date of grant.

The following table illustrates our stock option grant information from January 1, 2014, including the estimated fair value of our common shares on the date of grant.

Grant Date	Number of Options Granted	Option Exercise Price in C$(1)	Option Exercise Price in $(2)	Estimated Fair Value of Common Shares in C$	Estimated Fair Value of Common Shares in $(2)
January 1, 2014	284,000	4.86	3.67	4.86	3.67
April 1, 2014	30,000	4.86	3.67	4.86	3.67
July 1, 2014	20,000	4.86	3.67	4.86	3.67
October 1, 2014	60,000	4.86	3.67	4.86	3.67
January 1, 2015	742,000	6.05	4.57	6.05	4.57
April 1, 2015	75,000	6.05	4.57	6.05	4.57
July 1, 2015	42,500	6.05	4.57	6.05	4.57
October 1, 2015	50,000	6.05	4.57	6.05	4.57
January 1, 2016	45,000	5.07	3.83	5.07	3.83
January 29, 2016	1,540,000	5.07	3.83	5.07	3.83
February 29, 2016	165,000	5.07	3.83	5.07	3.83
November 9, 2016	595,855	8.69	6.56	8.69	6.56
January 6, 2017	22,000	9.49	7.16	9.49	7.16
February 2, 2017	440,500	9.47	7.15	9.47	7.15
February 3, 2017	598,117	9.47	7.15	9.47	7.15
February 6, 2017	47,500	9.47	7.15	9.47	7.15

(1) Due to the absence of a public market for our common shares to date, the exercise price per share was the estimated fair value of common shares and represented the determination by our board of directors of the fair value of our common shares as of the date of each grant, taking into consideration various objective and subjective factors, as discussed more fully herein.

(2) Canadian dollar amounts are converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see “Exchange Rate Data. ”

Based on an assumed offering price of $ per share, the midpoint of the estimated initial public offering price set forth on the cover page of this prospectus, the aggregate intrinsic value of options outstanding as of December 31, 2016 was $ million, of which $ million related to vested options and $ million related to unvested options.

In determining the exercise prices of the options set forth in the table above granted from January 1, 2014 through February 6, 2017, our board of directors considered the most recent valuations of our common shares, and based its determination in part on the analyses summarized below. On October 17, 2016, an independent third-party valuation was prepared to calculate the liability for our outstanding vested stock awards as of September 30, 2016. An independent third-party valuation was also prepared as of November 8, 2016 to assist our board of directors in determining the exercise price of options which were issued on November 9, 2016.

The key assumptions from each of our third-party valuations are detailed below:

Third-Party Valuation Date	Per share Estimated Fair Value of Common Shares(C$)	Per share Estimated Fair Value of Common Shares($) (1)	Volatility	Dividend Yield	Risk Free Rate	Discount for lack of marketability
31-Dec-13	4.86	3.67	55%	0%	0.78%	35%
31-Dec-14	6.05	4.57	55%	0%	1.10%	35%
31-Mar-15	6.05	4.57	55%	0%	0.89%	35%
30-Jun-15	6.05	4.57	55%	0%	1.10%	35%
30-Sep-15	6.05	4.57	55%	0%	0.92%	35%
31-Dec-15	5.07	3.83	55%	0%	1.22%	15% - 30%
31-Mar-16	6.89	5.20	65%	0%	1.00%	15% - 30%
30-Jun-16	7.37	5.56	65%	0%	0.71%	15% - 30%
08-Nov-16	8.69	6.56	65%	0%	0.99%	15% - 30%
31-Dec-16	9.49	7.16	65%	0%	1.47%	12.5% - 30%
31-Jan-17	9.47	7.15	65%	0%	1.48%	10.0% - 30%

(1) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see “Exchange Rate Data.”

Stock Option Grants from January 2014 to October 2014

Our board of directors granted options to purchase common shares on January 1, 2014, April 1, 2014, July 1, 2014 and October 1, 2014, with each option having an exercise price of C$4.86 per share, (or $3.67 per share, as converted). In establishing this exercise price, our board of directors relied in part on independent third-party valuation as of December 31, 2013 and considered input from management, as well as the objective and subjective factors outlined above. At the grant date, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between December 31, 2013 and the grant dates and whether those events and circumstances were part of the assumptions used in the December 2013 valuation. Our board of directors determined that there were no other events and circumstances that occurred between December 31, 2013 and October 1, 2014 that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at January 1, 2014, April 1, 2014, July 1, 2014 and October 1, 2014 was C$4.86 per share (or $3.67 per share, as converted).

Stock Option Grants from January 2015 to October 2015

Our board of directors granted options to purchase common shares on January 1, 2015, with each option having an exercise price of C$6.05 per share, (or $4.57 per share, as converted). In establishing this exercise price, our board of directors relied in part on independent third-party valuations as of December 31, 2014 and March 31, 2015 and considered input from management, as well as the objective and subjective factors outlined above. At the grant dates, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between the valuation dates and the grant dates and whether those events and circumstances were part of the assumptions used in the December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015 valuations. Our board of directors determined that there were no other events and circumstances that occurred between valuation dates and grant dates that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at January 1, 2015, April 1, 2015, July 1, 2015 and October 1, 2015 was C$6.05 per share (or $4.57 per share, as converted).

Stock Option Grants from January 2016 to February 2016

Our board of directors granted options to purchase common shares on January 1, 2016, January 29, 2016 and February 29, 2016, with each option having an exercise price of C$5.07 per share (or $3.83 per share, as converted). In establishing this exercise price, our board of directors relied in part on independent third-party valuations as of December 31, 2015 and considered input from management, as well as the objective and subjective factors outlined above. At the grant dates, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between the valuation dates and the grant dates and whether those events and circumstances were part of the assumptions used in the December 31, 2015 valuation. Our board of directors determined that there were no other events and circumstances that occurred between valuation dates and grant dates that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at January 1, 2016, January 29, 2016 and February 29, 2016 was C$5.07 per share (or $3.83 per share, as converted).

Stock Option Grants in November 2016

Our board of directors granted options to purchase common shares on November 9, 2016 with each option having an exercise price of C$8.69 per share (or $6.56 per share, as converted). In establishing this exercise price, our board of directors relied in part on independent third-party valuations as of November 8, 2016 (valuation date) and considered input from management, as well as the objective and subjective factors outlined above. At the grant date, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between the valuation dates and the grant dates and whether those events and circumstances were part of the assumptions used in the November 8, 2016 valuation. Our board of directors determined that there were no other events and circumstances that occurred between valuation dates and grant dates that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at November 9, 2016 was C$8.69 per share (or $6.56 per share, as converted).

Stock Option Grants in January 2017

Our board of directors granted options to purchase common shares on January 6, 2017 with each option having an exercise price of C$9.49 per share (or $7.16 per share, as converted). In establishing this exercise price, our board of directors relied in part on independent third-party valuations as of December 31, 2016 (valuation date) and considered input from management, as well as the objective and subjective factors outlined above. At the grant date, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between the valuation dates and the grant dates and whether those events and circumstances were part of the assumptions used in the December 31, 2016 valuation. Our board of directors determined that there were no other events and circumstances that occurred between valuation dates and grant dates that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at January 6, 2017 was C$9.49 per share (or $7.16 per share, as converted).

Stock Option Grants in February 2017

Our board of directors granted options to purchase common shares on February 2, 2017, February 3, 2017 and February 6, 2017 with each option having an exercise price of C$9.47 per share (or $7.15 per share, as converted). In establishing this exercise price, our board of directors relied in part on an independent third-party valuation as of January 31, 2017 (valuation date) and considered input from management, as well as the objective and subjective factors outlined above. At the grant date, our board of directors considered the events and circumstances most likely to affect the value of our common shares that occurred between the valuation dates and the grant dates and whether those events and circumstances were part of the assumptions used in the January

31, 2017 valuation. Our board of directors determined that there were no other events and circumstances that occurred between valuation dates and grant dates that were indicative of a significant change in the fair value of our common shares. Based on these factors, our board of directors determined that the fair value of our common shares at February 2, 2017, February 3, 2017 and February 6, 2017 was C$9.47 per share (or $7.15 per share, as converted).

JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We continue the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year in which we have total annual gross revenue of $1 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Results of Operations for the Years Ended December 31, 2015 and 2016

Research and Development Revenue

The following represents a comparison of our research and development revenue for the years ended December 31, 2015 and 2016:

	Year Ended December 31,			
	2015	2016	Increase/(Decrease)	
	(dollars in millions)			
Revenue from research and collaborations	$ 9.7	$ 11.0	$ 1.3	13%

The increase in collaboration revenue of $1.3 million for the year ended December 31, 2016 compared to 2015 is primarily due to $2.0 million and $6.0 million of upfront technology access fees received from Daiichi and GSK, respectively in 2016 compared to the $7.5 million upfront payment from Celgene, which was recognized as revenue in 2015. Additionally, in 2016 we recorded milestone revenue of $2.0 million from Lilly compared to $1.0 million in 2015.

Research and Development Expense

The following represents a comparison of our research and development expense for the years ended December 31, 2015 and 2016:

	Year Ended December 31,			
	2015	2016	Increase/(Decrease)	
	(dollars in millions)			
Research and development expense				
ZW25	$ 5.2	$ 6.1	$ 0.9	17%
ZW33	5.3	9.2	3.9	74%
Therapeutic platforms	5.9	7.6	1.7	29%
Other research activities	8.3	13.9	5.6	67%
Total research and development expense	$ 24.7	$ 36.8	$ 12.1	49%

During the year ended December 31, 2016, our research and development expenditures increased by $12.1 million, compared to 2015. This was primarily due to the start of clinical activities related to ZW25, increased clinical manufacturing activities and IND-enabling studies associated with ZW25 and ZW33, as well as increased activities associated with our therapeutic platforms and early-stage research and discovery programs recorded in other research activities.

General and Administrative Expense

The following represents a comparison of our general and administrative expense for the years ended December 31, 2015 and 2016:

	Year Ended December 31,			
	2015	2016	Increase/(Decrease)	
	(dollars in millions)			
General and administrative expense	$ 5.2	$ 12.6	$ 7.4	142%

General and administrative expense increased for the year ended December 31, 2016 by $7.4 million, compared to the same period in 2015, primarily due to an increase in compensation costs and professional fees. The compensation cost increase was the result of new hires and higher share-based compensation expense due to reclassification of certain awards from equity to liability. The increase in professional fees over the same period in 2015 was associated with consulting services and lab and office expansions as well as legal and human resources advisory services.

Other Income (Expenses)

Other income for the year ended December 31, 2016 decreased by approximately $2.6 million primarily due to a $1.5 million increase in interest and accretion expenses, $0.8 million of losses due to change in fair value of warrant liabilities and $0.8 million of impairment on IPR&D that was partially offset by a $0.4 million increase in foreign exchange gain and a net gain of $0.2 million from the previously held equity investment (Kairos).

Results of Operations for the Years Ended December 31, 2014 and 2015

Research and Development Revenue

The following represents a comparison of our research and development revenue for the years ended December 31, 2014 and 2015:

	Year Ended December 31,			
	2014	2015	Increase/(Decrease)	
	(dollars in millions)			
Revenue from research and collaborations	$ 1.7	$ 9.7	$ 8.0	471%

The increase in collaboration revenue of $8.0 million for the year ended December 31, 2015 compared to the same period in 2014 is primarily due to the recognition of deferred revenue related to the $7.5 million Celgene upfront payment recognized into revenue from January 1, 2015 to June 30, 2015. In addition, the increase relates to the milestone revenue from Lilly and research support payments from Merck.

Research and Development Expense

The following represents a comparison of our research and development expense for the years ended December 31, 2014 and 2015:

	Year Ended December 31,			
	2014	2015	Increase/(Decrease)	
	(dollars in millions)			
Research and development expense				
ZW25	$ 2.8	$ 5.2	$ 2.4	86%
ZW33	1.5	5.3	3.8	253%
Therapeutic platforms	4.0	5.9	1.9	48%
Other research activities	4.3	8.3	4.0	93%
Total research and development expense	$ 12.6	$ 24.7	$ 12.1	96%
Less: Government credits	2.1	0.3	(1.8)	(86%)
Total research and development expense, net	$ 10.5	$ 24.4	$ 13.9	132%

During the year ended December 31, 2015, our research and development increased by $12.1 million, compared to 2014. This was primarily due to increased clinical manufacturing activities and IND-enabling studies associated with ZW25 and ZW33, increased activities associated with our therapeutic platforms, as well as early-stage research and discovery programs recorded in other research activities.

Government credits, which consist of SR&ED, decreased by $1.8 million in 2015. The SR&ED amount for the current year is calculated based on our preceding year taxable capital and preceding year total assets. The decrease was primarily due to the increase in our taxable capital and total assets amounts in 2014, which resulted in a lower credit in 2015. Furthermore, changes in the Quebec SR&ED structure resulted in certain research and development, or R&D, expenses being ineligible for R&D tax credits in Quebec.

General and Administrative Expense

The following represents a comparison of our general and administrative expense for the years ended December 31, 2014 and 2015:

	Year Ended December 31,			
	2014	2015	Increase/(Decrease)	
	(dollars in millions)			
General and administrative expense	$ 3.9	$ 5.2	$ 1.3	33%

General and administrative expense increased for the year ended December 31, 2015 by $1.3 million compared to 2014 primarily due to an increase in salaries expense, professional fees and facilities expenses. The salaries increase was the result of new hires made after the second quarter in 2014 as well as higher share-based compensation expense resulting from an increase in stock option grants in 2015 as compared to the same period in 2014. The increase in professional fees in 2015 was associated with the conversion of our financial statements to U.S. GAAP financial statements and other financial reporting requirements, as well as an increase in legal and advisory services. The increase in facilities expenses was due to higher office and rent expenses as a result of greater headcount and square footage.

Other Income (Expenses)

Other expenses for the year ended December 31, 2015 decreased primarily due to the absence of accretion on convertible debentures issued to CTI Life Sciences Fund, L.P., or CTI, which were converted into common shares on June 16, 2014. Additionally, there was an increase in other income in 2015 due to higher interest income and foreign exchange gain compared to 2014. As a result, there was no accretion expense for the year ended December 31, 2015.

Quarterly Results of Operations

The following selected historical consolidated statements of operations and comprehensive loss data for the quarters ended March 31, 2015 to December 31, 2016 have been derived from our unaudited consolidated financial statements and footnotes. The unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, which management considers necessary for the fair presentation of the information for the unaudited periods. Historical results are not necessarily indicative of future results, and our interim period results are not necessarily indicative of results to be expected for a full year or any other interim period. The following data should be read in conjunction with the remainder of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and the consolidated financial statements and related notes included elsewhere in this prospectus.

Consolidated Statement of Quarterly Loss:

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
	(dollars in thousands, except for share and per share amounts) (unaudited)											
Revenue	$ 482	$ 778	$ 181	$ 229	$ 3,925	$ 3,956	$ 340	$ 1,439	$ 262	$ 6,343	$ 2,172	$ 2,232
Operating expenses:												
Research and development	2,462	3,125	2,862	4,173	4,118	7,141	5,157	8,238	7,916	10,223	9,759	8,918
Government grants and credits	—	—	—	(2,149)	—	—	—	(251)	—	—	—	(1,265)
	2,462	3,125	2,862	2,024	4,118	7,141	5,157	7,987	7,916	10,223	9,759	7,653
General and administrative	662	985	849	1,449	1,379	1,273	1,194	1,371	2,085	2,656	2,696	5,117
Impairment on acquired IPR&D	—	—	—	—	—	—	—	—	—	—	768	—
Total operating expenses	3,124	4,110	3,711	3,473	5,497	8,414	6,351	9,358	10,001	12,879	13,223	12,770
Loss from operations	(2,642)	(3,332)	(3,530)	(3,244)	(1,572)	(4,458)	(6,011)	(7,919)	(9,739)	(6,536)	(11,051)	(10,538)
Other income (expense)	(112)	(119)	16	21	682	(61)	199	4	1,620	(815)	(1,091)	(734)
Loss before income taxes	(2,754)	(3,451)	(3,514)	(3,223)	(890)	(4,519)	(5,812)	(7,915)	(8,119)	(7,351)	(12,142)	(11,272)
Income tax expense								(34)		(72)	(255)	(103)
Deferred income tax benefit	—	—	—	—	—	—	—	—	5,407	—	—	98
Net loss	$ (2,754)	$ (3,451)	$ (3,514)	$ (3,223)	$ (890)	$ (4,519)	$ (5,812)	$ (7,949)	$ (2,712)	$ (7,423)	$ (12,397)	$ (11,277)
Net loss per common share (basic and diluted)	$ (0.20)	$ (0.25)	$ (0.25)	$ (0.14)	$ (0.03)	$ (0.17)	$ (0.22)	$ (0.29)	$ (0.10)	$ (0.24)	$ (0.40)	$ (0.36)
Weighted-average number of common shares (basic and diluted)	13,677,550	13,934,244	13,983,702	22,990,268	26,698,342	26,930,645	26,959,778	26,963,168	27,485,161	30,604,907	31,327,561	31,327,561

Liquidity and Capital Resources

We have financed our operations primarily through private equity placements of our common shares, a private placement of preferred shares and most recently our credit facility. We entered into the Perceptive Facility on June 2, 2016 with the Perceptive Facility Lenders. Pursuant to the Credit Agreement, we are able to borrow up to an aggregate of $15.0 million, consisting of Tranche A and Tranche B term loans for $7.5 million each. The Tranche A term loan was made available to us immediately. We will be eligible for the Tranche B term loan when we have: (i) enrolled at least one patient in a Phase 1 clinical trial developing ZW25 for an indication targeting HER2 expressing tumors by June 2, 2017, which we achieved in September 2016; (ii) enrolled at least one patient in a Phase 1 clinical trial developing ZW33 for an indication targeting HER2 expressing tumors by August 2, 2017; and (iii) entered into a collaboration agreement with a publicly-traded pharmaceutical or biotechnology company with a market capitalization greater than $10 billion that is reasonably expected to result in aggregate payments in excess of $100 million, which we achieved in April 2016 by entering into a licensing and collaboration agreement with GSK. These milestones are outlined in greater detail in Section 6.02 of the Credit Agreement, which is filed as an exhibit to the registration statement of which this prospectus forms a part and which will be filed with the Canadian securities regulatory authorities and available on the system for electronic document analysis and retrieval, or SEDAR, at www.sedar.com, under our profile.

Amounts borrowed under the facility can be repaid at any time, subject to certain penalty payments, prior to the June 2, 2020 maturity date, at which time all amounts borrowed will be due and payable. Amounts borrowed under the Tranche A or Tranche B term loans and subsequently repaid or prepaid may not be reborrowed. In addition, the terms of the Perceptive Facility require us to pay monthly interest payments up until June 2, 2018, after which monthly principal payments of $225,000 will also commence. Advances under the Perceptive Facility bear interest at the rate of LIBOR plus 10% annually, with LIBOR to be a minimum of 1%. As of December 31, 2016, the applicable interest rate was 11%. On August 3, 2016, the warrant certificates were assigned to Perceptive Credit Holdings, LP, an affiliate of the Perceptive Facility Lenders.

We made customary affirmative and negative covenants in Credit Agreement. As of the date of this prospectus, we are in compliance with the terms and covenants of the Credit Agreement. In the event of a default, including, among other things, our failure to make any payment when due or our uncured default in the performance or observance of any term, covenant, condition or agreement we were required to perform, the lenders under the Perceptive Facility will be able to declare all obligations immediately due and payable. The Perceptive Facility was collateralized by substantially all of our assets, including our intellectual property but excluding specific intellectual property linked to our strategic partnerships and collaborations. Pursuant to the terms of the Credit Agreement, Perceptive was concurrently issued a warrant certificate that entitles Perceptive to purchase up to 704,081 of our Class A preferred shares at an exercise price of $4.90 per share, with an expiry term of five years.

In addition, our operations have been funded through upfront fees, milestone payments, research support payments from our strategic partners and government grants and SR&ED credits. As of December 31, 2016, we had $40.3 million in cash and cash equivalents and short-term investments.

In addition to our existing cash and cash equivalents, we expect to continue to receive additional reimbursements from our existing and future research collaborations for research and development services rendered and additional milestone payments. However, our ability to receive these milestone payments is dependent upon our ability to successfully complete specified research and development activities and therefore it is uncertain at this time. We also expect to increase our cash and cash equivalents with the estimated net proceeds of this offering and through future equity financings.

Cash Flows

The following table represents a summary of our cash flows for the years ended December 31, 2014, 2015 and 2016:

	Year Ended December 31,		
	2014	2015	2016
Net cash provided by (used in):			
Operating activities	$ (7.0)	$ (22.2)	$ (35.2)
Investing activities	(0.3)	(9.2)	(25.5)
Financing activities	46.4	1.5	64.8
Effect of exchange rate changes on cash and cash equivalents	(1.3)	(5.4)	0.8
Net increase (decrease) in cash and cash equivalents	$ 37.8	$ (35.3)	$ 4.9

Operating Activities

Net cash used in operating activities reflects, among other things, amounts used to fund our preclinical activities, including clinical manufacturing and IND-enabling studies. The increase in net cash used in operating activities was primarily due to an increase in the activities associated with our ongoing research programs and increase in our professional fees resulting from the license and collaboration agreements.

Investing Activities

Net cash used in investing activities in 2016 primarily related to $20.0 million in short-term investments and $4.5 million in purchases of lab equipment, computer hardware, and increases in leaseholds, whereas in 2015, short-term investments was $4.3 million and purchases of office equipment and software amounted to $0.8 million. Net cash used in investing activities in the year ended December 31, 2015 primarily relates to short-term investments and our equity investment in Kairos. Net cash used in investing activities in the year ended December 31, 2014 is primarily related to the acquisition of computer hardware and software.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2016 includes $58.9 million of net proceeds from the equity financing that was completed in January 2016 and $7.0 million of net proceeds from the credit facility. Net cash provided by financing activities in each of the years ended December 31, 2015 and 2014 includes net proceeds of $1.8 million and $46.4 million respectively, primarily from private equity placements.

Funding Requirements

We have not generated any revenue from product sales to date and do not expect to do so until such time as we obtain regulatory approval of and commercialize one or more of our product candidates. As we are currently in clinical and preclinical stages of development, it will be some time before we expect to achieve this and it is uncertain that we ever will. We expect that we will continue to increase our operating expenses in connection with ongoing clinical trials and preclinical activities and the development of product candidates in our pipeline. We expect to continue our strategic partnerships and will look for additional collaboration opportunities. We also expect to continue our efforts to pursue additional grants and refundable tax credits from the Canadian government in order to further our research and development. Although it is difficult to predict our funding requirements, based upon our current operating plan, we anticipate that our existing cash and cash equivalents and short term investments as of December 31, 2016, combined with the net proceeds of this offering, will enable us to advance the clinical development of ZW25 and ZW33 product candidates based on our Azymetric platform technology. We may also be eligible to receive certain research, development and commercial milestone

payments in the future, as described under “Business – Strategic Partnerships and Collaborations.” However, because successful development of our product candidates and the achievement of milestones by our strategic partners is uncertain, we are unable to estimate the actual funds we will require to complete the research, development and commercialization of product candidates. See “Risk Factors – Risks Related to Our Dependency on Third Parties – We may not realize the anticipated benefits of our strategic partnerships.”

Contractual Obligations and Contingent Liabilities

Lease Commitments

We lease premises in Vancouver, British Columbia under an agreement that expires in August 2021 and in Seattle, Washington under agreements that expire in January 2020 and February 2022. We have also entered into a lease for laboratory space in Vancouver, British Columbia that will expire in August 2021. The leases contain rent escalation clauses. We also lease pieces of office equipment under capital lease agreements. Future minimum lease payments under the non-cancellable operating leases and capital leases at December 31, 2016 are as follows:

	Payments Due By Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Capital lease obligations	$ 5	$ 8	$ 3	$ —	$ 16
Operating lease obligations	1,726	3,766	3,127	44	8,663
Total contractual obligations	$ 1,731	$3,774	$3,130	$ 44	8,679

Other Commitments

We have entered into research collaboration agreements with our strategic partners, in the ordinary course of operations, that may include contractual milestone payments related to the achievement of pre-specified research, development, regulatory and commercialization events and indemnification provisions, which are common in such agreements. The maximum amount of potential future indemnification is unlimited; however, we currently hold commercial and product liability insurance. This insurance limits our liability and may enable us to recover a portion of any future amounts paid. Historically, we have not made any indemnification payments under such agreements and we believe that the fair value of these indemnification obligations is minimal. Accordingly, we have not recognized any liabilities relating to these obligations for any period presented.

In August 2016, we entered into a license agreement with Innovative Targeting Solutions Inc., or ITS, to use ITS’ protein engineering technology for the development and commercialization of antibody and protein therapeutics. Pursuant to the agreement, we agreed to pay an aggregate of $12.0 million in annual licensing fees to ITS over a five-year period. The licensing fee for the first year was $1.0 million, which has been recorded in intangible assets and is being amortized over a twelve-month period. We may also be required to make payments to ITS upon the achievement of certain development and commercial milestones, as well as royalty payments on net sales.

In connection with the Kairos acquisition, we may be required to make future payments to CDRD Ventures Inc., or CVI, upon the direct achievement of certain development milestones for products incorporating certain Kairos intellectual property, as well as royalty payments on the net sales of such products. For out-licensed products and technologies incorporating certain Kairos intellectual property, we may be required to pay CVI a mid-single digit percentage of the future revenue as a result of a revenue sharing agreement.

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 or financial condition.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. The market risk inherent in our financial instruments and in our financial position represents the potential loss arising from adverse changes in interest rates.

We had cash, cash equivalents and short-term investments of $40.3 million and $15.2 million at December 31, 2016 and December 31, 2015, respectively, consisting primarily of funds in cash and guaranteed investment certificates. The primary objective of our investment activities is to preserve principal and liquidity while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and accordingly we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We undertake certain transactions in Canadian dollars and as such are subject to risk due to fluctuations in exchange rates. Canadian dollar denominated payables are paid at the converted rate as due. We do not use derivative instruments to hedge exposure to foreign exchange rate risk due to the low volume of transactions denominated in foreign currencies. At December 31, 2016, our net monetary assets denominated in Canadian dollars was $ 10.0 million (C$13.5 million).

Our operating results and financial position are reported in U.S. dollars in our financial statements. The fluctuation of the Canadian dollar in relation to the U.S. dollar will consequently have an impact upon our loss and may also affect the value of our assets and the amount of shareholders' equity.

We do not believe that inflation and changing prices had a significant impact on our results of operations for any periods presented herein.

Segment Reporting

We view our operations and manage our business in one segment, which is the discovery, development and commercialization of next-generation biotherapeutics, initially focused on the treatment of cancer.

BUSINESS

Overview

Zymeworks is an innovative, clinical-stage biopharmaceutical company dedicated to the discovery, development and commercialization of next-generation multifunctional biotherapeutics, initially focused on the treatment of cancer. Our suite of complementary therapeutic platforms and our fully-integrated drug development engine provide the flexibility and compatibility to precisely engineer and develop highly-differentiated product candidates. These capabilities have resulted in multiple wholly-owned product candidates with the potential to drive superior outcomes in large underserved and unaddressed patient populations, as further described below.

Our lead product candidate, ZW25, is a novel bispecific (dual-targeting) antibody currently being evaluated in an adaptive Phase 1 clinical trial, targeting two distinct domains of the human epidermal growth factor receptor 2, or HER2. This unique design enables ZW25 to address patient populations with all levels of HER2 expression, including those with low to intermediate HER2-expressing tumors, who are otherwise limited to chemotherapy or hormone therapy. Approximately 81% of patients with HER2-expressing breast cancer and 57% of patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2 targeted therapies, such as Herceptin and Perjeta, which generated combined sales of $8.6 billion in 2016. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumor activity across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies. Our second product candidate, ZW33, capitalizes on the unique design of ZW25 and is a bispecific antibody-drug conjugate, or ADC, based on the same antibody framework as ZW25 but armed with a cytotoxic (potent cancer cell-killing) payload. We designed ZW33 to be a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression for which we expect to initiate a Phase 1 clinical trial in the second half of 2017. We are also advancing a deep pipeline of preclinical product candidates and discovery-stage programs in immuno-oncology and other therapeutic areas. In addition to our wholly-owned pipeline, two of our therapeutic platforms have been further leveraged through multiple revenue-generating strategic partnerships with the following global pharmaceutical companies: Merck, Lilly, Celgene, GSK and Daiichi.

Our proprietary capabilities and technologies include four modular, complementary platforms that can be easily used in combination with each other and with existing approaches. This ability to layer technologies without comprising manufacturability enables us to engineer next-generation biotherapeutics with synergistic activity, which we believe will result in superior patient outcomes. Our core platforms include:

- ***Azymetric***, our bispecific platform, which enables therapeutic antibodies to bind two distinct locations on a target, known as epitopes. This is achieved by tailoring multiple configurations of the antibody's Fab regions (locations on the antibody to which epitopes bind);
- ***ZymeLink,*** our ADC platform which comprises multiple cytotoxic payloads and the linker technology used to couple these payloads to tumor-targeting antibodies or proteins. It can be used in conjunction with our other therapeutic platforms to increase safety and efficacy as compared to existing ADC technologies;
- ***EFECT,*** which enables finely-tuned modulation (both up and down) of immune cell recruitment and function; and
- ***AlbuCORE,*** our antibody-alternative platform, which augments the properties of naturally-occurring human serum albumin, or HSA, with multivalent (multi-targeted) binding to enable complex mechanisms of action that are not amenable to antibody-based approaches.

Our protein engineering expertise and proprietary structure-guided molecular modeling capabilities enable these therapeutic platforms. Together with our internal antibody discovery and generation technologies, we have established a fully-integrated drug development engine and toolkit that is capable of rapidly delivering a steady pipeline of next-generation product candidates in oncology and other therapeutic areas.

The field of oncology has benefited from major advances in the understanding of cancer biology over the past decade, which have led to the development of several successful biotherapeutics contributing to a global

market valued at greater than $83.7 billion in 2015 and projected to grow to $128.0 billion by 2020. Despite this scientific progress, cancer remains the second-leading cause of death worldwide, leaving a substantial opportunity for Zymeworks to develop and deliver more effective medicines. We believe our novel therapeutic platforms, and our ability to build better biologics, uniquely position us to take advantage of recent advancements in cancer biology and address these underserved patient populations.

Our lead product candidate, ZW25, is an Azymetric bispecific antibody currently being evaluated in an adaptive Phase 1 clinical trial, which simultaneously binds two non-overlapping epitopes of HER2 resulting in dual HER2 signal blockade and increased tumor cell binding, immune cell recruitment and HER2 receptor downregulation as compared to existing HER2-targeted therapies. In our Phase I clinical trial, preliminary anti-tumor activity has been observed across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies. We plan to present detailed safety and preliminary anti-tumor activity data for ZW25 at the American Society of Clinical Oncology meeting in June 2017. For our second product candidate, ZW33, we expect to initiate a Phase 1 clinical trial in the second half of 2017. ZW33 is a bispecific anti-HER2 ADC that is based on the same antibody framework as ZW25, but is armed with a potent cytotoxic payload. The U.S. Food and Drug Administration, or FDA, has granted Orphan Drug Designation to both ZW25 and ZW33 for the treatment of ovarian cancer and to ZW25 for the treatment of gastric cancer. We will continue to focus on advancing multiple well-differentiated product candidates into clinical trials to build our pipeline portfolio as well as exploiting our protein engineering expertise to develop innovative therapeutic platforms.

Our unique combination of proprietary protein engineering capabilities and resulting therapeutic platform technologies was initially recognized by Merck and Lilly, with whom we established strategic partnerships focused on our Azymetric and EFECT therapeutic platforms. We subsequently entered into broader strategic partnerships with Celgene and GSK followed by a collaboration and cross-licensing agreement with Daiichi. During the initial partnerships with Merck, Lilly and GSK, the relationships were expanded to include either additional licenses or therapeutic platforms. These relationships provide our strategic partners with access to components of our proprietary Azymetric and EFECT therapeutic platforms for their development of a defined number of protein therapeutics on a predominantly non-target-exclusive basis. Importantly, these strategic partnerships have provided Zymeworks with non-dilutive funding as well as access to proprietary therapeutic assets, to increase our ability to rapidly advance our product candidates while maintaining worldwide commercial rights to our wholly-owned therapeutic pipeline.

The mission that unites everyone at Zymeworks is to create biotherapeutics that allow patients to return home to their loved ones, disease free. We intend to advance the development of disruptive therapeutic platforms and impactful biotherapeutics, especially in areas of unmet need. We believe we are well-positioned to deliver on our mission.

Overview of our Proprietary Therapeutic Platforms

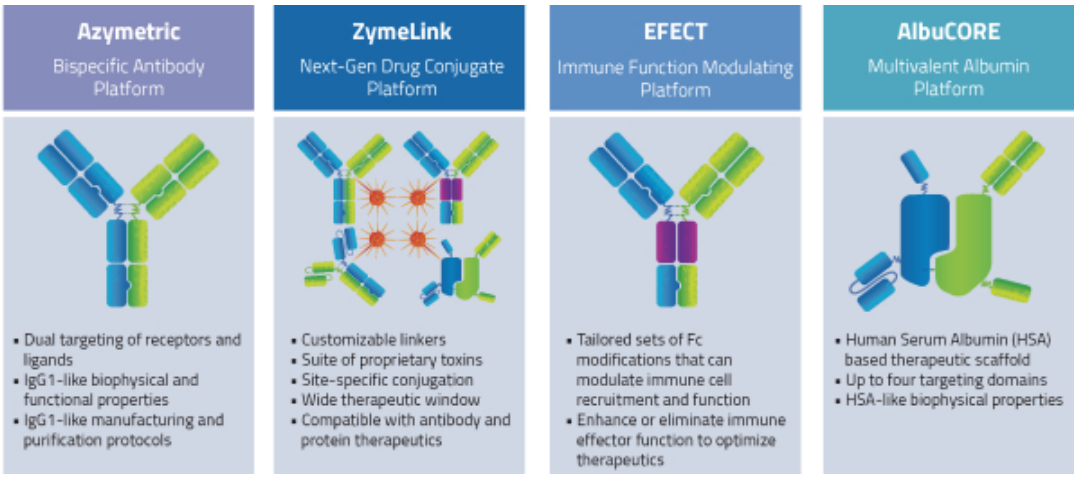
Our expertise in protein engineering has enabled the development of our proprietary therapeutic platforms, a complementary suite of highly-tailored biologics solutions. Our therapeutic platforms can be used alone, or in combination, with synergistic activity to develop multifunctional fit-for-purpose biotherapeutics with bispecific capabilities (Azymetric), cytotoxic payload delivery (ZymeLink), finely-tuned immune function modulation (EFECT) and multivalent targeting (AlbuCORE). The modular design and ease of use of our therapeutic platforms allow for the design and evaluation of multiple candidates with different formats to determine the optimal therapeutic combination early in development. We continue to leverage these therapeutic platforms to expand our pipeline of next-generation biotherapeutics that we believe could represent significant improvements to the standard of care in multiple cancer types.

We believe our in-house biologics design and engineering capabilities confer significant competitive advantages to our therapeutic platforms and are ultimately reflected in our programs. Some of these key advantages are:

- ***Highly modular and customizable.*** Our platforms can be combined in multiple ways and this capability has achieved synergistic results in preclinical studies. For example, our ZymeLink platform enables the

attachment of cytotoxic payloads to the candidates in any of our other platforms to create enhanced therapeutics, such as ADCs. These capabilities allow us to finely-tune characteristics such as tumor-killing potential, target specificity and immune cell engagement, and expand our ability to engineer superior drugs against multiple cancers.

- ***Fit-for-purpose.*** Our platforms can also be utilized to engineer biotherapeutics that are tailored for the particular target and disease state. For example, Azymetric bispecifics can be developed with multiple antigen binding formats to provide specific engagement geometry for a given target. This allows us to identify the targets and diseases that we wish to exploit and then engineer an optimized biotherapeutic to maximize therapeutic effect. We believe this method of deliberate drug development is a more effective and efficient mechanism for the creation of next-generation biotherapeutics.
- ***Consistent with native (Antibody or Albumin) formats.*** Our antibody platforms are differentiated from our competitors and have been engineered to retain the desirable biophysical characteristics of native antibody (Immunoglobulin, or IgG) formats such as a low risk of provoking an adverse anti-drug immune response, or immunogenicity, superior pharmacokinetics, the ability to beneficially recruit the immune system through effector function, and ease of manufacturing and purification. Likewise, our AlbuCORE platform builds on native HSA, and exploits the natural accumulation of albumin in tumors which we believe may lead to enhanced targeting of the tumor.
- ***Readily scalable and transferable.*** Our in-house biologics design and engineering expertise and infrastructure is positioned to create a steady stream of product candidates that are scalable, efficient to manufacture (by us, a partner or contract manufacturing organization), and naturally endorse favorable characteristics such as high production and purity levels. We believe this is a significant competitive advantage given the historical challenges faced by others in the field who manufacture complex biologics, such as bispecifics and ADCs.



Azymetric Bispecific Antibody Platform

The Azymetric platform consists of a library of proprietary amino acid substitutions that enable the transformation of monospecific antibodies into bispecific antibodies, which gives them the ability to simultaneously bind two non-overlapping epitopes. Azymetric bispecific technology enables the development of biotherapeutics with dual-targeting of receptors/ligands and simultaneous blockade of multiple signaling pathways, increasing tumor-specific targeting and efficacy while reducing toxicities and the potential for drug-resistance. In preclinical studies, the dual-targeting of Azymetric antibodies has demonstrated synergistic activity relative to the application of an equivalent dose of the corresponding monospecific antibodies. Azymetric

bispecifics can also be engineered to enhance internalization of the antibody into the tumor cell and consequently increase the delivery of cytotoxic payloads.

First-generation bispecific platforms significantly alter the structure of monoclonal antibodies or rely upon complex and proprietary manufacturing processes. Azymetric bispecifics, in contrast, retain the desirable drug-like qualities of monoclonal antibodies, including long half-life, stability and low immunogenic potential, which increases their probability of success. Azymetric bispecifics are also compatible with standard manufacturing processes with high production yields and purity, which accelerates manufacturing timelines and reduces costs.

ZymeLink Conjugation Platform and Cytotoxins

The ZymeLink conjugation platform is a suite of novel site-specific protein coupling technologies and customizable cleavable linkers that allow for the delivery of our proprietary cytotoxic payloads, which can be applied to all of our antibody and albumin-based therapeutic platforms. We believe that ZymeLink provides multiple competitive advantages over existing approaches, including optimized activity and tolerability profiles through increased drug delivery to target cells with reduced off-target effects, product homogeneity, preservation of immune cell interaction and stable pharmacokinetics.

EFECT Antibody Effector Function Modulation Platform

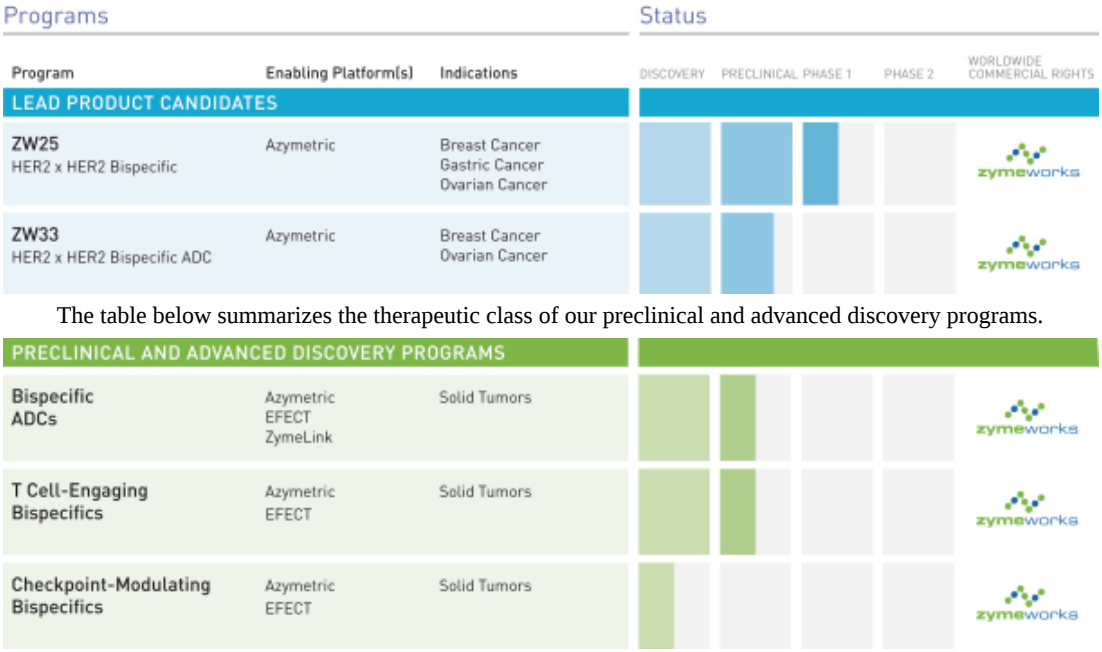
The EFECT platform comprises sets of modifications to the crystallizable fragment, or Fc, region of antibodies that enable the selective modulation of recruited cytotoxic immune cells for diverse therapeutic applications. This allows us to rationally tailor the selective enhancement or elimination of immune effector function to optimize product candidates.

AlbuCORE Multispecific Antibody-Alternative Platform

The AlbuCORE platform is a novel and proprietary suite of multivalent scaffolds engineered from the HSA backbone from which therapeutics can be developed. This platform is highly flexible and enables the addition of up to four customized targeting domains, which allows for additional tumor specificity and synergistic activity as well as an increase in the affinity and selectivity for a desired target. The resulting superstructure naturally accumulates in tumor microenvironments or areas of inflammation, and benefits from several attractive attributes of HSA, including superior pharmacokinetics and stability. Additionally, these AlbuCORE constructs possess standard manufacturing and purification protocols compatible with industry standard conjugation technologies, which accelerate the manufacturing process, while reducing costs.

Product Candidate Pipeline and Advanced Preclinical and Discovery Programs

We currently have one wholly-owned product candidate in clinical development and several wholly-owned product candidates in preclinical development that leverage our multiple therapeutic platforms to address areas of significant unmet medical need. We define our programs as "lead product candidates" when they initiate IND-enabling studies and as "preclinical stage programs" when lead molecules have been identified and demonstrate activity in biological models. Our lead product candidates, ZW25 and ZW33, utilize our Azymetric bispecific platform to address patient populations with all levels of HER2 expression, including those with low to intermediate HER2-expressing tumors, and are described in detail below. We are also actively advancing a diverse set of preclinical and discovery programs, which leverage one or more of our proprietary therapeutic platforms to create multifunctional biotherapeutics for several solid tumor indications. Our bispecific ADC programs utilize the Azymetric, EFECT and ZymeLink platforms and have demonstrated potent anti-tumor activity in preclinical studies with the potential for an enhanced therapeutic window. Our most advanced T cell-engaging bispecific program leverages the Azymetric and EFECT platforms combined with our proprietary protein engineering expertise, which results in potent anti-tumor activity and reduced toxicity in preclinical studies. We are also developing several checkpoint-modulating bispecifics for immuno-oncology and other therapeutic areas. Our goal is to advance at least one of these programs to the IND stage every year to create a deep pipeline of well-differentiated product candidates. The table below summarizes our current product candidate pipeline.



The table below summarizes the therapeutic class of our preclinical and advanced discovery programs.

- ***ZW25*** is our lead product candidate currently being evaluated in an adaptive Phase 1 clinical trial in the United States, based on our Azymetric platform. It is a bispecific antibody that can simultaneously bind two non-overlapping epitopes, known as biparatopic binding, of HER2 resulting in dual HER2 signal blockade, increased binding and removal of HER2 protein from the cell surface, and enhanced effector function. These combined mechanisms of action have led to significant anti-tumor activity in preclinical models of breast cancer, including trastuzumab (currently branded as Herceptin) resistant high HER2-expressing tumors, as well as in tumors with

lower levels of HER2 expression. Approximately 81% of patients with HER2-expressing breast cancer and 57% of patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2-targeted therapies, such as Herceptin and Perjeta. In the United States and EU5 (France, Germany, Italy, Spain and the United Kingdom) alone, approximately 405,803 and 49,058 patients are diagnosed with HER2-expressing breast and gastroesophageal cancer, respectively, every year. In addition, multiple other cancers, including ovarian, bladder, colorectal and non-small cell lung cancer, or NSCLC, also express HER2 at varying levels. Therefore, there is a significant unmet need for HER2-targeted agents that can effectively treat these patients.

We are developing ZW25 as a best-in-class HER2-targeting antibody intended as a treatment option for patients with any solid tumor that expresses HER2. Our initial focus is on the treatment of patients with breast or gastric cancers who have progressed after treatment with HER2-targeted therapies or who are not eligible for approved HER2-targeted therapies based on low to intermediate levels of HER2 expression. We then intend to develop ZW25 for other HER2-expressing cancers, including ovarian cancer. ZW25 has been granted Orphan Drug Designation for the treatment of both gastric and ovarian cancer by the FDA. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumor activity across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies.

- ***ZW33*** is a bispecific anti-HER2 ADC that is based on the same antibody framework as ZW25 but armed with a cytotoxic payload. ZW33 retains the mechanisms of action of ZW25 but takes advantage of high levels of antibody-target internalization to deliver a potent cytotoxin. We are developing ZW33 as a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression including breast and ovarian cancer, especially those that have progressed or are refractory to HER2-targeted agents, including Kadcyla. The FDA has granted Orphan Drug Designation for ZW33 for the treatment of ovarian cancer. We plan on initiating a Phase I clinical trial for ZW33 in the second half of 2017.

Our Strategy

Our goal is to leverage our next-generation therapeutic platforms and proprietary protein engineering capabilities to become a domain dominator in the discovery, development and commercialization of best-in-class multifunctional biotherapeutics for the treatment of cancer and other diseases with high unmet medical need.

Our key strategies to achieve this goal are to:

- ***Aggressively advance our lead product candidate, ZW25, through the clinic in multiple HER2-expressing tumor types.*** We plan to pursue the most rapid path possible to advance ZW25 through clinical trials and towards commercialization. We believe ZW25 is best-positioned to initially treat patients who have progressed after or who are not eligible for approved HER2-targeted therapies, such as Herceptin and Perjeta, based on low to intermediate levels of HER2 expression. A first-in-human Phase 1 clinical trial for ZW25 commenced in September 2016 and consists of three segments: a dose escalation segment in HER2-expressing solid tumors to assess safety and identify the maximum tolerated dose followed by expansion to evaluate ZW25 as both a monotherapy and in combination with standard of care therapy in patients with HER2-expressing refractory breast and gastric or gastroesophageal cancers and other HER2-expressing cancers including ovarian, bladder, colorectal and NSCLC. In our Phase 1 clinical trial, preliminary anti-tumor activity has been observed across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies. We plan to present detailed safety and preliminary anti-tumor activity data for ZW25 at the American Society of Clinical Oncology meeting in June 2017.
- ***Pursue a rapid and multi-faceted development strategy for our novel and highly differentiated pipeline into clinical trials across many oncology indications with a critically high unmet medical need.*** We have completed the Good Laboratory Practice, or GLP, toxicology studies and Current Good Manufacturing Practice, or cGMP, manufacturing for ZW33 and plan to initiate a Phase 1 clinical trial in

the second half of 2017. We are able to realize significant cost and time savings for ZW33 relative to other bispecifics by leveraging the same antibody manufacturing processes as well as insights related to the safety, pharmacokinetics, immunogenicity and anti-tumor activity data generated for ZW25 in both the preclinical and clinical setting since they share an identical bispecific antibody backbone. The planned clinical trials will be designed to determine the maximum tolerated dose in the dose escalation phase before exploring safety and anti-tumor activity in HER2-expressing cancers including high HER2-expressing breast cancer that has progressed after existing HER2-targeted therapies, as well as in other cancers including HER2-expressing ovarian cancer. Our subsequent clinical product candidates will be chosen from a diverse set of programs that we are aggressively advancing through preclinical development in several oncology indications with significant unmet need. These product candidates leverage both novel and well-validated targets and take advantage of one or more of our proprietary therapeutic platforms, which we believe results in a deep pipeline of next-generation multifunctional biotherapeutics. Our goal is to advance at least one new product candidate to the IND stage every year.

- ***Leverage our therapeutic platforms and proprietary protein engineering capabilities to continue to discover and develop additional novel product candidates.*** We will continue to exploit the advantages of our therapeutic platforms to discover and develop novel product candidates with a focus on leveraging our Azymetric, ZymeLink, EFECT and AlbuCORE platforms for generating bispecific and multifunctional antibody therapeutics, drug conjugates and multispecific antibody alternatives. We are currently evaluating a number of disease targets, therapeutic candidates and cytotoxic payloads with the aim of advancing a steady pipeline of next-generation product candidates from discovery and preclinical research into clinical trials.
- ***Leverage our strategic partnerships, while pursuing additional collaborations that can augment the power of our platforms and value of our pipeline.*** We will continue to work closely with our strategic partners to help advance multiple programs developed using our therapeutic platforms. These strategic partnerships underscore the strengths of our therapeutic platforms, provide non-dilutive funding, broaden the scope of development efforts and have the potential to provide clinical validation. We plan to opportunistically enter into additional or expanded strategic relationships with top-tier biopharmaceutical companies, including retaining key geographic and commercial rights, particularly in disease areas not currently being pursued by us or by our current strategic partners.
- ***Continue to develop innovative therapeutic platforms and expand our therapeutic focus into logical areas such as autoimmunity and inflammatory diseases.*** We plan to advance novel first-in-class product candidates and to continue to develop next-generation therapeutic platforms through our in-house research and development activities, collaborations with recognized leading academic institutions as well as in-licensing and acquisition of new technologies.

Background

Cancer Biology

Cancers are a diverse group of diseases characterized by unregulated cell growth and disruption of adjacent tissues. In normal tissues, cell growth and death are tightly regulated processes, with new cells continually being generated to replace cells that have become damaged or function abnormally. Tumors develop when genetic changes render cells insensitive to naturally occurring apoptosis, or programmed cell death, or invisible to the immune system. Under these conditions, cells grow and proliferate unchecked, leading to the development of solid tumors or blood cancers. Tumors can become malignant, invading nearby tissues, or become metastatic, traveling through the circulatory or lymphatic systems to form new tumors far from their primary site of origin. Once tumors become malignant or metastatic, treatment options are limited based on currently available therapeutics.

Cancer is the second-leading cause of death worldwide. The incidence, prevalence and mortality rates associated with cancer vary greatly depending on the cancer type. The following table lists the annual incidence rates in the United States for the most prevalent cancers, excluding non-melanoma skin cancer.

Annual Cancer Incidence and Mortality Rates in the United States (2016) and EU5 (2013)[1]

Cancer Type	US		EU (FR, GR, IT, SP, UK)	
	Estimated New Cases	Estimated Deaths	Estimated New Cases	Estimated Deaths
Breast	249,260	40,890	248,658	59,311
Lung	224,390	158,080	195,191	165,084
Prostate	180,890	26,120	242,887	45,044
Colorectal	134,490	49,190	225,502	92,802
Bladder	76,960	16,390	80,431	25,865
Melanoma	76,380	10,130	56,216	9,471
Non-Hodgkin's Lymphoma	72,580	20,150	56,623	21,145
Thyroid	64,300	1,980	26,104	2,273
Kidney	62,700	14,240	57,126	22,374
Leukemia (all types)	60,140	24,400	41,788	26,993
Endometrial	60,050	10,470	40,018	9,158
Pancreatic	53,070	41,780	51,402	50,539
Head & Neck	48,330	9,570	63,279	22,051
Gastroesophageal	43,280	26,420	74,084	54,364
Liver	39,230	27,170	37,975	33,568
Ovarian	22,280	14,240	27,104	18,303

Immune System and Antibodies

The immune system detects and defends organisms from invading pathogens, and identifies and eliminates aberrant cells. It is comprised of two subsystems: the innate and adaptive immune systems. The innate immune system mounts non-specific responses to conserved pathogen-associated molecular patterns and to alarm signals released by pathogen-infected cells. Key components of the innate immune system include:

- cytokines and chemokines, which are small signaling proteins that allow immune cells to communicate with one another and regulate cell movement towards a site of inflammation or infection;
- the complement pathway, which is a system of interacting proteins that coat pathogens, mark them for destruction and induce inflammatory responses;
- macrophages, which are cells that ingest and destroy foreign materials;
- neutrophils, which are cells that ingest and destroy microorganisms and are also capable of releasing enzymes that kill microorganisms; and
- natural killer, or NK, cells, which recognize and lyse pathogenic cells.

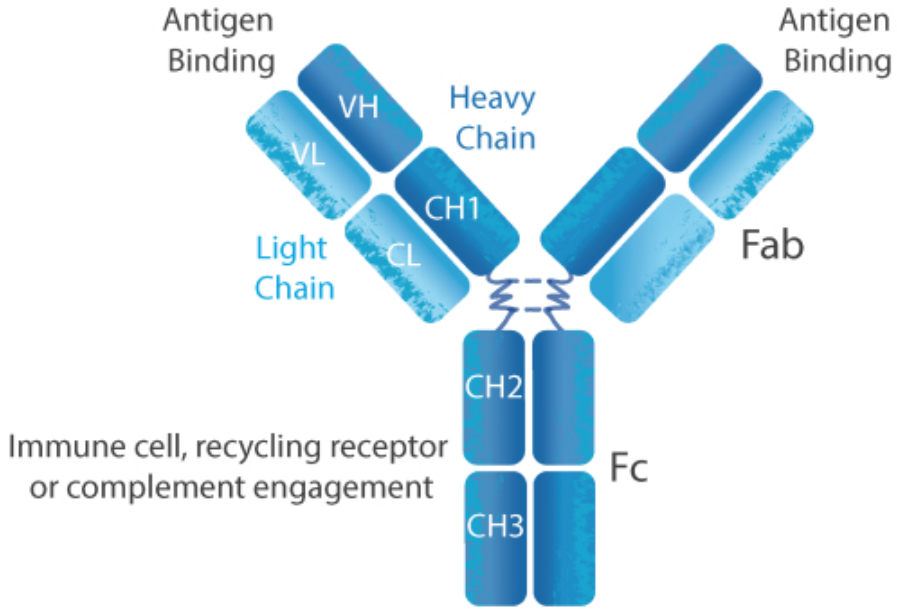
In contrast to innate immunity, the adaptive immune system mounts highly specific responses against non-self molecules, or antigens, and can be activated by the innate immune system. Key components of the adaptive immune system include:

- B cells, which generate unique antibodies targeting intact extracellular antigens;
- helper T cells, which stimulate B cells to divide, differentiate and secrete antibodies in response to peptide antigens processed from extracellular proteins presented by other immune cells; and
- cytotoxic T cells, which destroy infected or cancerous cells presenting peptide antigens processed from intracellular proteins.

(1) U.S. data excerpted from*: Cancer Facts and Figures 2016.* Atlanta, GA: American Cancer Society, 2016. Head & Neck in the United States refers to patients with oral cavity and pharyngeal tumors.

EU5 data excerpted from: Ferlay J, Soerjomataram I, Ervik M, Dikshit R, Eser S, Mathers C, Rebelo M, Parkin DM, Forman D, Bray, F. *GLOBOCAN 2012 v1.0, Cancer Incidence and Mortality Worldwide:* IARC CancerBase No. 11 (Internet). Lyon, France: International Agency for Research on Cancer; 2013. Head & Neck in the EU5 refers to patients with lip, oral cavity, larynx, nasopharynx and other pharyngeal tumors.

Antibodies are Y-shaped, symmetrical molecules that recognize one antigen and can potentially engage two copies of that antigen simultaneously, as illustrated in the following diagram:



Monoclonal Antibody Schematic. Typical monoclonal antibodies are composed of two identical heavy chains and two identical light chains. The Fc comprises two identical CH2 and CH3 domains that form a complex known as a homodimer and interact with immune cells, complement components and receptors that prolong antibody half-life. The antigen binding fragments, or Fabs, interact with the antigen target through exposed surfaces on their distal tips.

Antigen binding is achieved by exposed loops (in VH and VL) located at the distal tips of the Fab arms. Sequence variations in these regions give different antibodies the ability to target different antigens. The Fc domain is a protein domain at the base of the "Y" and includes CH2 and CH3 domains. The Fc is shared by all antibodies of a particular isotype and can be engaged by various receptors to recruit immune cells and destroy antigen-expressing target cells. This immune cell-mediated activity is called effector function, and may include antibody-dependent cellular cytotoxicity, or ADCC, antibody-dependent cellular phagocytosis, or ADCP, and complement-dependent cytotoxicity, or CDC.

In the context of cancer, the immune system performs continuous surveillance, eliminating cancerous cells and microscopic tumors. However, microscopic tumors occasionally escape immune surveillance and grow uncontrollably, leading to significant tissue damage and eventually compromising essential functions.

Oncology Overview and Next-Generation Therapy

Cancer treatment depends on multiple factors, including the type, stage and degree of localization of the cancer. Small, localized tumors can often be effectively treated by surgery and radiation, and supplemental, or adjuvant, drugs are commonly administered in this setting. Patients with primary tumors that cannot be removed or which have metastasized beyond the primary site are typically treated with systemically-delivered drugs, such as chemotherapy.

Chemotherapy

Cytotoxic chemotherapeutic agents were the first type of systemic drug treatment developed for cancer and many remain in use today. These drugs typically act by disrupting cellular metabolism, division and mobility, which are required for tumor growth, invasion and metastasis. Tumors are more sensitive to chemotherapeutic agents than normal cells by virtue of their accelerated proliferation rates. However, chemotherapy also kills normal cells, particularly those that naturally grow and divide rapidly, such as those in the gastrointestinal tract. Because of this toxicity, these agents are typically administered in a limited range of doses within which tumors can be eliminated while minimizing toxic side effects, resulting in a narrow therapeutic window. As a result, chemotherapeutic agents are not always effective in eradicating cancer cells at doses low enough to avoid potentially fatal toxic damage.

Targeted Therapies

To address the broad toxicity of systemic chemotherapy, researchers have developed targeted therapies that interfere with the specific molecules that drive the rapid growth of cancer cells and lead to metastasis, or which can re-engage the immune system to combat cancer. While each patient's cancer is characterized by a unique combination of genetic mutations, many of these changes are common across many cancers. These common genetic changes are targeted by newer targeted therapies that discriminate cancerous from normal cells, often leading to superior tolerability and broader therapeutic windows compared to chemotherapy. The three most common classes of targeted therapies are as follows:

Small Molecules

Small molecule therapeutics are chemical compounds that generally interfere with the intracellular signaling of tyrosine kinases. Tyrosine kinase signaling regulates cell growth, proliferation, migration and new blood vessel formation, or angiogenesis, of tumors. Blocking these signals slows the growth of tumors. Small molecule therapeutics, due to their small size and the weaker binding of targets, are generally less specific and more toxic than biologics.

First-Generation Biologics

Most biologics used as cancer therapies are monoclonal antibodies directed against tumor cell surface antigens, though this class of therapeutics also includes vaccines, cytokines and receptor fusion proteins. Due to their high degree of target specificity, monoclonal antibodies also offer the unique ability to target tumor-selective antigens, while minimizing off-target side effects. In oncology, first-generation biologics were generally used for growth signal neutralization through ligand or receptor blockade or degradation such as Herceptin or Perjeta for the HER2 receptor and Erbitux for the epidermal growth factor receptor, or EGFR.

Second-Generation Biologics

Second-generation biologics were designed to further increase efficacy and reduce toxicity of targeted cancer therapies. In some instances, the domain of a monoclonal antibody was engineered to enhance therapeutic efficacy, or the Fab domains were engineered to improve target antigen affinity and specificity. In addition, small molecules or cytokines could be conjugated to antibodies to precisely deliver toxic payloads specifically to tumors. Antibodies could also be engineered such that they simultaneously engaged multiple different antigens (i.e., bispecific antibodies) and induced biological effects previously unattainable with first-generation monoclonal antibodies. This resulted in biologics often being the preferred treatment option for many cancers given their higher efficacy and safety profile as well as longer serum exposure in comparison to small molecules.

Zymeworks' Next-Generation Biologics

Small molecule therapeutics and biologics have led to improvements in patient outcomes compared to chemotherapies. However, some patients acquire resistance, become refractory to, or cannot tolerate the increased toxicity of these treatments. Importantly, these treatments often only delay disease progression and do not induce durable cancer remission. As a result, there is a need for new therapies with improved, long-lasting efficacy and reduced toxicity. We believe the future of oncology will be defined by multifunctional therapeutics specifically designed to act through several synergistic mechanisms of action to enhance efficacy, overcome resistance and minimize side effects. Furthermore, we believe our proprietary protein engineering capabilities and our integrated biologics discovery engine uniquely enable us to develop the next generation of biotherapeutics, including bispecific and multifunctional antibodies, immune engagers, ADCs and other proprietary protein formats to help address this treatment gap. Our suite of proprietary therapeutic platforms uniquely allows us to utilize all of the above approaches in our mission to allow patients to return home to their loved ones, disease free.

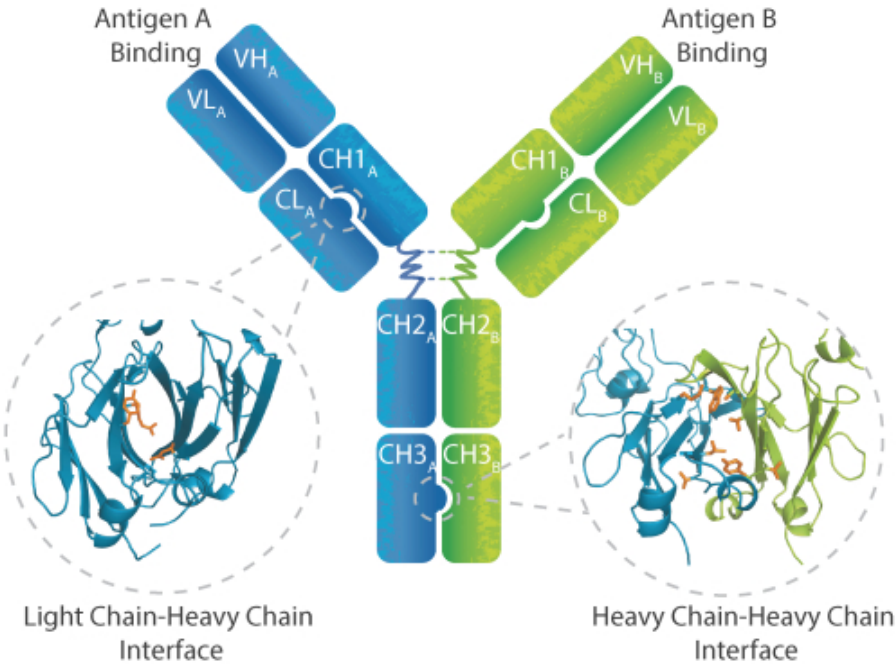
Zymeworks' Competitive Advantage: Proprietary Therapeutic Platforms

Our expertise in protein engineering has enabled the development of our next-generation therapeutic platforms, a suite of complementary and highly-tailored biologics solutions. Our therapeutic platforms can be used alone or in combination with synergistic activity to develop fit-for-purpose biotherapeutics with bispecific capabilities (Azymetric), cytotoxic payload delivery (ZymeLink), finely-tuned immune cell regulation (EFECT) and multivalent targeting (AlbuCORE). We continue to leverage these therapeutic platforms to expand our deep pipeline of next-generation biotherapeutics that we believe could represent significant improvements to the standard of care in multiple cancer types.

Azymetric Bispecific Antibody Platform

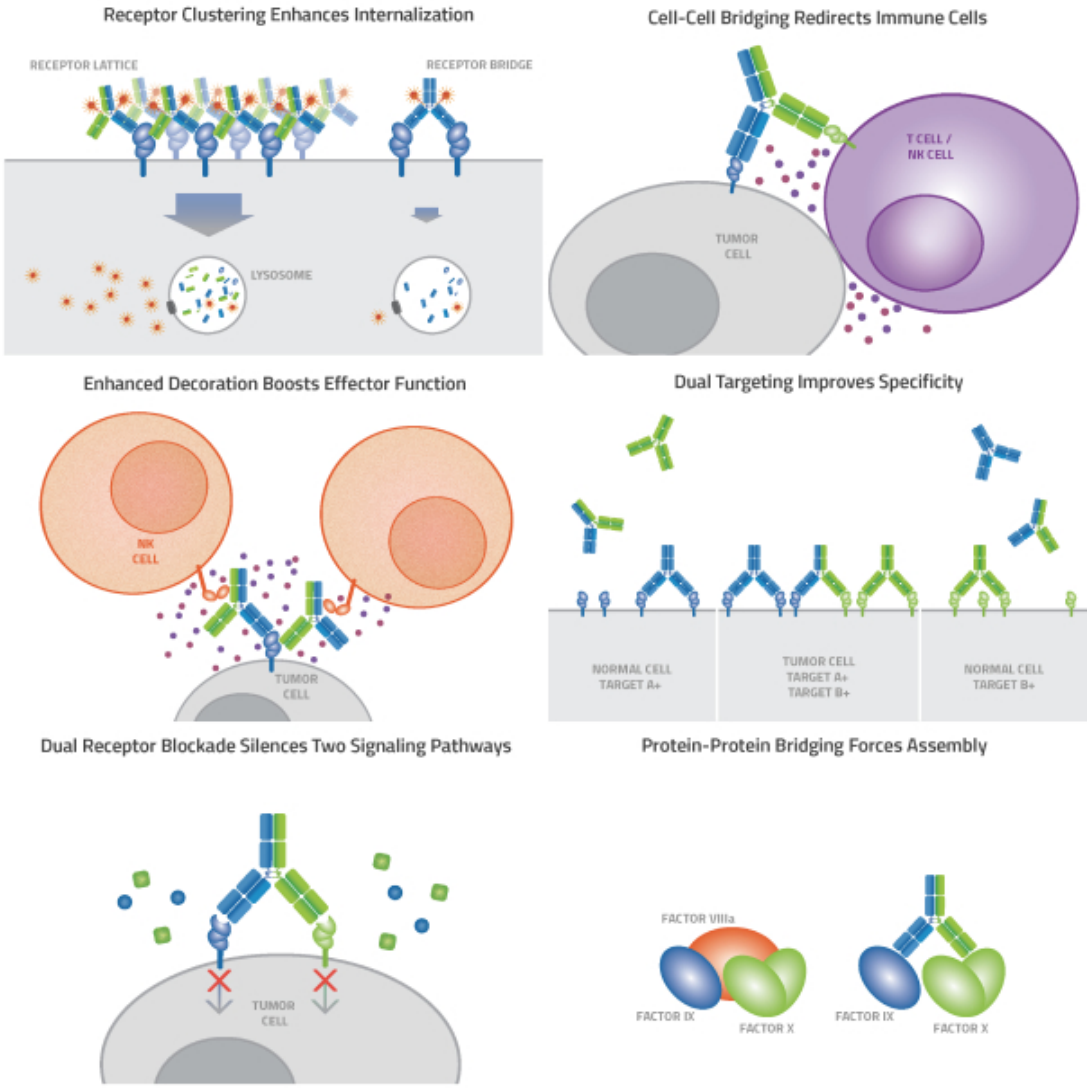
The Azymetric platform consists of a library of proprietary amino acid substitutions in the Fc and Fab regions that transform monospecific antibodies into bispecific antibodies, giving them the ability to simultaneously bind two non-overlapping epitopes. The core technology consists of complementary amino acid substitutions on each of the CH3 domains that we have engineered to facilitate the obligate interaction of two distinct heavy chains. Additional amino acid substitutions are also introduced at the heavy-light chain interfaces to facilitate the correct pairing of the heavy chains with their respective light chains.

We are leveraging the multiple therapeutic mechanisms of action of our Azymetric platform to develop our internal pipeline of wholly-owned bispecific product candidates, including ZW25 and ZW33. We have also licensed the Azymetric platform to our strategic partners (Merck, Lilly, Celgene, GSK and Daiichi) for their own therapeutic development.



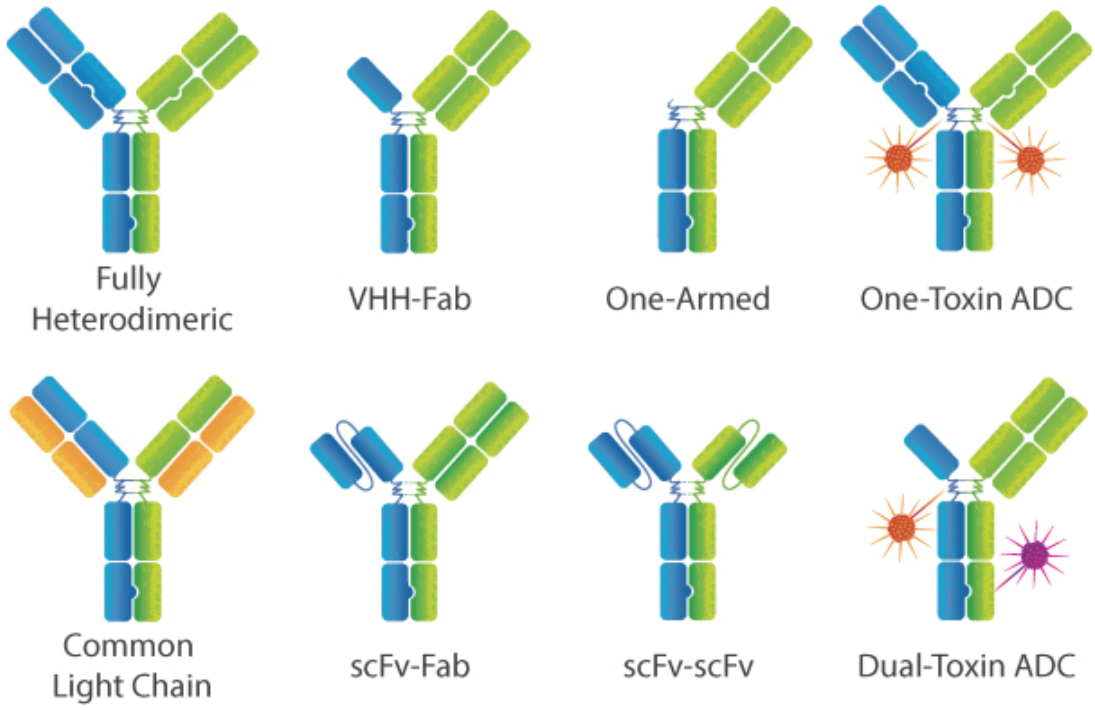
Azymetric Antibody Schematic. Azymetric antibodies consist of two different heavy chains and two different light chains which, when associated using proprietary, engineered Fc and Fab domain interfaces, can engage two distinct antigens through two different antigen-targeting arms.

We have engineered our Azymetric bispecific antibodies to retain the desirable features of naturally-occurring IgG antibodies, including low immunogenicity, long serum half-life, high stability and the ability to mediate effector function. Azymetric antibodies are also manufactured using industry-standard monoclonal antibody processes and maintain high production yields and product purity. This allows for “plug-and-play,” low-cost, high-quality manufacturing for both our proprietary and partnered product candidates. These are significant advantages compared to competing bispecific technologies, which in many cases suffer from poor stability or may require additional complex manufacturing steps. By retaining the properties of an unmodified Fc region, Azymetric antibodies can be stably formulated, dosed on a convenient schedule, and have the ability to kill tumors through multiple mechanisms of action. In addition, Azymetric antibodies are compatible with glyco-engineering and other Fc modifications (for example, our EFECT platform) to enhance therapeutic activity.



Unique Mechanisms of Action of Bispecific Antibodies. Bispecific antibodies can mediate effects through multiple unique mechanisms of action, including: (i) enhanced receptor clustering, which may accelerate internalization and promote sub-cellular sorting to the lysosome for improved cytotoxin delivery; (ii) recruitment of immune cells to tumor cells by simultaneous engagement of receptors on each cell; (iii) increasing tumor cell decoration by engaging two targets on the same receptor, or two different receptors, to enhance Fc-mediated effector cell function; (iv) improved specificity of tumor targeting by requiring engagement of two tumor-associated antigens; (v) dual receptor blockade with a single antibody to suppress signaling through two oncogenic pathways (the same effect can be achieved by dual ligand binding); or (vi) by bridging proteins to replace a missing component of a macromolecular complex. Other unique bispecific mechanisms of action (not shown) include delivering biologics across the blood brain barrier, enhancing tumor cell death signaling by improved receptor clustering, and increasing cytotoxin delivery by coupling a poorly-internalizing tumor-specific receptor to a well-internalizing target.

Unlike many other bispecific platforms, the Azymetric platform is compatible with alternative antigen binding formats (e.g. antigen binding fragments, or Fabs, single chain antibodies, or scFvs, and heavy chain antibodies, or VHHs, see illustration below). This flexibility allows us to explore multiple different structural variants and to select the format that provides optimized engagement geometry for a given target pair to maximize therapeutic effect for the desired biology. We believe that this level of therapeutic customization will be essential to design next-generation biologics that effectively target increasingly complex biological challenges.



Azymetric Format Variants. Azymetric antibodies can be formatted with dual Fab antigen-targeting arms, with common light chains, in alternate scFv or VHH formats, hybrid formats, or as ADCs, in order to create highly-tailored biotherapeutics that provide optimal engagement geometry for a given target pair to maximize therapeutic effect.

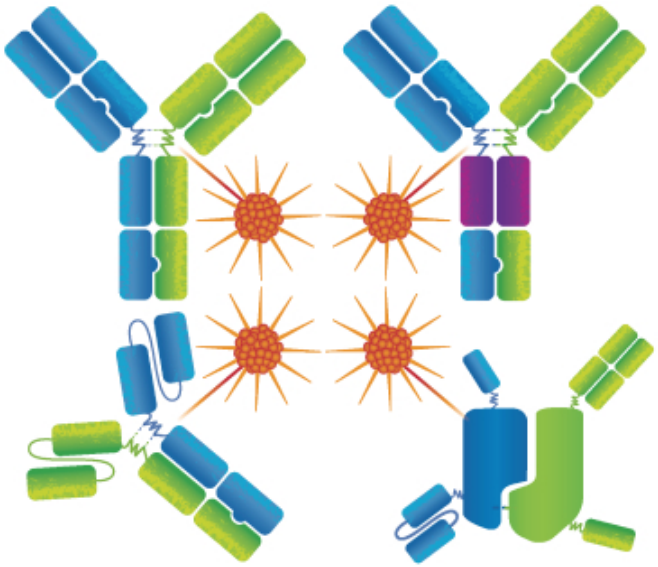
We have designed the Azymetric platform to provide us with the following competitive advantages:

- dual-targeting of receptors and ligands
  - *enables enhanced tumor specificity and synergistic efficacy;*
- simultaneous blockade of multiple signals or parallel pathways
  - *enhances efficacy while reducing the potential for drug resistance and relapse;*
- several modular and compatible antibody formats
  - *enables fit-for-purpose biotherapeutic development that optimally exploits therapeutic targets in the context of each particular disease state;*
- redirected targeting of immune effector cells to the tumor
  - *recruits and activates the patient's naïve immune cells to attack tumors for increased efficacy;*
- enhanced antibody internalization and sub-cellular sorting
  - *delivers more drug to tumors for increased efficacy;*

- IgG-like biophysical and functional properties
  - *retains effector function and enhances pharmacokinetics and stability, with resistance to aggregation and reduced immunogenic potential relative to other bispecific formats; and*
- compatible with existing industry-standard manufacturing and purification protocols
  - *plug-and-play manufacturing process accelerates development and reduces cost of goods.*

ZymeLink Conjugation Platform and Cytotoxins

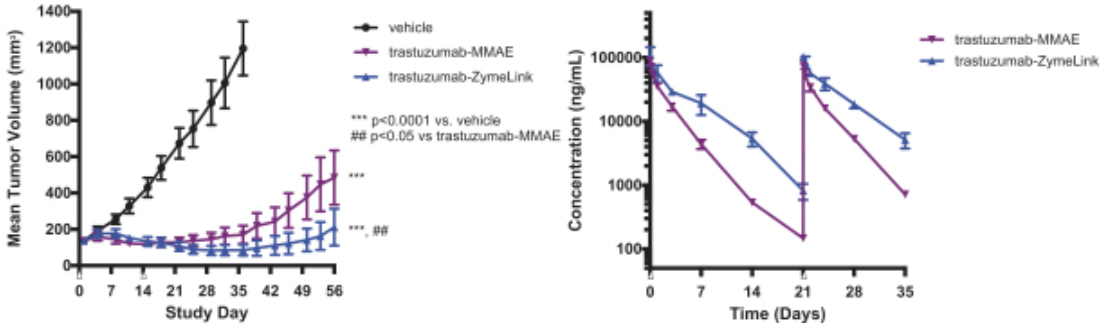
The ZymeLink conjugation platform represents a suite of novel site-specific protein conjugation technologies and customizable cleavable linkers that enable the delivery of cytotoxic payloads, and can be applied to all of our antibody and albumin-based therapeutic scaffolds. The ZymeLink platform enables the production of homogeneous product candidates that are stable in circulation but enable the efficient release of payload upon internalization by target cells. For antibodies, the ZymeLink platform has been specifically engineered to preserve Fc effector function to facilitate the recruitment and activation of immune cells as well as maintain typical antibody pharmacokinetics.



ZymeLink Drug Conjugate Platform. The ZymeLink drug conjugate platform is a suite of novel site-specific protein conjugation technologies and customizable cleavable linkers that allow for the delivery of our proprietary cytotoxic payloads, and can be applied to all of our antibody and albumin-based therapeutic platforms.

We have also developed a series of proprietary cytotoxic payloads, spanning multiple classes, which possess highly potent anti-tumor activity against a broad range of cancer cell types. When conjugated to tumor-targeting antibodies, the resulting ZymeLink-cytotoxin conjugates demonstrate exceptional anti-tumor activity and tolerability *in vivo* in our preclinical studies. In fact, the ZymeLink-cytotoxin conjugates are tolerated by non-human primates at doses six-fold higher than the only currently-approved cleavable ADC platform based on monomethyl auristatin E, or MMAE, potentially resulting in an expanded therapeutic window in patients. This key competitive advantage may enable administration of higher ADC doses and delivery of more cytotoxin to the tumor, with reduced toxic side effects, relative to other ADC platforms.

ZymeLink Antibody-Drug Conjugates are Potent and Have Greater Exposure than MMAE Antibody-Drug Conjugates



Primate Safety	Trastuzumab-MMAE	Trastuzumab-ZymeLink
Dose-limiting Toxicity	Myelotoxicity (6 mg/kg)	Elevated AST/ALT (24 mg/kg)
Maximum Tolerated Dose	3 mg/kg	18 mg/kg

ZymeLink Drug Conjugate Platform Safety. At an equivalent drug-to-antibody ratio, an ADC generated using the ZymeLink platform was potent and at least as efficacious as an ADC generated using the MMAE platform in a HER2-expressing patient-derived breast cancer model. In the study on the left panel, ADCs were administered at 3 mg/kg on day 0 and 14 (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=9 mice/group) with established tumors. Treatment with trastuzumab-ZymeLink achieved statistically significant results since such treatment inhibited the relative growth rate of tumors when compared to trastuzumab-MMAE indicated by "##" (p-value<0.05). The ZymeLink ADC also exhibited increased exposure and was six-fold better tolerated in non-human primates compared to the MMAE ADC in a four-week tolerability study (right panel and table). The maximum tolerated dose of trastuzumab-ZymeLink was determined to be 18 mg/kg based on elevated levels of AST and ALT at 24 mg/kg. In contrast, the maximum tolerated dose of trastuzumab-MMAE was limited to 3 mg/kg based on severe myelotoxicity at 6 mg/kg despite having lower drug exposure than trastuzumab-ZymeLink at equivalent doses. Dose-limiting toxicity and maximum tolerated dose were assessed by clinical observations and clinical pathology using standards equivalent to those in a human clinical trial. An experimental result, such as those derived from a clinical or non-clinical study, is "statistically significant" if it is unlikely to have occurred by chance. The statistical significance of the experimental results is determined by a widely used statistical method that establishes the p-value of the results. A p-value is the probability that the reported result was achieved purely by chance, such that a p-value of less than or equal to 0.001 means that there is a 0.1% or less probability that the difference between the control group and the treatment group is purely due to chance. Under this method, the smaller the p-value the greater the confidence that the results are significant. The FDA generally considers a p-value of 0.05 or less to represent statistical significance.

We have designed the ZymeLink platform to provide us with the following competitive advantages:

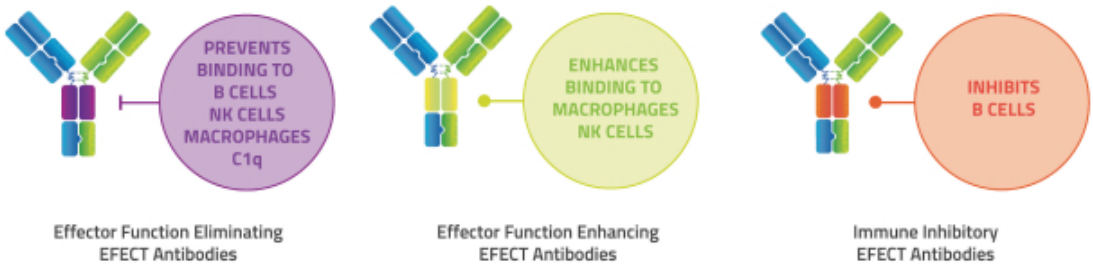
- targeted delivery of our proprietary next-generation cytotoxins
  - *optimizes efficacy and safety profiles thus broadening the therapeutic window;*

- customized cleavable linkers with optimized loading, stability and release
  - *maximizes drug delivery to target cells while minimizing off-target effects;*
- site-specific conjugation technology
  - *ensures product homogeneity, preserves Fc effector function for recruitment/activation of immune cells, and maintains pharmacokinetics through FcRn engagement; and*
- compatible with multiple antibody and protein formats including Azymetric, AlbuCORE and our partnered programs
  - *maximizes utility across a broad range of applications.*

Importantly, the ZymeLink conjugation platform is compatible with our proprietary cytotoxins as well as a variety of additional small molecule therapeutics. Together, they can be combined with traditional monoclonal antibodies and with the Azymetric (bispecific), EFECT and AlbuCORE (multispecific) platforms to enable the development of best-in-class, life-changing therapies for patients.

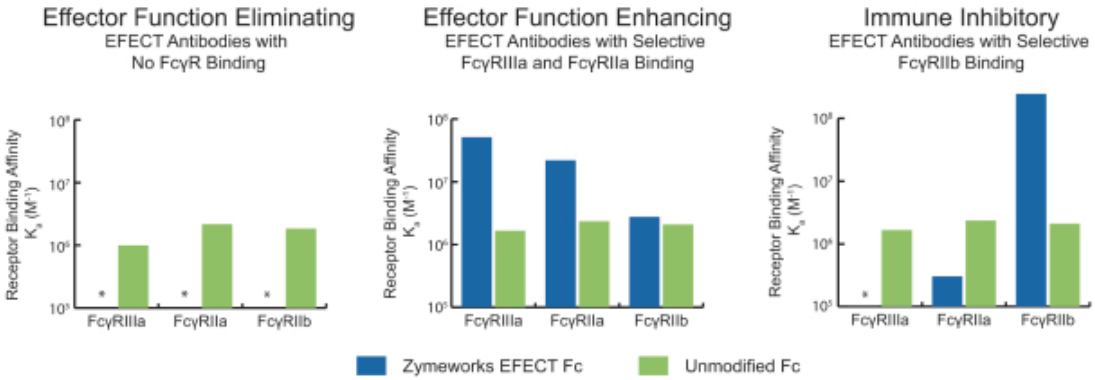
EFECT Antibody Effector Function Modulation Platform

Immune cells bind to the Fc region of antibodies through proteins called Fc receptors. When bound, some Fc receptors activate immune cell function (FcgRIIa and FcgRIIIa), while other Fc receptors inhibit immune cell function (FcgRIIb). This phenomenon is known as effector function. The EFECT platform is comprised of proprietary sets of amino acid modifications to the Fc region of antibody-based therapeutics, which enable us to selectively modulate their effector function (Effector Function Eliminating, Effector Function Enhancing or Immune Inhibitory) and tailor the activity of recruited immune cells for specific therapeutic applications. As an example, for the development of T cell re-directing bispecific antibodies, using the Effector Function Eliminating modifications prevents binding between the antibody's Fc region and the Fc receptors of immune cells, which may otherwise lead to inadvertent toxicity. Alternatively, for more traditional anti-cancer therapeutic antibodies, using the Effector Function Enhancing modifications improves binding between the antibody's Fc region and activating Fc receptors, which may enhance immune cell-mediated anti-cancer activity. The ability to tune-up, tune-down, or eliminate immune cell engagement allows tailoring of the antibody's effector function to match the desired therapeutic mechanism of action.



Modulation of Effector Function with the EFECT Platform. The EFECT platform consists of tailored sets of modifications, which can be introduced into the Fc region of antibodies to generate therapeutics with different functional outcomes: (i) immune effector function elimination ("Effector Function Eliminating"), shown above in purple; (ii) enhanced immune effector function ("Effector Function Enhancing"), shown above in yellow; or (iii) the ability to inhibit B cell activity without depleting B cells ("Immune Inhibitory"), shown above in orange.

The EFECT platform is compatible with traditional monospecific antibodies and with Azymetric bispecific antibodies. We have licensed certain aspects of this therapeutic platform to Merck, GSK and Daiichi for use in conjunction with the Azymetric platform. We have also entered into a collaboration with GSK for the further development and commercialization of the EFECT platform.



Modulation of FcgR Binding with the EFECT Platform. The EFECT platform enables the development of antibody-based therapeutics that can selectively recruit and tailor the activity of immune cells for specific therapeutic applications. To achieve this, we have engineered multiple sets of Fc region modifications for each of the three desired effector function outcomes (Effector Function Eliminating, Effector Function Enhancing and Immune Inhibitory). The graphs above show the absolute binding affinities for a representative set of EFECT Fc modifications (blue bars) compared to an unmodified Fc (green bars) for each effector function outcome. The asterisk ("*") denotes that the binding level of the Zymeworks Fc modification to the Fcg receptor is undetectable, or less than the detection limit of the experiment.

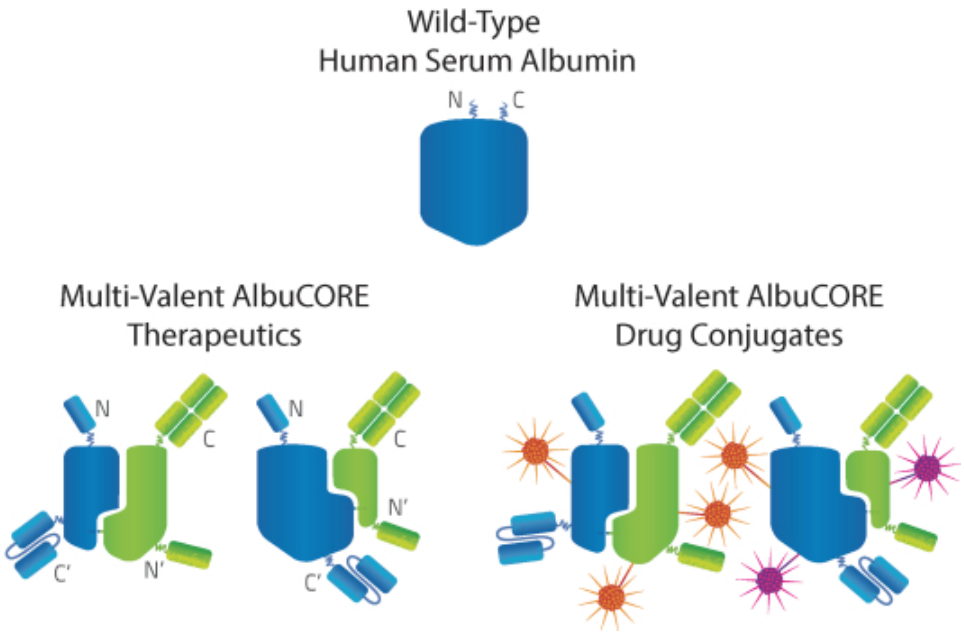
We have designed the EFECT platform to provide the following competitive advantages:

- selective enhancement of activating FcgR interactions
  - *enables precise up-regulation of immune effector function;*
- selective enhancement of inhibitory FcgR interactions
  - *enables precise downregulation of B cell or mast cell function and permits antibody crosslinking via immune cell engagement without immune cell activation; and*
- proprietary mutations to eliminate FcgR interactions
  - *eliminates the interaction between an antibody and the FcgR of immune cells more completely than alternative approaches while retaining the attractive pharmacokinetics of a full-sized antibody.*

AlbuCORE Multispecific Antibody Alternative Platform

The AlbuCORE platform is a novel and proprietary suite of multivalent scaffolds based on HSA. This platform is highly flexible and enables the addition of up to four customizable targeting domains, which allows for additional tumor specificity and synergistic activity as well as increased affinity and selectivity for the desired target. The resulting superstructure naturally accumulates in tumor microenvironments or areas of inflammation and benefits from several attractive attributes of HSA, including superior pharmacokinetics and stability. Additionally, these AlbuCORE constructs possess standard manufacturing and purification protocols compatible with industry standard conjugation technologies which accelerate development and reduce manufacturing costs.

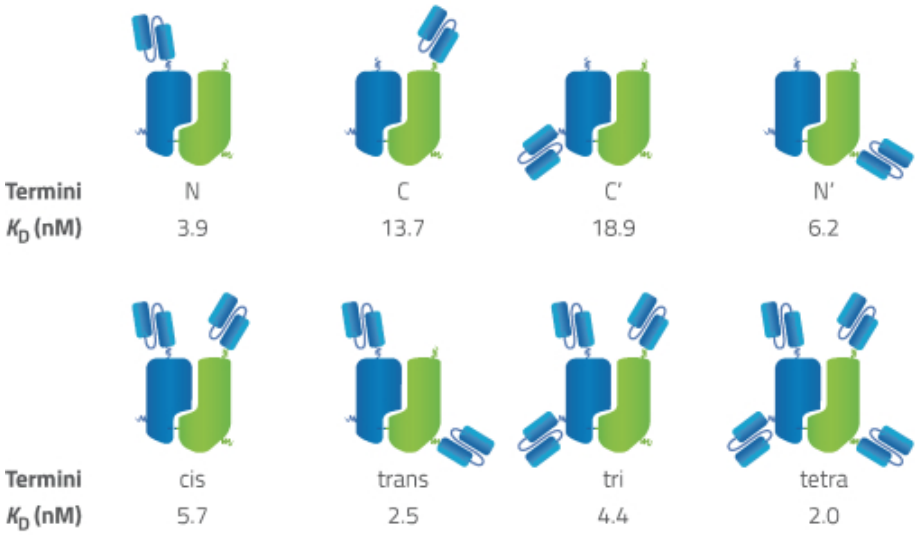
We evaluated a number of positions where the native HSA amino acid sequence could be split into two polypeptide chains. When the two separate chains are co-expressed, they efficiently and spontaneously associate to reform a native-like HSA structure with four available termini to which antigen-targeting domains can be fused, or other agents chemically conjugated.



AlbuCORE Platform Schematic. Zymeworks has engineered a series of AlbuCORE scaffolds by genetically splitting the native HSA sequence at exposed loops. Different AlbuCORE scaffolds allow fusion of antigen-binding domains resulting in different target-engagement geometries. One or more cytotoxic drugs can also be conjugated to AlbuCORE scaffolds to enhance therapeutic utility.

Variants created using the AlbuCORE platform retain the attractive features of HSA as a therapeutic scaffold. AlbuCORE variants exploit the natural accumulation of albumin in tumors through enhanced tumor permeability and retention, and the increased demand by tumors for albumin as a source of energy and amino acids. AlbuCORE variants also retain the favorable pharmacokinetic properties of HSA, which have previously been exploited by fusing HSA to peptides, hormones and cytokines to extend the half-life of these otherwise rapidly-cleared molecules. Unlike antibodies, AlbuCORE-based biotherapeutics inherently lack effector function; this is a highly desirable trait in certain therapeutic applications. AlbuCORE variants also exhibit ideal manufacturing characteristics: they retain the stability and solubility characteristics exemplified by the frequent use of HSA as an excipient in pharmaceutical product formulations and can be produced in microbial expression systems at reduced cost-of-goods compared to other systems.

AlbuCORE's multivalent binding capabilities enable us to design biotherapeutics with high avidity binding or multispecific targeting to crosslink multiple disease targets and effector cells. Similar to the Azymetric platform, the AlbuCORE platform also offers the flexibility to test multiple formats with variable inter-termini distances and geometries. This allows us to identify a variant with the optimal targeting geometries needed to induce maximal effect for a particular disease state.



AlbuCORE Valency and Binding Geometries. Relative binding affinity, or K_D, of an AlbuCORE scaffold fused with anti-HER2 scFv binding domains, demonstrating that differences in binding affinity to HER2-expressing target cells depend on the valency and site of fusion on the scaffold. The lower the K_D, the stronger the binding of AlbuCORE to the target.

We have designed the AlbuCORE platform to provide the following competitive advantages:

- multivalent targeting: up to four sites to which peptides or protein domains can be fused
  - *enables enhanced tumor specificity and synergistic efficacy;*
- ability to customized geometry of targeting domains and optimized structure-activity relationship
  - *increases affinity and selectivity for therapeutic target leading to increased efficacy and decreased toxicity;*
- HSA-like biophysical and functional properties
  - *naturally accumulates in the tumor microenvironment and at sites of inflammation*
  - *increases serum circulation and tissue residence time compared to small molecules and other protein scaffolds*
  - *enhances stability and pharmacokinetics, and decreases immunogenic potential; and*
- compatible with existing industry standard manufacturing and purification protocols
  - *standard manufacturing process accelerates development and reduces cost of goods.*

ZymeCAD Computational Modeling and Engineering Technology

Our therapeutic platforms are enabled by our protein engineering expertise and by leveraging ZymeCAD, our proprietary computational modeling technology. We continue to leverage ZymeCAD to support our strategic partnerships and develop novel therapeutic platforms.

ZymeCAD is a comprehensive approach to predictive protein modeling and structure-guided protein engineering. We utilize this suite of proprietary software modules to develop better therapeutic platforms by increasing our understanding of the structure-function relationships and biophysical characteristics of specific protein changes. These software modules include:

Molecular Modeling

ZymeCAD includes a number of proprietary software tools used to build and refine the quality of high-definition molecular models, incorporating structural data from multiple sources including crystallography, homology and sequence data as well as experimentally-derived data. High quality structural models of protein therapeutics and their interactions with targets are a critical component of our approach to protein engineering and the design of next-generation product candidates and therapeutic platforms.

Conformational Dynamics

ZymeCAD incorporates a number of simulation approaches to sample and evaluate changes within molecular systems, including protein backbone, sidechain and interdomain changes. Proprietary simulation methodologies provide us with a comprehensive understanding of the alternate states and functional characteristics of the protein of interest, including target binding and stability.

Hot Spot Determination

ZymeCAD plays a key role in the *in silico* identification of a specific subset of amino acids in a protein that is critical to determining its functional characteristic and overall stability. These amino acid residues can play a role either independently or as part of a cluster of networked residues, and through proprietary algorithms, ZymeCAD can identify these critical residues, referred to as “hot spots.” These analyses, including the inherent knowledge of the downstream impact of altering specific hot spots, can drive the rational design and engineering of product candidates.

Energy Function and Scoring

ZymeCAD contains proprietary energy and scoring functions that score and rank the stability of proteins and binding energies across protein-target interfaces, and the outward-facing surfaces of the proteins. This empirical ranking methodology was developed, implemented and successfully utilized in the development of our platform technologies and biotherapeutics, and plays a key role in executing on our strategic partnerships relating to the development of new EFECT modalities.

Rigorous commercial software engineering practices, coupled with robust quality assurance standards and a world-class software engineering team have created an extensible, scalable, reliable and secure platform that we believe positions us to remain at the leading edge of the development of next-generation biotherapeutics as we continue to innovate beyond the current state of art in computational protein design.

Next-Generation Biologics Market Opportunity

The expansion of the pharmaceutical market driven by an aging worldwide population and increased standard of living in emerging markets has contributed to growth of the biologics markets over the last several years. Monoclonal antibodies are the most prevalent biologic type, as they are effective, amenable to platform development, well-validated as a therapeutic class and familiar to regulatory agencies. Since the first antibody approval in 1986, approximately 47 products have been approved by the FDA and international regulatory authorities. Notably, the three largest selling oncology products are monoclonal antibodies, Rixutan, Avastin and Herceptin, which had 2016 worldwide sales of approximately $7.3 billion, $6.8 billion and $6.8 billion, respectively. Currently there are over 300 monoclonal antibodies in various stages of clinical development with combined global sales expected to reach nearly $125 billion.

The overall market for bispecific antibodies has been estimated to reach $5.8 billion in 2024. Notably, these forecasts are conservative and reflect only projections for bispecifics in late-stage development. Challenges with existing bispecific technologies include a short half-life *in vivo*, low stability, and various manufacturing-related challenges. We believe the true market for bispecifics is significantly larger and we expect it to grow as clinical and regulatory experience with this class of therapeutics increases and stable bispecific antibodies with a longer *in vivo* half-life and enhanced efficacy are developed.

ADCs are a relatively more mature next-generation biotherapeutic technology comprising of monoclonal antibodies attached to biologically active drugs by chemical linkers with labile bonds. By combining the specific targeting ability of antibodies with cytotoxic drugs, ADCs allow sensitive discrimination between healthy and diseased tissue. Initial data suggests that some ADCs may have additive or synergistic effects with immuno-oncology drugs, notably with checkpoint inhibitors. Despite improvements in second generation ADCs, it is generally accepted that only a small fraction of their payload is delivered to the target, leaving significant room for improvement. Key challenges include production of consistent ADC batches, efficacy of antibody targeting and linkers with delayed payload release and poor stability. Potential solutions include alternative targeting mechanisms such as bispecifics, new linker technologies to improve the pharmacokinetic profile and improved conjugation of the linker to the antibody. Two ADCs are currently approved for use in the United States: Seattle Genetics' Adcetris and Roche/Genentech's Kadcyla. These two products accounted for $1.4 billion in sales for 2016. With over 50 antibody-drug conjugates in the clinic, including 20 programs in Phase 2 or Phase 3 trials, the market for ADCs has been estimated to be between $10.0 billion and $12.7 billion by the 2020-2025 timeframe.

Product Candidate Pipeline

ZW25: Anti-HER2 Biparatopic Bispecific Azymetric Antibody

Overview

ZW25, our lead product candidate currently being evaluated in an adaptive Phase 1 clinical trial in the United States, is based on our Azymetric platform. It is a bispecific antibody that can simultaneously bind two non-overlapping epitopes, known as biparatopic binding, of HER2 resulting in dual HER2 signal blockade, increased binding and removal of HER2 protein from the cell surface, and enhanced effector function. These combined mechanisms of action have led to activity in preclinical models of breast cancer, including trastuzumab-resistant (currently branded as Herceptin) high HER2-expressing tumors, as well as in tumors with lower levels of HER2 expression. Approximately 81% of patients with HER2-expressing breast cancer and 57% of patients with HER2-expressing gastric and gastroesophageal junction cancer have tumors that express low to intermediate levels of HER2, making them ineligible for treatment with currently-approved HER2-targeted therapies, such as Herceptin and Perjeta. In addition, multiple other cancers, including ovarian, bladder, colorectal and non-small cell lung cancer express HER2 at varying levels. Therefore, there is a significant unmet need for HER2-targeted agents that can effectively treat these patients. In our Phase 1 clinical trial, ZW25 has demonstrated preliminary anti-tumor activity across multiple cancer types in patients who have progressed after several lines of treatment with HER2-targeted therapies.

We are developing ZW25 as a best-in-class HER2-targeting antibody intended as a treatment option for patients with any solid tumor that expresses HER2. Our initial focus is on the treatment of patients with breast or gastric cancers who have progressed after treatment with HER2-targeted therapies or who are not eligible for approved HER2-targeted therapies based on low to intermediate levels of HER2 expression. We then intend to develop ZW25 as a therapeutic agent for other HER2-expressing cancers, including ovarian cancer. ZW25 has been granted Orphan Drug Designation for the treatment of both gastric and ovarian cancer by the FDA.

HER2 and the Current Treatment of HER2-expressing Breast Cancer

HER2 is a member of the human epidermal growth factor receptor, or HER, family of receptors that normally stimulate cell growth in response to ligand binding, receptor activation and downstream molecular signaling cascades. In cancerous cells, the gene encoding HER2 can become amplified. Amplification greatly increases the number of HER2 receptors expressed on the cell surface causing inappropriate and unregulated signaling that accelerates cell growth, reduces apoptosis and enhances cell motility leading to cancer. HER2

expression therefore provides a selective marker on the surface of tumors for therapeutic targeting. The table below illustrates the incidence of high HER2 expression in a variety of different cancer types:

Incidence of HER2 Gene and Protein Expression in Various Cancers

Cancer Type	Incidence of High HER2 Expression
Breast	~20%
Bladder	5-15%
Endometrial	8-35%
Ovarian	6.7%
Gastroesophageal	4-22%
Pancreatic	2-29%
Cervical	1-21%
Head & Neck	3%
Colorectal	2-3%
Lung	1-6%
Melanoma	0-5%

Excerpted from Yan et al. HER2 aberrations in cancer: implications for therapy. Cancer Treatment Reviews 2014 40, 770-780.

The level of HER2 expression in tumors is commonly used to guide treatment decisions for patients with breast and gastric cancers. HER2 levels in tumor biopsies are typically screened by immunohistochemistry, or IHC, and assigned a value from 0 (baseline expression levels) to 3+ (extraordinarily high expression levels). Similarly, gene amplification can be determined by fluorescence *in situ* hybridization, or FISH, and scored as either negative (two copies are normal) or positive (extra copies). The HER2 expression status of cancer can be described as High, Intermediate, Low or Negative according to the classification table below.

Cancer Classification According to HER2 Status

		IHC				FISH			HER2-Targeted Therapies	
		3+	2+	1+	0	Positive	Equivocal	Negative	Approved	Zymeworks Candidates
HER2 Expression Classification	HER2 High	X							Herceptin, Perjeta, Kadcyla, Tykerb	ZW25 ZW33
			X			X				
	HER2 Intermediate		X				X	X	None	ZW25 ZW33
	HER2 Low			X			X	X	None	ZW25 ZW33
	HER2 Negative				X			X	N/A	N/A

HER2 expression has been associated with a worse outcome in a number of cancers, particularly HER2 High-expressing breast cancers. Prior to the advent of HER2-targeted therapies, patients with HER2-expressing breast cancer had reduced overall survival and greater likelihood of relapse relative to patients with HER2 Negative breast cancer.

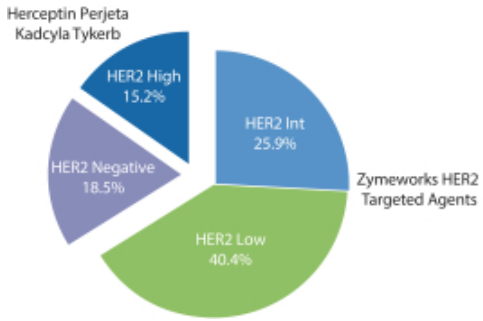
Breast cancer treatment is based on disease stage, grade, hormone and HER2 receptor status. Treatment options include surgery, radiotherapy and drug therapy. Early-stage tumors are typically removed by surgery and patients may be treated with drugs to prevent cancer recurrence, referred to as adjuvant therapy. In cases when

the tumor is larger, patients may be administered drug treatments to reduce the tumor size prior to surgery, referred to as neoadjuvant treatment. Breast tumors that cannot be removed surgically because they are locally advanced or metastatic are treated primarily with drugs.

The type of drug prescribed for a particular breast cancer patient depends on the molecular signature of the patient's tumor. HER2-targeted therapies are only approved for patients whose tumors are classified as HER2 High, representing approximately 20% of all breast cancer patients. Four drugs targeting HER2 have been approved by the FDA for the treatment of early and late-stage breast cancers that overexpress HER2: Herceptin (trastuzumab), Perjeta (pertuzumab), Kadcyla (ado-trastuzumab emtansine) or T-DM1, and Tykerb (lapatinib). Current standard of care for HER2 High breast cancer is built on a backbone of HER2 inhibition throughout all lines of therapy. For metastatic disease, first-line standard of care therapy consists of Herceptin, Perjeta and a taxane resulting in an average overall survival benefit of 56.5 months. Second line standard of care is Kadcyla. For patients who have progressed after treatment with Herceptin, Perjeta and Kadcyla there is no preferred treatment. Options include Herceptin plus chemotherapy, Herceptin plus Tykerb or Tykerb plus Xeloda. While HER2-targeted therapies are effective in many patients with HER2 High breast cancer, some patients fail to respond to these drugs and all patients with metastatic disease ultimately relapse.

In addition to improved options for HER2 High breast cancer, there is also a need for HER2-targeted therapies that can effectively treat cancers with lower levels of HER2 expression (HER2 Low / HER2 Intermediate). Approximately 81% of patients with HER2-expressing breast cancer have tumors that express low to intermediate levels of HER2. Currently-approved HER2-targeted therapies, such as Herceptin and Perjeta, are not sufficiently active to provide clinical benefit to patients whose tumors express low to intermediate levels of HER2 and therefore are not approved for these indications. Some of these patients may have tumors that express either or both the estrogen receptor and progesterone receptor and may receive hormone therapies such as tamoxifen, which can result in an average overall survival benefit of 43.3 months. However, tumors that lack expression of the estrogen and progesterone receptors and express HER2 at low to intermediate levels are currently classified as triple negative. These patients receive cytotoxic chemotherapy and fare much more poorly, living just 13.3 months, on average. We believe replacing or adding ZW25 to the existing standard of care for these molecular subtypes will lead to improved survival for these patients.

Breast Cancer Classification by Graded HER2 Expression



HER2 Status	Estimated Annual Incidence (US & EU5)
HER2 High	75,684
HER2 Intermediate	128,960
HER2 Low	201,159
HER2 Negative	92,115

A Significant Number of Breast Cancer Patients Express HER2 at Low and Intermediate Levels. ZW25 may be able treat breast cancer patients whose tumors are currently classified as triple negative or hormone receptor positive that express HER2 at High, Intermediate and Low levels representing a substantial market.

Many gastric/gastroesophageal junction cancers also have high levels of HER2 expression. Herceptin has been approved in combination with chemotherapy as first-line treatment of HER2 High-expressing gastric and gastroesophageal junction cancers whereas other HER2-targeted agents including Kadcyla and Tykerb have

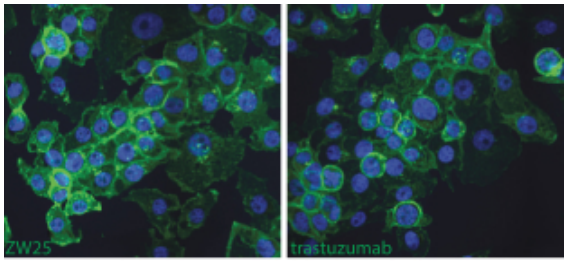
failed to demonstrate efficacy in this indication. Patients with advanced gastric cancer whose tumors express high levels of HER2 and that receive Herceptin plus chemotherapy live an average of 16 months. By comparison, patients whose tumors express low to intermediate levels of HER2 receive cytotoxic chemotherapy and live less than 12 months on average. Importantly, over 57% of gastric and gastroesophageal junction cancers express low to intermediate levels of HER2 and are ineligible for HER2-targeted therapies resulting in a significant unmet need.

A subset of other cancers, including ovarian, bladder, colorectal and NSCLC also express HER2 at varying levels and should be amenable to treatment with next-generation HER2-targeted therapies. Thus, there is a significant unmet need for biotherapeutics that can effectively treat HER2-expressing tumors not currently eligible for HER2-targeted therapies.

Potential Advantages of ZW25

ZW25 is an anti-HER2 biparatopic bispecific antibody. The biparatopic binding mode increases the number of antibodies bound to HER2 receptors at the cell surface relative to monospecific antibodies and promotes receptor clustering and internalization.

ZW25 Exhibits Superior Cell Binding Compared to Monospecific HER2 Antibodies



ZW25 Binds to HER2 Intermediate Cancer Cells with Higher Surface Density than Trastuzumab. HER2-expressing JIMT-1 cells were incubated with 200 nM of ZW25 or trastuzumab and detected with fluorescent anti-human IgG Fc secondary antibodies (green). Cell nuclei (blue) were stained with DAPI.

ZW25 mediates its therapeutic effect on HER2-expressing tumors through a combination of therapeutic mechanisms including:

- enhanced effector function-mediated cytotoxicity including ADCC, CDC and ADCP as a result of increased binding and receptor saturation of tumors by ZW25; enhanced phagocytosis and presentation of tumor antigens may also lead to increased immune targeting of the tumors;
- enhanced blockade of ligand-dependent and ligand-independent tumor growth; and
- enhanced apoptosis due to increased HER2 internalization and rapid withdrawal of HER2 signaling from HER2 signaling-directed tumors.

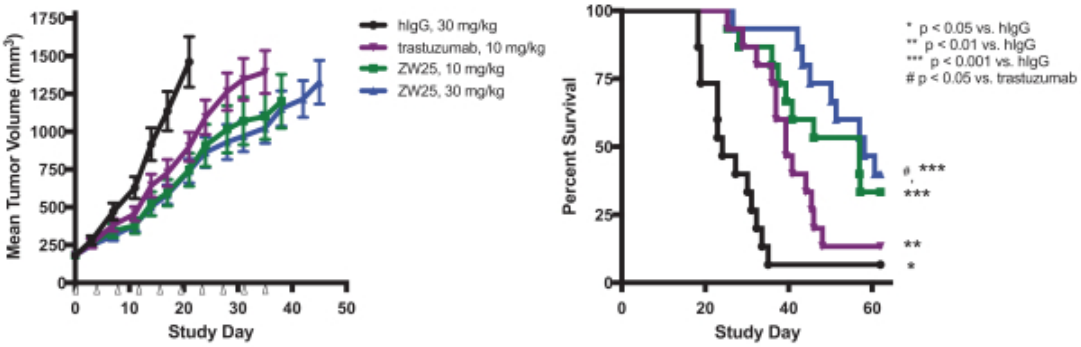
We believe that ZW25 will be an effective therapy for the treatment of HER2-expressing breast cancer patients that are either ineligible for Herceptin or Perjeta based on HER2 expression levels, or who have relapsed or refractory HER2 High breast cancers. We estimate that the annual patient population for our lead indication (first-line Stage III inoperable and Stage IV breast cancer, HER2 2+, non-FISH amplified) in the United States, France, Germany, Italy, Spain and the United Kingdom will reach 30,400 by 2023.

ZW25 may also be an effective therapy for the neoadjuvant or adjuvant treatment of HER2 Low and Intermediate-expressing early-stage breast cancer. Given the large population that could potentially benefit from ZW25 treatment, approval in any of these indications would offer significant upside to the market opportunity for ZW25.

Preclinical Development of ZW25

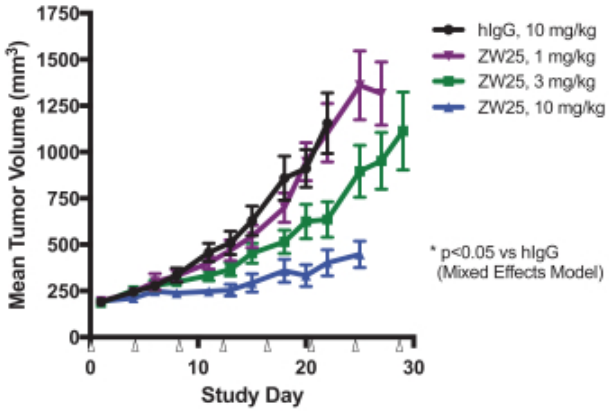
We have conducted *in vitro* and *in vivo* preclinical studies that demonstrate the significant anti-tumor activity of ZW25 against breast tumors expressing low to intermediate levels of HER2 as well as ovarian cancer. Neither Herceptin nor Perjeta have been approved for use in these settings. Our preclinical data also support the potential for superiority of ZW25 over Herceptin in gastric cancer, where ZW25 was able to achieve complete responses in a patient-derived gastric tumor model. These data are highlighted in the figures below. In addition, we have generated data that demonstrate the potential for superiority over the combination of trastuzumab plus pertuzumab as well as comparable activity to the trastuzumab-based ADC, T-DM1, in HER2 High models.

ZW25 Inhibits Tumor Growth and Extends Survival in a HER2 1+ Patient-Derived Breast Cancer Model



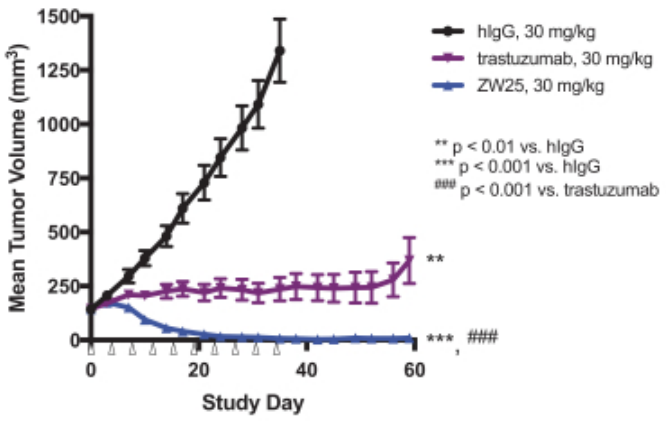
ZW25 is Effective in a HER2 Low Patient-Derived Breast Cancer Model. ZW25 inhibits tumor growth (left) and extends survival (right) in the HER2 Low breast cancer patient-derived xenograft model. Antibodies were administered twice weekly for five weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=15 mice/group) with established tumors. Survival was extended following treatment with ZW25, and the length of survival extension was statistically significant when compared to the hIgG control indicated by "***" (p-value < 0.001).

ZW25 Inhibits Tumor Growth in a HER2 3+ Ovarian Cancer Model



ZW25 Exhibits Dose-Dependent Tumor Growth Inhibition in a HER2 High Ovarian Cancer Model. Antibodies were administered at the indicated concentrations twice weekly for four weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10-12 mice/group) with established tumors. Treatment with ZW25 significantly inhibited the relative growth rate of tumors when compared to the hIgG control indicated by "*" (p-value < 0.05). These results suggest that ZW25 may be an efficacious treatment for patients with ovarian cancers that express HER2 at a High level, an indication for which current HER2-targeted therapies are not approved. This model is only moderately responsive to trastuzumab.

ZW25 Promotes Complete Responses in a HER2 3+ Patient-Derived Gastric Cancer Model



Response	ZW25 (n=10)	Trastuzumab (n=10)
Complete Response	7	0
Partial Response	3	1

ZW25 Demonstrated Superior Results to Trastuzumab in a HER2 High Gastric Cancer Patient-Derived Xenograft Model. ZW25 promotes complete regressions in a HER2 High patient-derived gastric cancer xenograft model. Antibodies were administered at 30 mg/kg twice weekly for five weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10 mice/group) with established tumors. Treatment with ZW25 significantly inhibited the relative growth rate of tumors when compared to trastuzumab indicated by "###" (p-value < 0.001). Using modified Response Evaluation Criteria In Solid Tumors, or RECIST, criteria ZW25 induced complete responses in 7 of 10 mice and partial responses in 3 of 10 mice on Day 35. All the tumor responses induced by ZW25 were durable and at the completion of the study, on Day 59, 9 in 10 mice had complete responses and 1 in 10 had a partial response. These results suggest that ZW25 may be an efficacious treatment for patients with gastric cancer that express HER2 at a High level.

In safety studies, ZW25 was well-tolerated by non-human primates in a repeat-dose GLP toxicology study at up to 150 mg/kg administered every week for eight weeks followed by a five-week recovery period. No anti-drug antibodies, histopathology or treatment-related adverse events were observed and the no observed adverse effect level was considered to be 150 mg/kg. Together, these data led to the filing of an IND application for ZW25 in June 2016 and patient dosing commenced as part of an adaptive Phase 1 clinical trial in September 2016.

Clinical Development of ZW25

ZW25 is being evaluated in a non-randomized, open-label, adaptive Phase 1 clinical trial conducted pursuant to an IND submitted by us to the FDA that became effective in July 2016. This trial will evaluate ZW25 as a single agent (Part 1, 2) and in combination with standard of care chemotherapy (Part 3) in patients with locally-advanced (unresectable) or metastatic solid tumors that express HER2, as confirmed by IHC or FISH and as described in the IND for ZW25. The primary objectives of the trial are to characterize the safety, tolerability, pharmacokinetic profile and maximum tolerated dose of ZW25. Secondary objectives include evaluation of preliminary anti-tumor activity, as well as identification of potential biomarkers of response. We intentionally designed our Phase 1 trial to enable a potentially accelerated path to regulatory approval in patients who have

progressed after approved therapies (Part 2), while maintaining the flexibility to include components (Part 3) which could help advance ZW25 into earlier lines of therapy. The full study is expected to be complete by the end of 2018, with Part 1 (dose escalation) expected to be complete in the first quarter of 2017, at which time we anticipate having top-line data regarding overall tolerability and anti-tumor activity.

A preliminary snapshot of the clinical database from February 15, 2017 for the first two cohorts treated in the Phase 1 clinical trial has demonstrated encouraging tolerability and anti-tumor activity. Nine patients have been treated, including three at 5 mg/kg and six at 10 mg/kg. Four patients were previously diagnosed with breast cancer, four with gastric or gastroesophageal junction cancer and one with adnexal cancer, and all tumors were HER2 High. Previous treatments in all patients included Herceptin, as well as Perjeta and Kadcyla in all breast cancer patients. Three of the four breast cancer patients had also received Tykerb. The majority of adverse events have been mild or moderate in severity and there have been no dose-limiting toxicities. The best response for the nine patients per standard RECIST 1.1 criteria has been partial response in two patients, both treated at 10 mg/kg, stable disease in two patients (one at 5 mg/kg and one at 10 mg/kg) and progressive disease in five patients (two treated with 5 mg/kg, and three with 10 mg/kg). The partial responses were seen in two patients in the 10 mg/kg cohort with HER2 High-expressing breast cancer, whose disease had progressed after multiple lines of therapy, including Herceptin, Perjeta, Kadcyla and Tykerb. After two four-week cycles of treatment, one patient had a 55% decrease in their measured tumor lesions, and the second had a 33% decrease. Both patients are continuing to receive ZW25 treatment on study. One patient with stable disease also had HER2 High breast cancer, with progression after prior treatment with Herceptin, Perjeta and Kadcyla. After four cycles of treatment, this patient had an 11% decrease in tumor lesions and continue on study. The second patient with stable disease had esophageal cancer, with progression after prior treatment with Herceptin. After two cycles of treatment, this patient had a 19% decrease in tumor lesions and a decrease in the serum tumor marker carcinoembryonic antigen, or CEA, from 51 to 9 ng/ml. This patient also remains on study. One patient with gastric cancer that had progressed after multiple lines of treatment including Herceptin, was classified as having progressive disease based on RECIST 1.1 criteria due to the finding of two new lymph node lesions. However, this patient also had a 24% decrease in baseline target lesions as well as a decrease in CEA from 22 to 1.7 ng/ml. This patient's treating physician considers this patient to be benefiting from treatment despite the new radiologic findings and therefore this patient remains on study. The 15 mg/kg cohort is currently enrolling patients. We plan to present detailed safety and preliminary anti-tumor activity data for Part 1 at the American Society of Clinical Oncology meeting in June 2017.

If we continue to see evidence of anti-tumor activity in indications with high unmet medical need such as HER2-expressing cancer that has progressed after all therapies known to confer clinical benefit, we intend to seek fast track designation for ZW25 from the FDA. Furthermore, we would discuss with the FDA and other regulatory authorities the appropriate trial designs that might support accelerated approval using a surrogate endpoint such as response rate. We would also consider seeking breakthrough designation if the data were considered to be strongly compelling, such as evidence of a response rate or clinical benefit rate well above the expected rate. The FDA and corresponding regulatory authorities will ultimately review our clinical results and determine whether our product candidates are safe and effective and whether accelerated regulatory approval is possible. No regulatory agency has made any such determination that any of our product candidates are safe or effective for use by the general public for any indication nor has any regulatory authority provided any indication that ZW25 will be eligible for accelerated approval.

As ZW25 mediates its therapeutic effect through several mechanisms of action, we believe this antibody has the potential to be a best-in-class therapy providing clinical benefit to patients with any HER2-expressing cancer, including those with low to intermediate levels of HER2 that are not eligible for other HER2-targeted therapies, as well as those patients who have progressed after prior HER2-targeted therapies. The FDA has granted Orphan Drug Designation to ZW25 for the treatment of both gastric and ovarian cancer.

ZW33: Anti-HER2 Biparatopic Bispecific Azymetric ADC

Overview

ZW33 is a bispecific anti-HER2 ADC that is based on the same antibody framework as ZW25 but armed with a cytotoxic payload. ZW33 retains the mechanisms of action of ZW25 but takes advantage of high levels of antibody-target internalization to deliver a potent cytotoxin. We are developing ZW33 as a potential best-in-class HER2-targeting ADC for several indications characterized by HER2 expression including breast cancers that have progressed or are refractory to existing HER2-targeted therapies as well as ovarian cancer. The FDA has granted Orphan Drug Designation for ZW33 for the treatment of ovarian cancer. We plan on initiating a Phase 1 clinical trial in patients with HER2-expressing tumors in the second half of 2017.

Current Treatment of HER2 High-expressing Advanced Breast Cancer

Four drugs targeting HER2 have been approved by the FDA for the treatment of early and late stage breast cancers with HER2 High classification: Herceptin, Perjeta, Kadcyla and Tykerb. Current standard of care for HER2 High breast cancer is built on a backbone of HER2 inhibition throughout all lines of therapy. For metastatic disease, first-line standard of care therapy consists of Herceptin, Perjeta and a taxane based on the results of the CLEOPATRA study, where the combination of Herceptin, Perjeta and docetaxel was associated with a median progression-free survival, or PFS, of 18.7 months, and a median overall survival, or OS, of 56.6 months compared to a median PFS of 12.7 months and median OS of 40.8 months with Herceptin and docetaxel. Second line standard of care currently consists of treatment with Kadcyla based on the EMILIA study, where Kadcyla was associated with a median PFS of 9.6 months, and OS of 30.9 months compared to a median PFS of 6.4 months and median OS of 25.1 months for the combination of Xeloda and Tykerb. For patients who have progressed after treatment with Herceptin, Perjeta, and Kadcyla there is no preferred treatment. Options include Herceptin plus chemotherapy, Herceptin plus Tykerb or Tykerb plus Xeloda; these are generally thought to be associated with a median PFS of approximately four months.

Despite the clinical benefit obtained with current HER2-targeted therapy patients with HER2 High breast cancer, patients with metastatic disease ultimately relapse, and not all patients respond. Therefore, there remains a significant unmet medical need for a HER2-targeting agent that is effective in refractory and resistant HER2 High cancers.

In addition to the unmet need in HER2 High breast cancer, there are a number of other cancers that express HER2 at varying levels, including ovarian cancer. Ovarian cancer is the leading cause of death among women with gynecological tumors. HER2 expression may be found in up to 60% of ovarian cancers, with approximately 15% of patients with either intermediate or high levels of expression. There are currently no HER2-targeted agents approved for use in ovarian cancer.

Potential Advantages of ZW33

ZW33 is an anti-HER2 biparatopic bispecific antibody conjugated to the potent cytotoxin mertansine, or DM1. DM1 is a well-characterized and clinically validated ADC cytotoxin that destabilizes tubulin and selectively inhibits cell division in rapidly dividing tissues. Compared to existing HER2-targeted therapies, ZW33 mediates a superior therapeutic effect on HER2-expressing tumors through a combination of mechanisms, including:

- enhanced toxin-mediated cytotoxicity due to increased HER2-mediated internalization and delivery of the cytotoxic payload;
- enhanced apoptosis due to increased HER2 internalization and rapid withdrawal of HER2 signaling from HER2 signaling-dependent tumors;
- enhanced blockade of ligand-dependent and ligand-independent tumor growth;
- enhanced effector function-mediated cytotoxicity including ADCC, CDC and ADCP as a result of increased binding and receptor saturation of tumors by ZW33; and

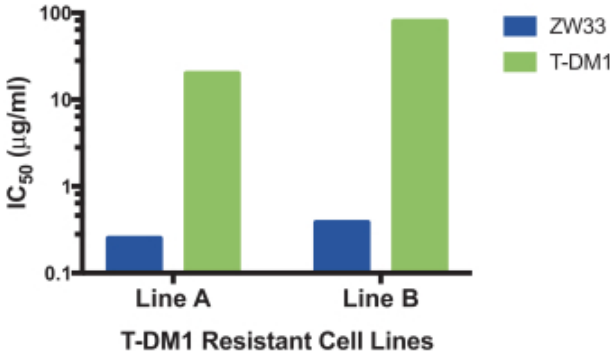
- enhanced phagocytosis and presentation of tumor antigen that may lead to increase immune targeting of the tumors and potential synergy with checkpoint modulators.

The initial development of ZW33 will focus on patients with HER2 high-expressing breast cancer who have progressed on or are refractory to approved HER2-targeted agents, including Herceptin, Perjeta and Kadcyla (or the combination therapy of Herceptin, Perjeta and chemotherapy in metastatic breast cancer). In preclinical studies, ZW33 has demonstrated superior activity compared to Kadcyla and other existing HER2-targeted therapies. If ZW33 demonstrates superiority in head-to-head clinical trials, we believe it could replace Kadcyla as the preferred therapy for second line treatment of HER2+ metastatic cancer, for which the estimated annual patient population for this indication in the United States and EU is expected to reach 10,700 by 2023. Ultimately, ZW33 could be used as a follow-on therapy for ZW25, mirroring the development strategy employed for Kadcyla as follow-on therapy for Herceptin. ZW33 also has the potential to be a treatment for other HER2-expressing cancers, including ovarian, which would expand the addressable market. The FDA and corresponding regulatory authorities will ultimately review our clinical results and determine whether our product candidates are effective. No regulatory agency has made any such determination that ZW33 is effective for use by the general public for any indication.

Preclinical Development of ZW33

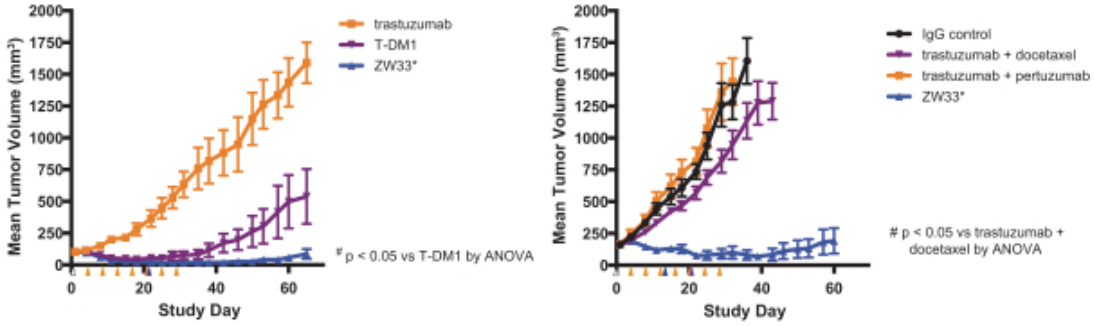
In vitro and *in vivo* preclinical studies demonstrate that ZW33 can inhibit tumor growth, including complete regressions, in multiple trastuzumab-resistant xenograft models. In addition, breast cancer cell lines with acquired resistance to trastuzumab or T-DM1 remained sensitive to growth inhibition by ZW33 with subnanomolar potency. ZW33 is also more efficacious than T-DM1 in trastuzumab-resistant patient-derived breast cancer models. Furthermore, we have shown that ZW33 can induce regression of aggressive tumors as a second-line therapy in ovarian and breast cancer xenograft models. Taken together, these data sets suggest strong efficacy in resistant and refractory models of HER2-expressing cancer.

ZW33 Retains Potency Against T-DM1 Resistant Cell Lines



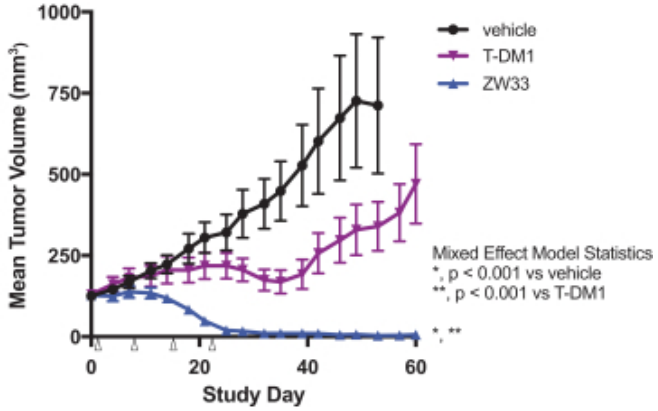
ZW33 Retains Potency Against T-DM1 Resistant Cell Lines. Breast cancer cell lines with defined HER2 gene copy number, HER2 protein expression, and HER2 receptor phosphorylation were developed *in vivo* to have acquired resistance to T-DM1. Cells were then treated with serial dilutions of ZW33 or T-DM1. The concentration of ZW33 (blue) required to inhibit 50% of cell growth, or IC_{50}, was significantly lower than T-DM1 (green).

ZW33* Demonstrates Superior Tumor Growth Inhibition Compared to Other HER2-Targeted Therapies in HER2 3+ Patient-Derived Breast Cancer Models



ZW33* Demonstrates Superior Tumor Growth Inhibition as Compared to Other HER2-Targeted Therapies in a Trastuzumab-resistant HER2 High Tumor Model. A first-generation ZW33 (*prior to affinity optimization) significantly inhibited tumor growth in trastuzumab-resistant HER2 High patient-derived breast tumors as indicated by "#" (p-value < 0.05). In the left panel, trastuzumab was administered at 15 mg/kg to load, and then 10 mg/kg twice weekly for four weeks (indicated by orange triangles) and ADCs were administered at 10 mg/kg to load, and then 5 mg/kg on day 22 (indicated by the blue triangle). In the study on the right panel, ZW33 was administered at 10 mg/kg on days 1 and 14 (indicated by the blue triangle; n=7 mice/group), trastuzumab + pertuzumab at 5 mg/kg each twice weekly for four weeks (indicated by the orange triangles) and docetaxel was administered at 20 mg/kg on day 1 and day 22 intraperitoneally (indicated by the purple triangle; n=8-10 mice/group). All other agents were administered intravenously.

ZW33 Promotes Regressions in a Heterogeneous HER2-Expressing Patient-Derived Ovarian Cancer Model



Efficacy Criteria	ZW33 (n=10)	T-DM1 (n=10)
Tumor Growth Inhibition (%)	313%	65%
3D RECIST Scores		
Complete Response	8	0
Partial Response	2	1
Stable Disease	-	3
Progressive Disease	-	6

Treatment with ZW33 Significantly Inhibited Tumor Growth Rate in OVXF1320 Ovarian Tumors. ZW33 was able to achieve complete responses in a patient-derived tumor model of serous adenocarcinoma of the ovary. ZW33 or T-DM1 were administered at 5 mg/kg weekly for 4 weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10 mice/group) with established tumors. Treatment with ZW33 significantly inhibited the relative growth rate of tumors when compared to T-DM1 indicated by "**" (p-value < 0.001). Using modified 3D RECIST criteria on Day 53, ZW33 induced complete responses in 8 of 10 mice and partial response in 2 of 10 mice. The tumor responses induced by ZW33 were durable suggest that ZW33 may be an efficacious treatment for patients with ovarian cancer that express HER2.

ZW33 has been evaluated in a repeat-dose GLP toxicology and pharmacokinetics study in non-human primates administered weekly for eight weeks followed by an eight-week recovery period and final results are expected in the first quarter of 2017. Based on preliminary results, the no observed adverse effect level, or NOAEL, of ZW33 was determined to be 3 mg/kg. cGMP manufacturing has been completed in support of our planned IND submission in the first quarter of 2017.

Anticipated Clinical Development of ZW33

We plan to evaluate ZW33 as a monotherapy in a non-randomized, open-label Phase 1 clinical trial in patients with HER2 High breast and ovarian cancers, whose disease has progressed after all standard of care therapies. We intend to initiate a Phase 1 clinical trial for ZW33 in the second half of 2017.

The primary objective of the trial will be to characterize the safety, tolerability, pharmacokinetics and maximum tolerated dose of ZW33. The secondary objectives for the trial will include evaluation of preliminary anti-tumor activity of ZW33, as well as an exploration of potential biomarkers of response. Based upon the observed safety and activity, subsequent development may also focus on early lines of therapy in both HER2 High breast and all HER2-expressing ovarian tumors as well as other HER2-expressing cancers. Ultimately, ZW33 may be developed as a later line of therapy for patients who have progressed after ZW25 and chemotherapy regimens, similar to the development path of Kadcyla in Herceptin-experienced patients.

Other Azymetric Product Candidates

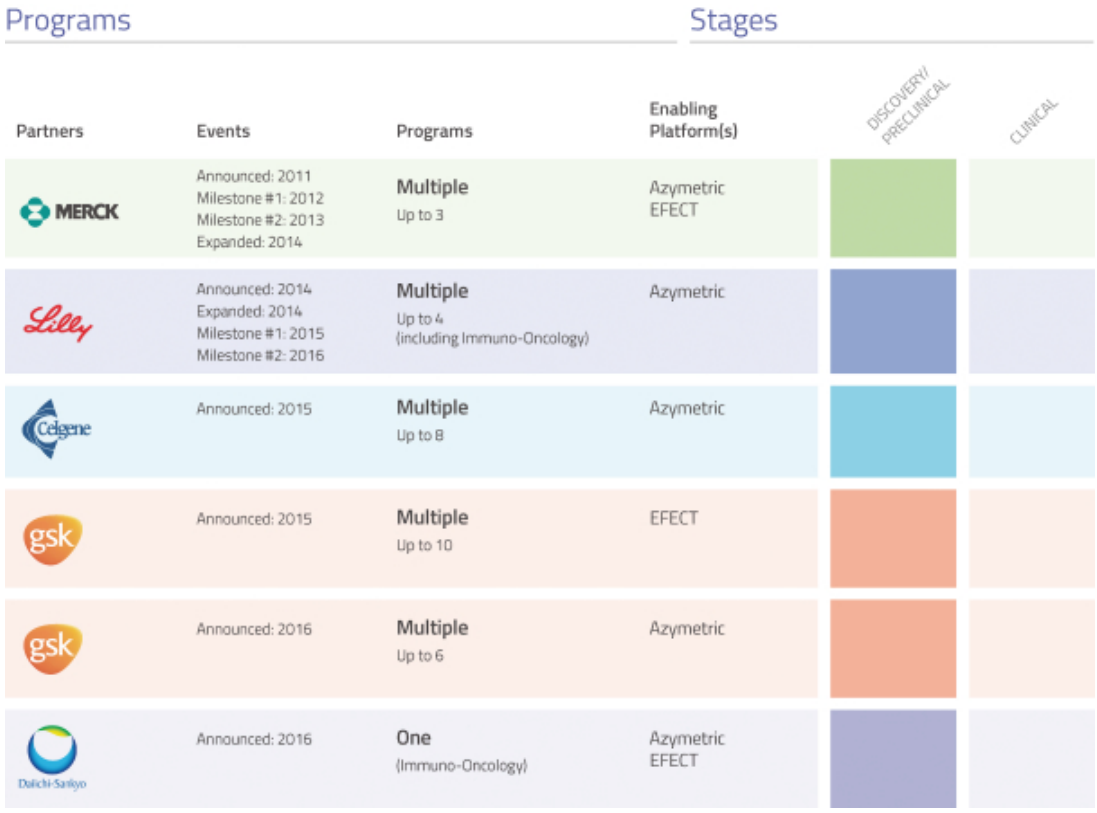
We maintain ongoing discovery efforts to identify and test new target combinations, product candidates and platform technologies that have the potential to address unmet clinical needs. We have developed multiple undisclosed preclinical product candidates targeting a combination of known and novel tumor antigens based on our platform technologies. All of these candidates remain unpartnered. From this pool of discovery candidates, we plan to identify and advance multiple programs into clinical trials in the future.

Strategic Partnerships and Collaborations

Our Strategic Partnerships

Our unique combination of proprietary protein engineering capabilities and resulting therapeutic platform technologies was initially recognized by Merck and Lilly, with whom we established strategic partnerships focused on our Azymetric and EFECT therapeutic platforms. We subsequently entered into broader strategic partnerships with Celgene and GSK and a collaboration and cross-licensing agreement with Daiichi. Following the completion of the initial agreements with Merck, Lilly and GSK, the relationships were subsequently expanded to include either additional licenses or therapeutic platforms. These relationships provide our strategic partners with access to components of our proprietary Azymetric and EFECT therapeutic platforms for their development of a defined number of protein therapeutics, for which we will not have ownership. These strategic partnerships have provided us with non-dilutive funding as well as access to proprietary therapeutic assets, which increase our ability to rapidly advance our product candidates while maintaining worldwide commercial rights to our wholly-owned therapeutic pipeline. To date, we have received over $24.8 million in the form of non-refundable upfront payments and milestone payments and are additionally eligible to receive up to $1.3 billion in development and $2.8 billion in commercial milestone payments available under our existing collaboration agreements, as well as tiered royalties on potential future product sales. It is possible, however, that our strategic partners' programs do not advance as currently contemplated, which would negatively effect the amount of development and commercial milestone payments and royalties on potential future product sales we may receive. Importantly, these partnerships include predominantly non-target-exclusive licenses for any of our therapeutic platforms; thus we are free to develop therapeutics to many high-value targets utilizing our platforms.

Our key strategic partnerships are summarized in the graphic on the following page.



Merck

In August 2011, we entered into a research and license agreement with Merck, which was amended and restated in December 2014, to develop and commercialize three bispecific antibodies generated through the use of the Azymetric and EFECT platforms. Under the terms of the agreement, we granted Merck a worldwide, royalty-bearing antibody sequence pair exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $190.75 million, including an upfront payment ($1.25 million received in 2011), research milestone payments totaling $3.5 million ($2.0 million and $1.5 million received in 2012 and 2013, respectively), payments for completion of IND-enabling studies of up to $6.0 million, development milestone payments of up to $66.0 million and commercial milestone payments of up to $114.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products, or (ii) for five years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates will be reduced.

Under the agreement, we are sharing certain research and development responsibilities with Merck to generate bispecific antibodies with the Azymetric and EFECT platforms. Merck provides funding for a portion of our internal and external research costs in support of the collaboration. After the conclusion of the research program, Merck will be solely responsible for the further research, development, manufacturing and commercialization of the products.

The agreement contains customary termination rights for Merck and us including the right for Merck to terminate the agreement in its sole discretion with advance notice to us. The agreement will terminate on the later

of: (a) the expiry of the last patent covering a Merck licensed product excluding methods of making the product; or (b) the expiry of the royalty payment obligations by Merck. During the research term, the agreement will terminate if the antibodies do not achieve all the research milestones or if Merck elects to not further develop the antibodies after the research term.

Lilly (2013)

In December 2013, we entered into a licensing and collaboration agreement with Lilly to research, develop and commercialize one bispecific antibody, with an option for a second antibody, generated through the use of the Azymetric platform. Under the terms of the agreement, we granted Lilly a worldwide, royalty-bearing antibody target pair-specific exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $103.0 million, including an upfront payment ($1.0 million received in 2013) and per product potential milestone payments, comprised of research milestone payments totaling $1.0 million ($1.0 million received in 2015), IND submission milestone payments of $2.0 million, development milestone payments of $8.0 million and commercial milestone payments of $40 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced.

Under the agreement, we are sharing certain research and development responsibilities with Lilly to generate bispecific antibodies with the Azymetric platform. Lilly provides funding for a portion of our internal and external research costs in support of the collaboration. After the conclusion of the research program, Lilly will be solely responsible for the further research, development, manufacturing, and commercialization of the products.

The agreement contains customary termination rights for Lilly and us including the right for Lilly to terminate the agreement in its sole discretion with advance notice to us. The agreement will terminate on a product-by-product and country-by-country basis upon the latter of the product being no longer covered by certain patents related to the Lilly licensed product, or 10 years after the first commercial sale of the Lilly licensed product in such a country.

Lilly (2014)

In October 2014, we entered into a second licensing and collaboration agreement with Lilly to research, develop and commercialize three bispecific antibodies generated through the use of the Azymetric platform. This agreement did not alter or amend the initial agreement entered in 2013. Under the terms of the agreement, we granted Lilly a worldwide, royalty-bearing antibody target-pair exclusive (for two bispecific antibodies) and an antibody sequence pair-specific (for one bispecific antibody) license to research, develop and commercialize certain licensed products. We are eligible to receive up to $375.0 million, comprised of research milestone payments of up to $6.0 million ($2.0 million earned in 2016), IND submission milestone payments of up to $24.0 million, development milestone payments of up to $60.0 million and commercial milestone payments of up to $285.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years, beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced. In conjunction with this collaboration agreement, Lilly purchased approximately $24.0 million of our common shares.

Under the agreement, we are sharing certain research and development responsibilities with Lilly to generate bispecific antibodies with the Azymetric platform. We are responsible for our internal and external research costs in support of this collaboration. After the conclusion of the research program, Lilly will be solely responsible for the further research, development, manufacturing and commercialization of the products.

The agreement contains customary termination rights for Lilly and us with advance notice to us, in addition to (i) both Lilly and us have certain rights to terminate on a program by program basis due to scientific failure, (ii) Lilly can terminate the agreement on a target pair by target pair basis in its sole discretion after the payment of the initial license fee for such a target pair, (iii) Lilly can terminate the agreement or specific target pairs due to an incurable material breach by us, and under specific conditions, Lilly shall have certain rights to continue the research, development and commercialization of products with their license payment, milestone and royalty obligations reduced by 50% and (iv) Lilly shall have the right to terminate the agreement or specific target pairs in the event of us undergoing a change of control, while retaining certain rights. If the affected research programs have not completed specific research stages, Lilly's obligations to the license payments, milestones and royalties shall be reduced in a tiered fashion ranging from 25-75%.

Celgene

In December 2014, we entered into a collaboration agreement with Celgene to research, develop and commercialize up to eight bispecific antibodies generated through the use of the Azymetric platform. Under the terms of the agreement, we granted Celgene a right to exercise options to worldwide, royalty-bearing, antibody sequence pair-specific exclusive licenses to research, develop and commercialize certain licensed products. We received an upfront payment of $8.0 million, which was accounted for as upfront collaboration consideration received in 2014. Celgene has the right to exercise options on up to eight programs and if Celgene opts in on a program, we are eligible to receive up to $164.0 million per product candidate (up to $1.3 billion for all eight programs), comprised of a commercial license option payment of $7.5 million, development milestone payments of up to $101.5 million and commercial milestone payments of up to $55.0 million. No development or commercial milestone payments or royalties have been received to date.

In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for 10 years, beginning from the first commercial sale, whichever period is longer. Celgene also has the right, prior to the first dosing of a patient in a Phase 3 clinical trial for a product, to buy down the royalty to a flat low-single digit rate with a payment of $10.0 million per percentage point. In addition to this collaboration agreement, the parties also entered into an equity subscription agreement under which Celgene paid $8.6 million for common shares.

Under the agreement, we are collaborating with Celgene to generate and develop a number of bispecific antibodies during the research program, the term of which expires in April 2018 but can be extended by Celgene by 24 months if Celgene makes an additional payment. After the conclusion of the research program, Celgene will be solely responsible for the further research, development, manufacturing and commercialization of the products.

The agreement contains customary termination rights for Celgene and us including the right of Celgene to terminate the agreement in its entirety or on a product-by-product basis in its sole discretion with advance notice to us. The agreement will terminate on a product-by-product and country-by-country basis upon the later of the expiration of the last-expiring patent related to the Celgene licensed product, or 10 years after the first commercial sale of the Celgene licensed product in such a country. If Celgene does not exercise its option for the commercial license, the agreement will terminate on a product-by-product basis for which the option was not exercised.

GSK (2015)

In December 2015, we entered into a collaboration and license agreement with GSK to research, develop and commercialize up to 10 new Fc-engineered monoclonal and bispecific antibodies generated through the use of the EFECT and Azymetric platforms. Under the terms of the agreement, we granted GSK a worldwide, royalty-bearing antibody target-exclusive license to new intellectual property generated to the EFECT platform

under this collaboration and a non-exclusive license to the Azymetric platform to research, develop and commercialize future licensed products. We are eligible to receive up to $1.1 billion, including research, development and commercial milestone payments of up to $110.0 million for each product. In addition, we are eligible to receive tiered royalties in the low-single digits on net sales of products, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products or certain joint patent coverage on products, or (ii) for 10 years beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage or certain joint patent coverage on products, royalty rates will be reduced. No development or commercial milestone payments or royalties have been received to date. We retained the right to develop up to four products, free of royalties, using the new intellectual property generated in this collaboration, and after a period of time, to grant licenses to such intellectual property for development of additional products by third-parties.

Under the collaboration and license agreement, we are sharing certain research and development responsibilities with GSK to generate new Fc-engineered antibodies. Each party will bear its own costs for the responsibilities assigned to it during the research period. After the conclusion of the research period, each party will be solely responsible for the further research, development, manufacturing and commercialization of its own respective products. The research period will terminate when the “research collaboration plan” is complete or on December 1, 2018, whichever is earlier. The “research collaboration plan” is defined in section 3.1.3 of the collaboration and license agreement, which is filed as an exhibit to the registration statement of which this prospectus forms a part. During the term of the agreement and solely based on the outcome of the research collaboration, we have granted GSK exclusive rights to develop and commercialize monospecific antibodies against targets nominated by GSK. If GSK develops bispecific antibodies using its own platform approaches, we have granted GSK exclusive rights to develop and commercialize such antibodies comprising of specific antibody sequence pairs.

The agreement contains customary termination rights for GSK and us including the right for GSK to terminate the agreement in its sole discretion with advance notice to us, after the research period has advanced beyond a specified stage, and allowing the parties to terminate the agreement by mutual agreement during the research period. If GSK elects not to advance any product into research and development, the agreement will terminate at the end of the research period. If GSK elects to advance one or more products incorporating intellectual property generated under the research period for further research and development, the agreement will terminate on a product-by-product and country-by-country basis upon the latter of the product being no longer covered by a patent related to the GSK licensed product, or 10 years after the first commercial sale of the GSK licensed product in such a country.

GSK (2016)

In April 2016, we entered into a licensing agreement with GSK to research, develop and commercialize up to six bispecific antibodies generated through the use of the Azymetric platform. This may include bispecific antibodies incorporating new engineered Fc regions generated under the 2015 GSK agreement outlined in the preceding section. Under the terms of this agreement, we granted GSK a worldwide, royalty-bearing antibody sequence pair-specific exclusive license to research, develop and commercialize licensed products. We are eligible to receive up to $908.0 million, including an upfront payment as a technology access fee ($6.0 million received in 2016), research milestone payments of up to $30.0 million, development milestone payments of up to $152.0 million and commercial milestone payments of up to $720.0 million. In addition, we are eligible to receive tiered royalties in the low to mid-single digits on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks patent coverage on products, or (ii) for ten years beginning from the first commercial sale, whichever period is longer. If there is no Zymeworks patent coverage on products, royalty rates may be potentially reduced. No research, development or commercial milestone payments or royalties have been received to date. GSK has the right, prior to the first dosing of a patient in a Phase 3 clinical trial for a product, to buy down the royalty payable on such product by only 1% with a payment of $10.0 million.

Under the agreement, GSK will bear all responsibility and all costs associated with research, development and commercialization of products generated using the Azymetric platform.

The agreement contains customary termination rights for GSK and us including the right for GSK to terminate the agreement in its sole discretion with advance notice to us. Termination provisions allow for GSK to terminate the agreement or specific antibody sequence pairs due to an incurable material breach by us, and under specific conditions, GSK shall have certain rights to continue the research, development, and commercialization of products with their license payment, milestone, and royalty obligations reduced by 50%.

Daiichi

In September 2016, we entered into a collaboration and cross-license agreement with Daiichi to research, develop and commercialize one bispecific antibody generated through the use of the Azymetric and EFECT platforms. Under the terms of the agreement, we granted Daiichi a worldwide, royalty-bearing antibody sequence pair-specific exclusive license to research, develop and commercialize certain licensed products. We are eligible to receive up to $149.9 million, including an upfront payment as a technology access fee of $2.0 million (received in 2016), research and development milestone payments and a commercial option payment totaling up to $67.9 million and commercial milestone payments of up to $80.0 million. In addition, we are eligible to receive tiered royalties ranging from the low single digits up to 10% on product sales, with the royalty term being, on a product-by-product and country-by-country basis, either (i) for as long as there is Zymeworks platform patent coverage on products, or (ii) for ten years beginning from the first commercial sale, whichever period is longer. No research, development or commercial milestone payments or royalties have been received to date. We also gained non-exclusive rights to develop and commercialize up to three products using Daiichi's proprietary immune-oncology antibodies, with royalties in the low single digits to be paid to Daiichi on sales of such products.

Under the agreement, we are sharing certain research and development responsibilities with Daiichi to generate bispecific antibodies with the Azymetric platform. Daiichi is responsible for our internal and external research costs in support of this collaboration during the research program term. After the research program term, Daiichi will be solely responsible for the further research, development, manufacturing and commercialization of the products. Under the non-exclusive immuno-oncology antibody license to Zymeworks, we are solely responsible for all research, development and commercialization of the resulting products.

The agreement contains customary termination rights for Daiichi and us including the right for Daiichi to terminate the rights to our therapeutic platforms in its sole discretion with advance notice to us and for us to terminate our rights to Daiichi's antibodies with advance notice to Daiichi. The agreement shall terminate, with respect to Daiichi's license, if Daiichi fails to exercise its option or, on a Product-by-Product basis, until expiration of Daiichi's royalty obligations.

Intellectual Property

Our business success will depend significantly on our ability to:

- secure, maintain and enforce patent and other proprietary protection for our core technologies, inventions and know-how;
- obtain and maintain licenses to key third-party intellectual property owned by such third parties;
- preserve the confidentiality of our trade secrets; and
- operate without infringing upon valid, enforceable third-party patents and other rights.

We seek to secure and maintain patent protection for the composition of matter, manufacturing processes and methods of use for our drug candidates and for our underlying protein engineering capabilities and

therapeutic platforms including Azymetric, ZymeLink, EFECT, AlbuCORE and ZymeCAD. We also utilize trade secrets, careful monitoring and limited disclosure of our proprietary information where patent protection is not appropriate. We also protect our proprietary information by ensuring that our employees, consultants, contractors and other advisors execute agreements requiring non-disclosure and assignment of inventions prior to their engagement. We will continue to expand our intellectual property holdings by seeking patent protection for new compositions of matter, new features and applications of our core therapeutic platforms, and innovative new therapeutic platforms, in the United States and other jurisdictions. We will also supplement internal innovation through in-licensing of new technologies and compositions of matter as appropriate. We intend to take advantage of any available data exclusivity, market exclusivity, patent term adjustment and patent term extensions.

We routinely monitor the status of existing and emerging intellectual property disclosed by third parties that may impact our business, and to the extent we identify any such disclosures, by evaluating them and taking appropriate courses of action.

As of March 23, 2017, our patent portfolio consists of 49 active patent families, 45 with filed Patent Cooperation Treaty, or PCT, applications, 39 of which are in the national phase, and three of which consist of filed U.S. provisional applications. Of these, 21 families relate to our key product candidates and programs including ZW25, ZW33 and our therapeutic platform technology, described elsewhere in this prospectus, and 28 relate to other potential product candidates or technologies that we do not consider material to our business at this time. Three patent families that are not material to our business are co-owned with VAR2 Pharmaceuticals ApS. One patent family that is not material to our business is co-owned with the National Research Council Canada. None of these co-owned patent families relate to our therapeutic platforms or our lead product candidates, ZW25 and ZW33. We do not have a contract with VAR2 Pharmaceuticals ApS covering such patents. We have 23 issued patents, ten of which are U.S. patents, and all of which are owned by the company.

Therapeutic Antibody Portfolio

Our therapeutic antibody patent portfolio is directed to specific compositions of matter and methods of treatment for Zymeworks' product candidates, including target-specific interactions and immunomodulatory mechanisms.

- ***ZW25 and ZW33:*** We own the ZW25 and ZW33 patent portfolio, including an international patent application filed under the PCT that is now in the national phase with applications pending in Australia, Brazil, Canada, China, Europe, India, Japan, Korea, Mexico, Russia and the United States. This application relates to the composition of matter, methods of making and uses of biparatopic anti-HER2 bispecific antibodies and ADCs, and if issued, are expected to expire in 2034, absent any adjustments or extensions. An additional PCT application is directed to additional treatment methods using ZW25 and a U.S. provisional application is directed to additional treatment methods using ZW33.

ZW25 and ZW33 are also protected by our two patent families relating to the Azymetric Fc, as described below.

Therapeutic Platform Technology Portfolio

The therapeutic platform technology portfolio includes biological formats and variants thereof, including the Azymetric platform, the ZymeLink platform, the EFECT platform, the AlbuCORE platform and specific applications, manufacturing methods and assays related to the platform constructs and underlying computational chemistry.

- ***Azymetric:*** We own a portfolio of five patent families relating to the Azymetric platform for engineering Fc and Fab constructs for the development of bispecific antibodies. Two of the patent families relate to engineered antibody Fc region polypeptides having amino acid substitutions that preferentially form heterodimers, with PCT national phase applications pending in Australia, Brazil, Canada, China, Europe,

India, Japan, Korea, Mexico, Russia and the United States. One U.S. patent has issued with 1,102 days of patent term adjustment and is expected to expire on November 10, 2034. A second U.S. patent has issued with 372 days of patent term adjustment and is expected to expire on November 9, 2033. If issued, the remaining patents in these families are expected to expire between 2031 and 2032, absent any adjustments or extensions. Three patent families (two in the PCT national phase in Australia, Brazil, Canada, China, Europe, India, Japan, Korea, Mexico, Russia and the United States and one PCT application) relate to antibodies having amino acid substitutions in Fab-region heavy and light chains for making correctly paired bispecific antibodies. These patent families are directed to compositions, methods of producing and uses of heterodimeric antibodies. If issued, patents in these families are expected to expire between 2031 and 2036, absent any adjustments or extensions.

- ***ZymeLink:*** We own the ZymeLink patent portfolio relating to novel toxin molecules and novel linkers by means of which these toxins can be conjugated to antibodies and other protein scaffolds. Two PCT applications are in the national phase in key jurisdictions, including Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Korea, Mexico, South Africa and the United States, and are directed to novel hemiasterlin toxin derivatives, novel linker compositions, hemiasterlin-linker compositions, and antibody-hemiasterlin conjugate compositions one of which has issued in the United States. An additional PCT application is directed to novel auristatin derivatives, auristatin-linker compositions and antibody-auristatin conjugates and we are in the process of extending this application into national phase in Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Korea, Mexico, Russia, Singapore and the United States. We also own a U.S. provisional application directed to novel tubulysin derivatives, tubulysin-linker conjugates and antibody-tubulysin conjugates Any patents that may issue from these families are expected to expire between 2034 and 2037, absent any adjustments or extensions
- ***EFECT:*** The EFECT platform for engineering Fc constructs4 with modulated FcgR-binding and Fc effector function is protected by two PCT patent applications, which we own, both of which are in the national stage and are pending in key jurisdictions, including Australia, Brazil, Canada, China, Europe, India, Japan, Russia and the United States. One patent has issued in the United States. These patent families are directed to compositions of matter and methods of making Fc constructs with altered FcgR-binding and Fc effector function; if issued, they are expected to expire between 2031 and 2034, absent any adjustments or extensions.
- ***AlbuCORE:*** We own two PCT national phase patent applications relating to engineered multivalent human serum albumin AlbuCORE which are pending in Australia, Canada, China, Europe, India, Japan and the U.S. Two patents have issued in the U.S. The patents in these families, if issued, are expected to expire between 2032 and 2033, absent any adjustments or extensions.
- ***Computational Chemistry:*** We own a portfolio of 13 families of computational chemistry patents and patent applications which relate to the computational and algorithmic advances incorporated into the ZymeCAD suite of applications, including advances in general molecular modeling, conformational dynamics, docking, distal mutations, and molecular packing, as well as parallelization and graphical data analysis. Three of these patents have issued in the United States. Any patents that issue from these families are expected to expire between 2027 and 2035, absent any adjustments or extensions.

Technology Licensing and In-Licensed Intellectual Property

We identify and selectively enter into technology licensing agreements and intellectual property in-licensing agreements to support pipeline advancement. Key agreements include:

- ***CDRD Ventures Inc. (CVI; 2016):*** We have entered into an assignment agreement with CVI, as part of our acquisition of Kairos, to have all of CVI's interests in the Kairos patents and intellectual property assigned to Zymeworks. Zymeworks may be required to make future payments to CVI upon the direct achievement of certain development milestones for products incorporating certain Kairos intellectual property, as well as royalty payments on the net sales of such products. For out-licensed products and technologies incorporating certain Kairos intellectual property, the Company may be required to pay CVI a mid-single digit percentage of the future revenue as a result of a revenue sharing agreement. We are not currently required to make any payments to CVI under this agreement.

- ***Daiichi (2016):*** We have entered into a Collaboration and Cross License Agreement with Daiichi whereby Daiichi granted us a non-exclusive, worldwide, and sub-licensable license for the development of internal therapeutic programs using certain of Daiichi's immuno-oncology antibodies. We agreed to pay Daiichi a low single-digit royalty on product sales.
- ***Innovative Targeting Solutions Inc. (ITS; 2016):*** We have entered into a non-exclusive licensing agreement with ITS which grants us the right to use ITS' HuTARG discovery platform for the generation of therapeutic antibodies and other protein therapeutics. Pursuant to this agreement, ITS granted us a non-exclusive, worldwide, sub-licensable commercial license to its technology for the development of our internal therapeutic programs. This agreement requires us to make licensing payments to ITS of up to $12.0 million over the five years following August 2016.
- ***National Research Council Canada (NRC; 2013):*** We entered into a research and licensing agreement with the NRC which grants us the right to use certain NRC intellectual property and arising intellectual property generated as a result of our collaboration in the research and development of product candidates, including ZW25, ZW33, and future product candidates. Licensing terms are tiered depending the level of NRC's contribution, and include obligations to pay annual license maintenance fees, intellectual property filing milestones, clinical and commercial milestones, and in select programs, low single-digit tiered royalties on product sales.
- ***Selexis (2014):*** We have entered into a commercial agreement with Selexis under which we were granted rights to manufacture and commercialize ZW25 and ZW33 using a proprietary Selexis cell line. Licensing terms include an annual license maintenance fee, and clinical, regulatory, and commercial milestones based on sales thresholds.
- ***ProBioGen (2017):*** We have entered into a master services and master license agreement under which we were granted a non-exclusive license to research, manufacture and commercialize our product candidates using ProBioGen's platforms, including their proprietary GlymaxX technology for generating afucosylated antibodies. This license includes certain additional non-exclusive patent rights sub-licensed by this vendor. Licensing terms include preclinical, clinical and commercial milestones based on sales thresholds.

Manufacturing

We rely on third party contract manufacturing organizations to provide manufacturing, linker-toxin conjugation, and fill-finish services in order to generate all of the therapeutic antibody supply required for our non-clinical and clinical studies. To retain focus on our expertise in developing new product candidates, we do not currently plan to develop or operate in-house manufacturing capacity. Our bispecific therapeutic antibody candidates require standard manufacturing and chemistry manufacturing and control, or CMC, processes typical of those required for monoclonal antibody manufacturing. We therefore expect to continue to be able to develop product candidates that can be manufactured in a cost-effective fashion by our network of well-validated third party contract manufacturing organizations.

Through our contract manufacturing organizations, we currently have sufficient supply of our product candidates to carry out ongoing and planned preclinical studies. We also have sufficient cGMP-grade supply of ZW25 and ZW33 on hand to complete Phase 1b/2a and Phase 1 clinical trials, respectively. An additional cGMP production run is being planned to generate sufficient supply of ZW33 for a Phase 2 clinical trial. We plan to identify redundant suppliers and manufacturing, toxin conjugation, and fill-finish services for all development products candidates prior to submission to the FDA.

Competition

The biopharmaceutical industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technology, knowledge, experience and scientific resources provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions and governmental agencies and public and private research institutions. Any product candidates that

we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

With respect to target discovery activities, competitors and other third parties, including academic and clinical researchers, may be able to access rare families and identify targets before we do.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaboration arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites, recruiting patients for clinical trials, and by acquiring technologies complementary to, or necessary for, our programs.

The key competitive factors affecting the success of all of our product candidates, if approved, are likely to be their efficacy, safety, convenience and price, the effectiveness of alternative products, the level of competition and the availability of coverage and adequate reimbursement from government and other third party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products or therapies that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA, European Medicines Agency, or EMA, or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third party payors seeking to encourage the use of generic products.

Our product candidates will compete with the therapies and currently marketed drugs discussed below.

- ***ZW25:*** ZW25 is intended to treat patients with solid tumors that express HER2, but especially breast cancer patients with tumors expressing low to intermediate levels of HER2. Approved HER2-targeted therapies include Roche's Herceptin, Perjeta, and Kadcyla as well as Novartis' Tykerb, although none of these drugs are effective in treating tumors expressing low to intermediate levels of HER2. Currently, these patients may receive hormone therapy or cytotoxic chemotherapy including combinations of anthracyclines, taxanes, capecitabine and cyclophosphamide. We believe ZW25 will be a more effective and better tolerated therapy. There are other non-HER2 targeting monoclonal antibodies on the market that may have potential activity on tumors expressing low to intermediate levels of HER2 including Merck's Keytruda, Bristol-Myer Squibb's Opdivo or Roche's Tecentriq; however, these agents are currently not approved in breast, gastric, or ovarian cancer. Since they are relatively well-tolerated and have a different mechanism of action than ZW25, if they were to be approved in these indications, we believe they could potentially be used in combination with ZW25 to achieve even higher responses rates.

- ***ZW33:*** ZW33 is intended to treat patients with HER2-expressing breast cancer or other solid tumors that have progressed on, are refractory to, or are not eligible to receive existing HER2-targeted therapies. Roche's Kadcyla as well as combinations of Herceptin, Tykerb and capecitabine are some of the currently approved treatments. We believe that ZW33 will be a more effective therapy than Kadcyla based on our comparisons in preclinical models.

The FDA and corresponding regulatory authorities will ultimately review our clinical results and determine whether our product candidates are effective. No regulatory agency has made any such determination that any of our product candidates are effective for use by the general public for any indication.

Government Regulation

Government authorities in the United States, at the federal, state and local level, and in other countries extensively regulate, among other things, the research, development, testing, manufacturing, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of products such as those we are developing. Our ADC product candidates are comprised of both a drug product and a biologic product, and will therefore subject to regulation in the United States as combination products. If marketed individually, each component would be subject to different regulatory pathways and would require approval of independent marketing applications by the FDA. A combination product, however, is assigned to a Center that will have primary jurisdiction over its regulation based on a determination of the combination product's primary mode of action, which is the single mode of action that provides the most important therapeutic action. In the case of our ADCs, we believe that the primary mode of action is attributable to the biologic component of the product. We believe our other product candidates will be regulated as therapeutic biologics, with the FDA's Center for Drug Evaluation and Research, or CDER, having primary jurisdiction over premarket development.

Biological products are subject to regulation under the Federal Food, Drug, and Cosmetic Act, or FD&C Act, and the Public Health Service Act, or PHS Act, and other federal, state, local and foreign statutes and regulations. Our product candidates must be approved by the FDA before they may be legally marketed in the United States and by the appropriate foreign regulatory agency before they may be legally marketed in foreign countries.

U.S. Biological Products Development Process

The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

- completion of extensive nonclinical, sometimes referred to as preclinical laboratory tests, and preclinical animal trials and applicable requirements for the humane use of laboratory animals and formulation studies in accordance with applicable regulations, including good laboratory practices, or GLPs;
- submission to the FDA of an IND application, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practice, or GCP, regulations and any additional requirements for the protection of human research subjects and their health information, to establish the safety and efficacy of the proposed biological product for its intended use;
- submission to the FDA of a BLA for marketing approval that includes substantive evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity;
- potential FDA audit of the nonclinical and clinical study sites that generated the data in support of the BLA; and
- FDA review and approval, or licensure, of the BLA.

Before testing any biological product candidate in humans, the product candidate enters the preclinical testing stage. Preclinical tests, also referred to as nonclinical studies, include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements including GLPs.

The clinical study sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the clinical study on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical study can begin. The FDA may also impose clinical holds on a biological product candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, trials may not recommence without FDA authorization and then only under terms authorized by the FDA.

Clinical trials involve the administration of the biological product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the study sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical study, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical study will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations comprising the GCP requirements, including the requirement that all research subjects provide informed consent. Further, each clinical study must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical study will be conducted. An IRB is charged with protecting the welfare and rights of study participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical study subject or his or her legal representative and must monitor the clinical study until completed.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- ***Phase 1.*** The biological product candidate is initially introduced into healthy human volunteers and tested for safety. In the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.

- ***Phase 2.*** The biological product candidate is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.

- ***Phase 3.*** Clinical trials are undertaken to further evaluate dosage, clinical efficacy, potency, and safety in an expanded patient population at geographically dispersed clinical study sites. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labelling.

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical study investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA and the investigators for serious and unexpected adverse events, any findings from other trials, tests in laboratory animals or *in vitro* testing that suggest a significant risk for human subjects, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the FDA of any unexpected

fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information. The FDA or the sponsor or its data safety monitoring board may suspend a clinical study at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical study at its institution if the clinical study is not being conducted in accordance with the IRB's requirements or if the biological product candidate has been associated with unexpected serious harm to patients.

There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Sponsors of clinical trials of FDA-regulated products, including biologics, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, study sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved.

Concurrent with clinical trials, companies usually complete additional animal trials and must also develop additional information about the physical characteristics of the biological product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with GMP requirements. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHS Act emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

After the completion of clinical trials of a biological product candidate, FDA approval of a BLA must be obtained before commercial marketing of the biological product. The BLA must include results of product development, laboratory and animal trials, human trials, information on the manufacture and composition of the product, proposed labeling and other relevant information. In addition, under the Pediatric Research Equity Act, or PREA, a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the biological product candidate for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The Food and Drug Administration Safety and Innovation Act, or FDASIA, requires that a sponsor who is planning to submit a marketing application for a drug or biological product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration submit an initial Pediatric Study Plan, or PSP, within sixty days after an End-of-Phase 2 meeting or as may be agreed between the sponsor and FDA. Unless otherwise required by regulation, PREA does not apply to any biological product for an indication for which Orphan Drug Designation has been granted.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

Within 60 days following submission of the application, the FDA reviews a BLA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is

subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA. The FDA reviews the BLA to determine, among other things, whether the proposed product is safe and potent, or effective, for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP requirements to assure and preserve the product's identity, safety, strength, quality, potency and purity. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the biological product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to assure the safe use of the biological product candidate. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS; the FDA will not approve the BLA without a REMS, if required.

Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND study requirements and GCP requirements.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than the applicant interprets the same data. If the FDA decides not to approve the BLA in its present form, the FDA will issue a complete response letter that usually describes all of the specific deficiencies in the BLA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a REMS, or otherwise limit the scope of any approval. In addition, the FDA may require post marketing clinical trials, sometimes referred to as Phase 4 clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

Orphan Drug Designation

The FDA may grant Orphan Drug Designation to drugs or biologics intended to treat a rare disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and marketing the product for this type of disease or condition will be recovered from sales in the United States. Orphan Drug Designation must be requested before submitting a BLA. After the FDA grants Orphan Drug Designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan Drug Designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

In the United States, Orphan Drug Designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product

receives the first FDA approval for the indication for which it has Orphan Drug Designation, the product is entitled to orphan exclusivity, which means the FDA may not approve any other application to market the same product for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer with orphan exclusivity is unable to assure sufficient quantities of the approved orphan designated product. Competitors, however, may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity. Orphan product exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval of the same biological product as defined by the FDA or if our product candidate is determined to be contained within the competitor's product for the same indication or disease. If a drug or biological product designated as an orphan product receives marketing approval for an indication broader than what is designated, it may not be entitled to orphan product exclusivity.

Post-Approval Requirements

Maintaining substantial compliance with applicable federal, state and local statutes and regulations requires the expenditure of substantial time and financial resources. Rigorous and extensive FDA regulation of biological products continues after approval, particularly with respect to cGMP requirements. We will rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of any products that we may commercialize. Manufacturers of our products are required to comply with applicable requirements in the cGMP regulations, including quality control and quality assurance and maintenance of records and documentation. Other post-approval requirements applicable to biological products include record-keeping requirements, reporting of adverse effects and reporting updated safety and efficacy information.

We also must comply with the FDA's advertising and promotion requirements, such as those related to direct-to-consumer advertising, the prohibition on promoting products for uses or in patient populations that are not described in the product's approved labelling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. Discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant or manufacturer to administrative or judicial civil or criminal sanctions and adverse publicity. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, clinical hold, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, mandated corrective advertising or communications with doctors, debarment, restitution, disgorgement of profits, or civil or criminal penalties.

Biological product manufacturers and other entities involved in the manufacture and distribution of approved biological products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP requirements and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain GMP compliance. In addition, changes to the manufacturing process or facility generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Biosimilars and Exclusivity

The PPACA, signed into law on March 23, 2010, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. To date, only one

biosimilar has been licensed under the BPCIA, although numerous biosimilars have been approved in Europe. The FDA has issued several guidance documents outlining an approach to review and approval of biosimilars.

Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity and potency, can be shown through analytical studies, animal studies and a clinical study or studies. Interchangeability requires that a product is biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product in any given patient and, for products that are administered multiple times to an individual, the biologic and the reference biologic may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. However, complexities associated with the larger, and often more complex, structures of biological products, as well as the processes by which such products are manufactured, pose significant hurdles to implementation of the abbreviated approval pathway that are still being worked out by the FDA.

Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law.

A biological product can also obtain pediatric market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued "Written Request" for such a study.

The BPCIA is complex and only beginning to be interpreted and implemented by the FDA. In addition, recent government proposals have sought to reduce the 12-year reference product exclusivity period. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. As a result, the ultimate impact, implementation and meaning of the BPCIA are subject to significant uncertainty.

Canadian Review and Approval Process

In Canada, our biologic product candidates and our research and development activities are primarily regulated by the *Food and Drugs Act* and the rules and regulations thereunder, which are enforced by Health Canada (including its Biologics and Genetic Therapies Directorate). Health Canada regulates, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, post-approval monitoring, marketing and import and export of pharmaceutical products. Drug approval laws require licensing of manufacturing facilities, carefully controlled research and testing of products, government review and approval of experimental results prior to giving approval to sell drug products including biologic drug products. Regulators also typically require that rigorous and specific standards such as Good Manufacturing Practices, Good Laboratory Practices, or GLP, and Good Clinical Practices, or GCP, are followed in the manufacture, testing and clinical development, respectively, of any drug product. The processes for obtaining regulatory approvals in Canada, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources. For further information, see "Risk Factors."

The principal steps required for drug approval in Canada is as follows:

Preclinical Toxicology Studies

Non-clinical studies are conducted *in vitro* and in animals to evaluate pharmacokinetics, metabolism and possible toxic effects to provide evidence of the safety of the drug candidate prior to its administration to humans in clinical studies and throughout development. Such studies are conducted in accordance with applicable laws and GLP.

Initiation of Human Testing

In Canada, the process of conducting clinical trials with a new drug cannot begin until we have submitted a Clinical Trial Application, or CTA, and the required number of days has lapsed without objection from Health Canada. Biological drugs carry additional risks, as compared to traditional small molecule drugs, associated with complexity and variability in manufacturing that can contribute to increased lot-to-lot variation of the final product, and with the potential for adventitious agents. Therefore, the content requirements for the quality information for biological drugs to be used in clinical trials are different from those for standard small molecule pharmaceutical drugs (for example, the inclusion of information on manufacturing facilities is required for biological drugs). In addition, it is necessary to have more stringent controls on the release of biologic drug lots used in authorized clinical trials.

Similar regulations apply in Canada to a CTA as to an IND in the United States. Once approved, two key factors influencing the rate of progression of clinical trials are the rate at which patients can be enrolled to participate in the research program and whether effective treatments are currently available for the disease that the drug is intended to treat. Patient enrollment is largely dependent upon the incidence and severity of the disease, the treatments available and the potential side effects of the drug to be tested and any restrictions for enrollment that may be imposed by regulatory agencies. For further information, see “Risk Factors.”

Clinical Trials

Similar regulations apply in Canada regarding clinical trials as in the United States. In Canada, Research Ethics Boards, or REBs, instead of IRBs, are used to review and approve clinical trial plans. Clinical trials involve the administration of an investigational new drug to human subjects under the supervision of qualified investigators in accordance with current Good Clinical Practices, or cGCP, requirements, which include review and approval by REBs. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety and the efficacy criteria to be evaluated and a statistical analysis plan. Human clinical trials are typically conducted in three sequential phases, as discussed above in the context of government regulation in the United States.

The manufacture of investigational drugs for the conduct of human clinical trials is subject to current Good Manufacturing Practice, or cGMP, requirements. Investigational drugs and active pharmaceutical ingredients imported into Canada are also subject to regulation by Health Canada relating to their labeling and distribution. Progress reports detailing the results of the clinical trials must be submitted at least annually to Health Canada and the applicable REBs, and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, in Canada, Health Canada or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an REB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the REB’s requirements or if the drug has been associated with unexpected serious harm to subjects. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group regularly reviews accumulated data and advises the study sponsor regarding the continuing safety of trial subjects, potential trial

subjects and the continuing validity and scientific merit of the clinical trial. We may also suspend or terminate a clinical trial based on evolving business objectives or competitive climate.

New Drug Application

Upon successful completion of Phase 3 clinical trials, in Canada the company sponsoring a new drug then assembles all the preclinical and clinical data and other testing relating to the product's pharmacology, chemistry, manufacture, and controls, and submits it to Health Canada as part of a New Drug Submission, or NDS. The NDS is then reviewed by Health Canada for approval to market the drug.

As part of the approval process, Health Canada will inspect the facility or the facilities at which the drug is manufactured. Health Canada will not approve the product unless compliance with cGMP—a quality system regulating manufacturing—is satisfactory and the NDS contains data that provide substantial evidence that the drug is safe and effective in the indication studied. In addition, before approving an NDS, Health Canada will typically inspect one or more clinical sites to assure compliance with GCP.

The testing and approval process for an NDS requires substantial time, effort and financial resources, and may take several years to complete. Biologic drugs, such as our candidates, differ from standard small molecule drugs in that applicants must include more detailed chemistry and manufacturing information. This is necessary to help ensure the purity and quality of the product, for example to help ensure that it is not contaminated by an undesired microorganism. Data obtained from preclinical and clinical testing are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. Health Canada may not grant approval of an NDS on a timely basis, or at all. In Canada, NDSs are subject to user fees and these fees are typically increased annually to reflect inflation.

Even if Health Canada approves a product candidate, the relevant authority may limit the approved indications for use of the product candidate, require that contraindications, warnings or precautions be included in the product labeling, including a black box warning, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms.

Biologic products in particular are monitored post-approval by being placed on a lot release schedule tailored to their potential risk, manufacturing, testing and inspection history to date. With higher risk biologics, each lot is tested before being released for sale in Canada. Moderate risk biologics are periodically tested at the discretion of Health Canada while manufacturers of low risk biologics usually only need to contact Health Canada regarding lots being sold or for providing certification of complete and satisfactory testing. Products are carefully scrutinized before they are placed in any level of the lot release process, and at any time the testing regime for a biologic may be altered.

Health Canada may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements, notification, and regulatory authority review and approval. Further, should new safety information arise, additional testing, product labeling or regulatory notification may be required.

Subsequent Entry Biologics and Exclusivity

The term subsequent entry biologic, or SEB, is used by Health Canada to describe a biologic drug that enters the market subsequent to a version previously authorized in Canada and with demonstrated similarity to a reference biologic drug. Accordingly, a SEB (known internationally as a biosimilar) will in all instances be a subsequent entrant onto the Canadian market.

Based on Health Canada guidance documents, a SEB can rely in part on prior information regarding safety and efficacy that is deemed relevant due to the demonstration of similarity to the reference biologic drug and which influences the amount and type of original data required. Generic drugs are chemically derived products that are pharmaceutically equivalent to innovative drugs, whereas SEBs are products of a biologic nature that are similar to innovative biologics. According to Health Canada, it is not currently possible to demonstrate that two biologic drugs are pharmaceutically equivalent, and therefore the regulatory approval process for generics and SEBs is different: SEBs are approved using the standard NDS pathway with some allowances made for reduced safety and efficacy information set out in guidance documents, while generic drugs are approved using an abbreviated new drug submission pathway set in guidance law. In part because it continues to be set out only in guidance and not law, the pathway for receiving SEB approval is somewhat in flux and subject to some uncertainty.

As discussed above, all SEBs enter the market subsequent to a biologic drug product previously approved in Canada and to which the SEB is considered similar. As such, SEBs are subject to existing laws and regulations outlined in the *Patented Medicines (Notice of Compliance) Regulations* and the *Food and Drug Regulations*, and related guidance documents.

Similar to the *Hatch-Waxman Act* in the United States, Canada has the *Patented Medicines (NOC) Regulations* which require a company that files a drug submission that references a patented product to address any relevant patents listed on the Patent Register prior to being able to receive approval from Health Canada. The Canadian regime is similar to the United States regime, but a number of distinctions do exist.

Like the United States, Canada also has data protection, but again differences exist between the two jurisdictions. For example, Canada's data protection applies to "innovative drugs" (i.e., a drug that contains a medicinal ingredient not previously approved in a drug by the Minister and that is not a variation of a previously approved medicinal ingredient such as a salt, ester, enantiomer, solvate or polymorph) and, where it exists, lasts for 8 years in most (but not all) circumstances. In general biologics can be considered innovative drugs but SEBs are not.

Additional Regulation

In addition to the foregoing, provincial, state and federal U.S. and Canadian laws regarding environmental protection and hazardous substances affect our business. These and other laws govern our use, handling and disposal of various biological, chemical and radioactive substances used in, and wastes generated by, our operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. We believe that we are in material compliance with applicable environmental laws and that continued compliance therewith will not have a material adverse effect on our business. We cannot predict, however, how changes in these laws may affect our future operations.

Anti-Corruption Laws

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the Canadian Corruption of Foreign Public Officials Act and possibly other state and national anti-bribery and anti-money laundering laws in countries in which we conduct activities, such as the UK Bribery Act 2010 and the UK Proceeds of Crime Act 2002, collectively, Anti-Corruption Laws. Among other matters, such Anti-Corruption Laws prohibit corporations and individuals from directly or indirectly paying, offering to pay or authorizing the payment of money or anything of value to any foreign government official, government staff member, political party or political candidate, or certain other persons, in order to obtain, retain or direct business, regulatory approvals or some other advantage in an improper manner. We can also be held liable for the acts of our third party agents (including CROs) under the FCPA, the Canadian Corruption of Foreign Public

Officials Act, the UK Bribery Act 2010 and possibly other Anti-Corruption Laws. In the healthcare sector, anti-corruption risk can also arise in the context of improper interactions with doctors, key opinion leaders, and other healthcare professionals who work for state-affiliated hospitals, research institutions, or other organizations.

Government Regulation Outside of the United States

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical studies and any commercial sales and distribution of our products.

Whether or not we obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical studies or marketing of the product in those countries. Certain countries outside of the United States have a similar process that requires the submission of a clinical study application much like the IND prior to the commencement of human clinical studies. In the European Union, or EU, for example, a clinical trial application, or CTA, must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and the IRB, respectively. Once the CTA is approved in accordance with a country's requirements, clinical study development may proceed.

The requirements and process governing the conduct of clinical studies, product licensing, coverage, pricing and reimbursement vary from country to country. In all cases, the clinical studies are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

Pharmaceutical Coverage, Pricing and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we may obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government programs such as Medicare or Medicaid, managed care plans, private health insurers, and other organizations. These third-party payors may deny coverage or reimbursement for a product or therapy in whole or in part if they determine that the product or therapy was not medically appropriate or necessary. Third-party payors may attempt to control costs by limiting coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drug products for a particular indication, and by limiting the amount of reimbursement for particular procedures or drug treatments. Additionally, coverage and reimbursement for drug products can differ significantly from payor to payor. The Medicare and Medicaid programs are often used as models by private payors and other governmental payors to develop their coverage and reimbursement policies for drugs and biologics. However, one third-party payor's decision to cover a particular drug product does not ensure that other payors will also provide coverage for the product, or will provide coverage at an adequate reimbursement rate.

The cost of pharmaceuticals continues to generate substantial governmental and third party payor interest. We expect that the pharmaceutical industry will experience pricing pressures due to the trend toward managed healthcare, the increasing influence of managed care organizations and additional legislative proposals. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products to obtain third-party payor coverage, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Some third-party payors also require pre-approval of coverage for new or innovative drug therapies before they will reimburse healthcare providers who use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, these requirements or any announcement or adoption of such proposals could have a material adverse effect on our ability to obtain adequate prices for our product candidates and to operate profitably.

In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. There can be no assurance that our products will be considered medically reasonable and necessary for a specific indication, that our products will be considered cost-effective by third-party payors, that coverage or an adequate level of reimbursement will be available or that third-party payors' reimbursement policies will not adversely affect our ability to sell our products profitably.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our future products profitably. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

By way of example, in March 2010, the PPACA was signed into law, intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Among the provisions of the PPACA of importance to our potential drug candidates are:

- an annual, non-deductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% of the average manufacturer price, or AMP, for branded drugs or the difference between AMP and best price, whichever is greater. For generic drugs the rebate is 13%;
- Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts to negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level, thereby potentially increasing manufacturers' Medicaid rebate liability;
- requirement that applicable manufacturers and group purchasing organizations report annually to the U.S. Department of Health and Human Services, or HHS, information certain payments and other transfers of value given to physicians and teaching hospitals, and any ownership or investment interest physicians, or their immediate family members, have in their company;
- a requirement to annually report drug samples that manufacturers and distributors provide to physicians;
- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;

- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, when and if empaneled, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare & Medicaid Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the PPACA. In January, Congress voted to adopt a budget resolution for fiscal year 2017, or the Budget Resolution, that authorizes the implementation of legislation that would repeal portions of the PPACA. The Budget Resolution is not a law, however, it is widely viewed as the first step toward the passage of legislation that would repeal certain aspects of the PPACA. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the PPACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the PPACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress is currently considering a bill to revise the PPACA and could consider subsequent legislation to replace elements of the PPACA that are repealed. The impact of these efforts to repeal the PPACA on our business remains unclear.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year pursuant to the Budget Control Act of 2011, which began in 2013 and will remain in effect through 2025 unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our product candidates, if approved, and, accordingly, our financial operations. Also, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which have resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products.

We expect that the PPACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs, once regulatory approval is obtained.

Other Healthcare Laws and Compliance Requirements

In the United States, the research, manufacturing, distribution, sale and promotion of drug products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare & Medicaid Services, other divisions of the U.S. Department of Health and Human Services (e.g., the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other state and local government agencies. For example, sales, marketing and scientific/educational grant

programs must comply with fraud and abuse laws such as the federal Anti-Kickback Statute, as amended, the federal False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The federal Anti-Kickback Statute prohibits any person, including a prescription drug manufacturer (or a party acting on its behalf), from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing, recommending, or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. The term “remuneration” is not defined in the federal Anti-Kickback Statute and has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain business arrangements from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from federal Anti-Kickback Statute liability. The reach of the Anti-Kickback Statute was broadened by the PPACA, which, among other things, amends the intent requirement of the federal Anti-Kickback Statute such that a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (discussed below) or the civil monetary penalties statute, which imposes fines against any person who is determined to have presented or caused to be presented claims to a federal healthcare program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. Additionally, many states have adopted laws similar to the federal Anti-Kickback Statute, and some of these state prohibitions apply to referral of patients for healthcare items or services reimbursed by any third-party payor, not only the Medicare and Medicaid programs in at least some cases, and do not contain safe harbors.

The federal False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the federal False Claims Act allow a private individual to bring civil actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In recent years, the number of suits brought by private individuals has increased dramatically. In addition, various states have enacted false claims laws analogous to the federal False Claims Act. Many of these state laws apply where a claim is submitted to any third- party payor and not merely a federal healthcare program. There are many potential bases for liability under the federal False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The federal False Claims Act has been used to assert liability on the basis of inadequate care, kickbacks and other improper referrals, improperly reported government pricing metrics such as Best Price or Average Manufacturer Price, improper use of Medicare numbers when detailing the provider of services, improper promotion of off-label uses (i.e., uses not expressly approved by FDA in a drug’s label), and allegations as to misrepresentations with respect to the services rendered. Our future activities relating to the reporting of discount and rebate information and other information affecting federal, state and third party reimbursement of our products, and the sale and marketing of our products and our service arrangements or data purchases, among other activities, may be subject to scrutiny under these laws. We are unable to predict whether we would be subject to actions under the federal False Claims Act or a similar state law, or the impact of such actions. However, the cost of defending such claims, as well as any sanctions imposed, could adversely affect our

financial performance. Also, HIPAA created several additional federal crimes, including healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

In addition, we may be subject to, or our marketing activities may be limited by, data privacy and security regulation by both the federal government and the states in which we conduct our business. For example, the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and its implementing regulations established uniform federal standards for certain "covered entities" (healthcare providers, health plans and healthcare clearinghouses) governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of protected health information. The American Recovery and Reinvestment Act of 2009, commonly referred to as the economic stimulus package, included expansion of HIPAA's privacy and security standards called the Health Information Technology for Economic Clinical Health Act, or HITECH. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates"—independent contractors or agents of covered entities that create, receive, maintain, or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions.

Under the federal Physician Payments Sunshine Act, which was enacted as part of the PPACA, certain drug manufacturers are required to track and annually report to the federal government certain payments and other transfers of value made to physicians and other healthcare professionals and teaching hospitals and ownership or investment interests held by physicians and their immediate family members. There are also an increasing number of state "sunshine" laws that require manufacturers to make reports to states on pricing and marketing information. Several states have enacted legislation requiring pharmaceutical companies to, among other things, establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, or register their sales representatives, as well as to prohibit pharmacies and other healthcare entities from providing certain physician prescribing data to pharmaceutical companies for use in sales and marketing, and to prohibit certain other sales and marketing practices. These laws may affect our future sales, marketing, and other promotional activities by imposing administrative and compliance burdens on us. If we fail to track and report as required by these laws or otherwise comply with these laws, we could be subject to the penalty provisions of the pertinent state and federal authorities.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government healthcare programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private *qui tam* actions brought by individual whistleblowers in the name of the government or refusal to allow us to enter into supply contracts, including government contracts, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. We may also be subject to additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement with a governmental entity to resolve allegations that we have violated these laws. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-approval requirements, including safety surveillance, anti-fraud and abuse laws, and

implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Sales and Marketing

As an early-stage biopharmaceutical company, we do not currently possess the commercial infrastructure that will be required to launch and market our product candidates. To date, we have not entered into co-promotion or out-licensing agreements with established pharmaceutical companies for any of our product candidates. To access the sales, marketing and distribution capacity required to market our drug candidates, we plan to selectively establish partnerships with biotechnology and pharmaceutical companies having established commercial capabilities in relevant indications. The timing and nature of such agreements will be determined by market size and complexity, access to pre-commercial and commercial infrastructure and our resource availability for developing a commercial organization. For product candidates targeting patient populations that can be serviced by a small, specialized commercial effort, we may seek out co-development and co-promotion agreements granting commercialization rights to an established commercial partner in some jurisdictions while allowing us to build these capabilities in other jurisdictions.

Facilities

We lease approximately 23,155 square feet of office space and 10,570 square feet of laboratory space in Vancouver, British Columbia under lease agreements that expire in August 2021. We also lease approximately 5,470 square feet and 10,920 square feet of office space in Seattle, Washington under lease agreements that expire in January 2020 and February 2022, respectively.

Employees

As of December 31, 2016, we had 117 employees, including 115 full-time employees, 72 of whom were primarily engaged in research and development activities and 48 of whom hold an M.D. or Ph.D. degree. 99 of our employees are based in Vancouver, British Columbia and 16 in Seattle, Washington. None of our employees are represented by a labor organization or are party to a collective bargaining arrangement. We consider our relationship with our employees to be excellent.

Legal Proceedings

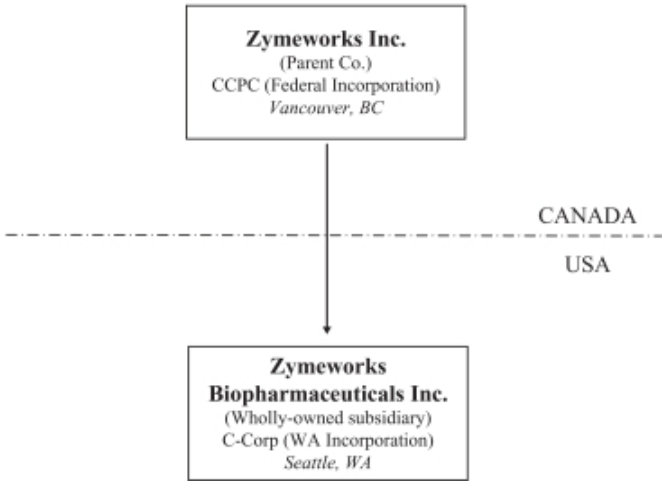
From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any material legal proceedings.

Corporate Structure

We were incorporated on September 8, 2003 under the Canada Business Corporations Act, or CBCA, under the name “Zymeworks Inc.” On October 22, 2003, we were registered as an extra-provincial company under the Company Act (British Columbia), the predecessor to the BCBCA. Immediately prior to the consummation of this offering, we will file a continuation application to, among other things, continue the Company to British Columbia and amend and redesignate our share capital. See “Description of Share Capital.”

The following reflects our organizational structure. We have one wholly-owned subsidiary located in Seattle, Washington named Zymeworks Biopharmaceuticals Inc. Effective as of January 1, 2017, we completed a short-form amalgamation with our other previously wholly-owned subsidiary, Zymeworks Biochemistry Inc.

Corporate Org Chart:



Notes: CCPC refers to "Canadian Controlled Private Corporation." Immediately prior to the consummation of this offering, we will file a continuation application to continue the Company to British Columbia.

Our principal and registered office is located at 1385 West 8th Avenue, Suite 540, Vancouver, British Columbia, Canada V6H 3V9, and our telephone number is (604) 678-1388. Our website address is www.zymeworks.com. Information contained on, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference.

MANAGEMENT

Executive Officers and Directors

The following table provides information with respect to our directors and executive officers as of the date of this prospectus. The address for our directors and executive officers is c/o Zymeworks Inc., 1385 West 8th Avenue, Suite 540, Vancouver, British Columbia, Canada V6H 3V9. Immediately prior to the closing of this offering, we anticipate that our board of directors will consist of six individuals, due to the resignations of Dr. Blanchard, Mr. Madsen and Dr. Tilley.

Name	Residence	Age	Position(s)
Executive Officers			
Ali Tehrani, Ph.D.	British Columbia, Canada	45	President and Chief Executive Officer and Director
Neil Klompas, CPA, CA	British Columbia, Canada	45	Chief Financial Officer
Diana Hausman, M.D.	Washington, USA	53	Chief Medical Officer
Jennifer Kaufman-Shaw, Ph.D., LL.B.	British Columbia, Canada	67	Vice President, Intellectual Property & Legal Affairs
Wajida Leclerc	British Columbia, Canada	57	Vice President, Human Resources
Surjit Dixit, Ph.D.	British Columbia, Canada	44	Vice President, Technology
John Babcook	British Columbia, Canada	54	Senior Vice President, Discovery Research
Directors			
Nick Bedford(1)(3)	British Columbia, Canada	57	Chairman of the Board and Governance & Nominating Committee
Kerry Blanchard, Ph.D., M.D.	Shanghai, China	61	Director
Noel Hall(1)	British Columbia, Canada	55	Director
Kenneth Hillan, M.B. Ch.B.(2)(3)	California, USA	56	Director
Dion Madsen, B. Comm, CFA	California, USA	49	Director
Hollings Renton, MBA(2)(3)	California, USA	70	Director
Ali Tehrani, Ph.D.	British Columbia, Canada	45	President and Chief Executive Officer and Director
Shermaine Tilley, Ph.D., MBA	Quebec, Canada	65	Director
Lota Zoth, CPA(1)(2)	Texas, USA	57	Director, Chair of the Audit Committee

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating and Corporate Governance Committee

Executive Officers

Ali Tehrani

Dr. Tehrani is one of our co-founders and currently serves as our President & Chief Executive Officer. Dr. Tehrani has served as a member of our board of directors since the Company's inception in September 2003. He has been an integral part of many of our corporate achievements including raising seed and angel financing and overseeing our technical operations and patent filings. Dr. Tehrani holds both Bachelors and Masters of Science degrees in Biochemistry from the University of Massachusetts, and has a Doctoral degree in Microbiology and Immunology from the University of British Columbia. While completing his Ph.D. degree he co-founded the Student Biotechnology Network, for which he received the UBC Faculty of Science Achievement Award for Outstanding Leadership in 2002. Dr. Tehrani has served as a Board Director for the Student

Biotechnology Network, on the MITACS Industrial Advisory Board, and BIOTECanada's Industrial and Environmental Committee. Currently, he is a member of the Board of Directors of LifeSciences British Columbia, Creatus Biosciences Inc., CQDM and the British Columbia Premier's Technology Council.

Neil Klompas

Mr. Klompas joined Zymeworks Inc. in March 2007 and currently serves as our Chief Financial Officer. Mr. Klompas brings over 20 years of healthcare and biotechnology experience to our management team. In addition to finance responsibilities, and in conjunction with our President and Chief Executive Officer, he manages our corporate growth initiatives. Prior to joining Zymeworks Inc., he worked with KPMG LLP in Canada and the United States, most recently (from 2005 to 2007) with KPMG's Pharmaceuticals, Biotechnology and Medical Device M&A Transaction Services practice in Princeton, New Jersey, where he advised on numerous transactions including mergers, acquisitions, divestitures and strategic alliances. Prior to that, from 2000 to 2005 Mr. Klompas worked with KPMG's Canadian Biotechnology and Pharmaceuticals practice in the fields of assurance, valuations and taxation. Mr. Klompas is a Chartered Professional Accountant and is a member of Chartered Professional Accountants of British Columbia. Mr. Klompas also holds a degree in Microbiology & Immunology from the University of British Columbia and serves on the faculty advisory board for Biotechnology and Chemistry for Camosun College and as a Director for the Canadian Gene Cure Foundation and Ovensa Inc., a private biotechnology company.

Diana Hausman

Dr. Hausman has served as our Chief Medical Officer since June 2016. She is a board certified medical oncologist and brings more than 15 years of clinical drug development experience to our management team. Prior to joining Zymeworks Inc., she was Chief Medical Officer at Oncothyreon Inc. (now Cascadian Therapeutics, Inc.) from January 2012 to April 2016, where she oversaw the clinical program for their lead Phase 2 targeted anti-HER2 cancer therapy. While there, Dr. Hausman also led planning for the clinical development of a therapeutic vaccine, and earlier served as the company's Vice President, Clinical Development from September 2009 to December 2011. She has also held positions at ZymoGenetics, Inc., Berlex, Inc. and Immunex Corporation working across multiple indications, including oncology, hematology, hepatitis C and autoimmune disease. Dr. Hausman received her internal medicine training and specialty training in hematology and medical oncology at the University of Washington. She holds an M.D. degree from the University of Pennsylvania and an A.B. in biology from Princeton University.

Jennifer Kaufman-Shaw

Dr. Kaufman-Shaw has served as our Vice President, Intellectual Property and Legal Affairs since August 2014 and brings with her over 20 years of intellectual property management, strategy and execution experience to the management team. Dr. Kaufman-Shaw is responsible for our intellectual property portfolio and global patent strategy, as well as supporting our therapeutics and platform licensing activities and general legal matters. Prior to joining Zymeworks Inc., Dr. Kaufman-Shaw was a Co-Founder of ImStar Therapeutics Inc. a biotechnology company, and also served as its Vice President, Intellectual Property and Legal Affairs from its founding in May 2012 to July 2014. She also served as a Vice President at the biotechnology company Sirius Genomics Inc. (from August 2007 to May 2012), and held various senior roles at QLT Inc. (from July 1997 to July 2007) including, most recently, Vice President, Patent Counsel (from 2005 to 2007), where she was responsible for developing and executing intellectual property strategies. Dr. Kaufman-Shaw is admitted to both the Alberta and British Columbia Bars and holds a Bachelor of Laws (LL.B.) and a doctorate in Biochemistry from the University of Alberta. She is currently serving as a member of the board of directors of MRM Proteomics Inc., a proteomics services and kit provider.

Wajida Leclerc

Ms. Leclerc joined Zymeworks Inc. in April 2015 and currently serves as our Vice President, Human Resources. Ms. Leclerc is responsible for managing all aspects of Human Resources, including our growing

demand for highly skilled science and technology professionals. Prior to joining Zymeworks Inc., Ms. Leclerc served as Director, Human Resources at BC Lottery Corporation, a crown corporation of the Province of British Columbia, from September 2010 to July 2014. Ms. Leclerc also brings with her a wealth of experience in human resource management within the biotech/pharmaceuticals industry, having served from 2008 to 2010 as Senior Director, Human Resources at Xenon Pharmaceuticals Inc., a pharmaceuticals company, and from 1998 to 2008 as Senior Director, Human Resources at QLT, Inc., a biotechnology company. Ms. Leclerc holds a Bachelors degree in Liberal Arts and Business from Simon Fraser University.

Surjit Dixit

Dr. Dixit has held various roles at Zymeworks Inc. since joining the company in July 2007, and currently serves as our Vice President, Technology. Dr. Dixit is responsible for the implementation of novel algorithms and advancement of our proprietary ZymeCAD approach. Prior to joining Zymeworks, Dr. Dixit was the coordinator of Computational Molecular Biophysics at Weselyan University, Connecticut from January 2005 to July 2007, where he was instrumental in the development of novel methods for management and mining of high throughput molecular dynamics simulation data. Dr. Dixit obtained his Ph.D. at the Indian Institute of Technology, New Delhi researching methods for computing the binding and interaction energies in protein DNA complexes. Subsequently, from October 1999 to February 2001 he was a postdoctoral research associate at the Université Henri Poincaré, Nancy, France, working on the development and implementation of highly accurate methods for the prediction of binding energies in drug discovery research.

John Babcook

Mr. Babcook has served as our Senior Vice President, Discovery Research since March 2016 and is responsible for target, antibody and drug conjugate discovery and associated partnerships. For over 20 years, Mr. Babcook has made significant contributions to the international biopharmaceutical industry. Prior to joining Zymeworks Inc., based on a novel antibody generation platform, he co-founded ImmGenics Pharmaceuticals Inc. in November 1998 which was acquired by Abgenix Inc. in 2000 and subsequently by Amgen, Inc. in 2006 where he led its Canadian research team from 2006 to 2010. Mr. Babcook also established the Biologics Division at the Centre for Drug Research and Development where he served as Vice President, Biologics from August 2011 to March 2016, in addition to becoming the founding President and Chief Scientific Officer of Kairos in January 2015. While at Kairos, he was responsible for the development of its ADC therapeutics pipeline and formed multiple collaborations, including the strategic partnership and the merger with Zymeworks Inc. in March 2016. Mr. Babcook has participated in the development of more than 100 therapeutic antibody-based programs, 11 of which are now in the clinic, including three ADCs. Mr. Babcook is an Adjunct Professor in Molecular Biology and Biochemistry at Simon Fraser University, an Honorary Doctorate recipient from the British Columbia Institute of Technology and the recipient of the LifeSciences British Columbia’s “Innovation and Achievement” Award.

Nick Bedford

Mr. Bedford has served as Chairman of our board of directors since September 2004. He brings his expertise in business and finance to Zymeworks, after serving as Chairman of the Board of Directors of ActiveState Corporation, a software corporation, from May 2002 up to the time of its acquisition by Sophos Group plc an international security software and hardware company in July 2003. Additionally, he has held senior positions at UBS Warburg from 1982 to 2002, including the Frankfurt-based role as Head of German Equities. In this position he oversaw all sales and sales trading of equity products, and was responsible for the merger of UBS Germany’s equity business with SBC Warburg in 1998. Prior to this he was with UBS’ Securities division in Zurich, Tokyo, and London. Mr. Bedford also currently serves on the Board of Actenum Corporation which he joined in 2003, and was previously a member of the board of Aegis Mobility from 2006 to January 2015. Mr. Bedford holds a B.Sc. in Civil Engineering from King’s College, London University.

Kerry Blanchard

Dr. Blanchard has served as a member of our board of directors since June 2015. Dr. Blanchard is currently Eli Lilly & Co.'s Senior Vice-President of Medicines Development Unit and External Innovation. Dr. Blanchard received a BS degree in chemistry in 1977, a Ph.D. in Biochemistry in 1982 and an M.D. in 1985 from Indiana University. He completed a residency in Internal Medicine and fellowships in Hematology and Medical Oncology at the Brigham and Women's Hospital, the Dana Farber Cancer Center, and Harvard Medical School in 1990. Prior to joining Lilly in 2000, he was a tenured Professor of Medicine and Biochemistry & Molecular Biology at Louisiana State University (LSU) Health Sciences Center in Shreveport, Louisiana, holding positions in the LSU School of Medicine from 1992 to 2000. He has played multiple roles in Lilly Research Laboratories including Senior Clinical Research Physician in Program Phase Oncology (2000-2003), Chief Scientific Officer Cancer Discovery (2004-2005), Executive Director of Cancer Discovery & Lilly Systems Biology-Singapore (2005-2006) and Chief Operating Officer/Vice-President of Discovery Research and Vice-President of Integrative Biology (2006-2010). He served on the Board of Directors of the Lilly Singapore Centre for Drug Discovery and Systems Biology from 2005 to 2010. He is a co-founder and a member of the Board of Directors of the Asian Cancer Research Group, and he serves on the Board of Directors of the Lilly Suzhou Pharmaceutical Company.

Noel Hall

Mr. Hall has served as a member of our board of directors since October 2008. Mr. Hall is a Managing Partner at the MacHall Group, a family office focused on life sciences and technology investing. He was the Co-founder, President and Director of Aspreva Pharmaceuticals Corp. from 2002 to 2008 which was acquired by the Galenica Group in January 2008. Prior to Aspreva, Mr. Hall co-founded the life sciences practice of consulting firm Hill and Knowlton in 1999 and served as Head of Global Strategic Planning for the firm's worldwide pharmaceutical consulting practice from 1995 to 1999. Mr. Hall was the Director of Corporate Affairs for the United Kingdom and Northern Europe for The Wellcome Foundation Ltd. from 1993 to 1995, which is now part of GSK. Additionally, Mr. Hall worked in market development with Abbott Laboratories Ltd. from 1987 to 1992. From 1992 to 1993 he was an account Director at Shire Hall Communication and was the regional sales manager with Leo Laboratories Ltd. from 1983 to 1985. Mr. Hall trained in Medical Laboratory Sciences at the London Hospital. Mr. Hall co-founded Vitaeris Biopharma Inc. and has served as its Executive Chairman since April 2016. Additionally, Mr. Hall co-founded Arius Technologies Inc., Creatus Sciences Inc. and CRAiLAR Fibre Technologies, Inc and currently serves as a director of these organizations.

Kenneth Hillan

Dr. Hillan has served as a member of our board of directors since February 2017. Dr. Hillan has served as CEO and a member of the board of directors of Achaogen, Inc., a public biopharmaceutical company, since October 2011. Prior to this, Dr. Hillan served as Achaogen's Chief Medical Officer from April 2011 to October 2011. Prior to joining Achaogen, Dr. Hillan worked at Genentech, Inc., a pharmaceutical company and a member of the Roche Group, from August 1994 to March 2011. Dr. Hillan held progressively senior roles at Genentech, most recently holding the position of Senior Vice President & Head of Roche Product Development, Asia Pacific from April 2010 to March 2011, and was responsible for numerous successful drug approvals and led the medical and scientific strategies for Genentech's immunology, tissue growth and repair drug portfolio. Dr. Hillan also served on the board of directors of Relypsa, Inc., a publicly traded biotechnology company that was acquired in September 2016 by Galencia AG for $1.5 billion, from June 2014 to July 2016. Dr. Hillan has an M.B. and a Ch.B. (Bachelor of Medicine and Surgery) degree from the Faculty of Medicine at the University of Glasgow in the United Kingdom. Dr. Hillan is a Fellow of the Royal College of Surgeons, and a Fellow of the Royal College of Pathologists.

Dion Madsen

Mr. Madsen has served as a member of our board of directors since January 2016. Mr. Madsen is the Senior Managing Partner at BDC Capital in the Healthcare Fund and has over 20 years of senior management experience as a financial executive and venture investor. Prior to joining BDC in January 2013, Mr. Madsen was the Founder

and Managing Director of Physic Ventures from April 2007 to December 2012, and Managing Director of Unilever Technology Ventures, Unilever's North American corporate venture fund, from March 2005 to April 2007. Prior to Unilever, Mr. Madsen led Chiron Corporation's investor communications, as Director of Investor Relations, from April 2004 to March 2005 and before moving to San Francisco, he spent five years as Partner of RBC Capital Partners' Life Sciences Venture Fund from February 1998 to December 2003. Mr. Madsen currently sits on the Board of Directors of Interface Biologics, Agrisoma Biosciences, Phemi Health Systems, Xagenic and is a board observer at Chromatin. He is also a member of the selection committee of the San Francisco Canadian Technology Accelerator, a founding member of the C100 and has sat on the boards of directors of many venture capital funds and companies in the pharmaceutical and health care industries. He is a CFA charterholder and has a Bachelor of Commerce in Finance and Marketing from the University of Saskatchewan.

Hollings Renton

Mr. Renton has served as a member of our board of directors since February 2017. Mr. Renton served as CEO and President of Onyx Pharmaceuticals, Inc. from March 1993 to March 2008 and was the chairperson of the board of directors of Onyx from June 2000 to March 2008. Onyx was acquired by Amgen Inc. in 2013 for $10.4 billion. Before joining Onyx, Mr. Renton was the President and Chief Operating Officer of Chiron Corporation, a pharmaceutical company, from December 1991 to December 1993. Mr. Renton served in a variety of executive roles at Cetus Corporation from 1983 including as President from 1990 to 1991, Chief Operating Officer from 1987 to 1990 and Chief Financial Officer from 1983 to 1987, prior to its acquisition by Chiron in 1991. Mr. Renton currently serves as chairperson of the board of directors of Portola Pharmaceuticals Inc., where he has been a board member since March 2010. He has also served on the board of directors of AnaptysBio, Inc. since June 2015. Previously, Mr. Renton served on the boards of three biopharmaceutical companies, KYTHERA Biopharmaceuticals, Inc. (January 2015 to October 2015), Affymax, Inc. (June 2009 to November 2014) and Rigel Pharmaceuticals, Inc. (January 2004 to March 2014). Mr. Renton also previously served on the board of Cepheid Inc., a molecular diagnostics company, from March 2000 to November 2016. Mr. Renton received his M.B.A., from the University of Michigan and his B.S. in Mathematics from Colorado State University.

Shermaine Tilley

Dr. Tilley has served as a member of our board of directors since June 2009. Dr. Tilley is a Managing Partner at CTI Life Sciences Fund, or CTI LSF, a Montreal-based venture capital fund investing across Canada and the United States. Since joining CTI LSF at its inception in 2006, Dr. Tilley has played a critical role in each of the fund's investments, including Medicago Inc. (a biotechnology company acquired by Mitsubishi Tanabe in 2013) as well as Enobia Pharma Corp. and Zymeworks Inc. Prior to joining CTI LSF, from 2000 to 2005, Dr. Tilley held various positions at Drug Royalty Corporation (now DRI), the world's first private equity firm exclusively focused on royalty transactions in the biotech/pharma space, including, most recently, the position of Senior Vice President in 2005. Before DRC, Dr. Tilley ran and managed a research laboratory, holding faculty positions at the NYU School of Medicine and Public Health Research Institute, New York, from 1985 to 2000 and on the Public Health Research Institute, or PHRI, Board of Directors from 1993 to 1995. Concomitantly with her tenure at NYU School of Medicine and PHRI, she consulted for the NIH Small Business Innovation Research, or SBIR, program in immunology and infectious diseases for 10 years from 1989 to 1998. Dr. Tilley holds a Ph.D. in biochemistry from the Johns Hopkins University School of Medicine, an MBA from the University of Toronto, and is a member of the Chartered Financial Analyst, or CFA, Society of Toronto. She currently sits on the boards of CellAegis Devices, Immunovaccine Inc., PHEMI, Xagenic Inc., Zymeworks Inc. and BIOTECanada, a national biotechnology industry association. Dr. Tilley served as a board observer on Enobia Pharma Corp. prior to its acquisition by Alexion Pharmaceuticals, Inc. in 2012.

Lota Zoth

Ms. Zoth has served as a member of our board of directors since November 2016. Ms. Zoth is a Certified Public Accountant and has served as Chief Financial Officer, Controller and Chief Accountant for various publicly-traded companies. Previously, Ms. Zoth acted as Vice President, Controller & Chief Accounting Officer (from August 2002 to April 2004) and Senior Vice President & Chief Financial Officer (from April 2004 to July

2007) for MedImmune, Inc., a publicly traded biotechnology company, which was acquired by AstraZeneca plc in June 2007. From August 2000 to June 2002, Ms. Zoth acted as Senior Vice President, Controller and Chief Accounting Officer of PSINet, Inc, and led the company through its 2002 restructuring in collaboration with PricewaterhouseCoopers. Ms. Zoth currently serves on the boards of numerous biopharmaceutical companies including Aeras, Orexigen Therapeutics, Inc., NewLink Genetics Corporation, Circassia Pharmaceuticals, plc and Spark Therapeutics, Inc. Previously, Ms. Zoth served on the boards of two biopharmaceutical companies, Hyperion Therapeutics, Inc. (February 2008 to May 2015) and Ikaria, Inc (January 2008 to February 2014). Ms. Zoth is, or has served as, the Audit Committee Chair at each of these companies.

Corporate Governance

Section 310.00 of the NYSE Listed Company Manual generally requires that a listed company's articles provide for a quorum for any meeting of the holders of the company's common shares that is sufficiently high to insure a representative vote. Pursuant to the NYSE corporate governance rules we, as a foreign private issuer, have elected to comply with practices that are permitted under Canadian law in lieu of the provisions of Section 310.00. Our articles that will be in force immediately prior to the closing of this offering will provide that a quorum of shareholders is the holders of at least 30% of the shares entitled to vote at the meeting, present in person or represented by proxy, and at least two persons entitled to vote at the meeting, present in person or represented by proxy.

Except as stated above, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the NYSE. We may in the future decide to use other foreign private issuer exemptions with respect to some of the other listing requirements. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on the NYSE, may provide less protection than is accorded to investors under listing requirements applicable to U.S. domestic issuers.

The Canadian Securities Administrators has issued corporate governance guidelines pursuant to National Policy 58-201–Corporate Governance Guidelines, or the Corporate Governance Guidelines, together with certain related disclosure requirements pursuant to National Instrument 58-101—Disclosure of Corporate Governance Practices, or NI 58-101. The Corporate Governance Guidelines are recommended as "best practices" for issuers to follow. We recognize that good corporate governance plays an important role in our overall success and in enhancing shareholder value and, accordingly, we have adopted, or will be adopting in connection with the closing of this offering, certain corporate governance policies and practices which reflect our consideration of the recommended Corporate Governance Guidelines.

The disclosure set out below includes disclosure required by NI 58-101 describing our approach to corporate governance in relation to the Corporate Governance Guidelines.

Board Composition and Election of Directors

Board Composition

Our board of directors currently consists of nine members. Immediately prior to the consummation of this offering, we anticipate that our board of directors will consist of six individuals, due to the resignations of Dr. Blanchard, Mr. Madsen and Dr. Tilley. Under the BCBCA, a director may be removed with or without cause by a resolution passed by a special majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. Following the continuance of our company under the BCBCA, the director residency requirements in the CBCA will cease to apply.

Staggered Board Provisions

Under the new articles, for the purposes of facilitating staggered terms of the directors on the board, the following provisions, or the staggered board provisions, shall apply:

(i) three directors shall initially hold office for a one-year term expiring on our first annual general meeting following the date we continue as a British Columbia company;

(ii) three directors shall initially hold office for a two-year term expiring on our second annual general meeting following the date we continue as a British Columbia company; and

(iii) the remaining number of directors shall initially hold office for a three-year term expiring on our third annual general meeting following the date we continue as a British Columbia company.

For as long as we are listed on the TSX, the staggered board provisions will apply until the later of:

(i) the third annual general meeting following the date we continue as a British Columbia company; and

(ii) the date on which the TSX ceases to permit our board of directors to be elected in this manner.

While the staggered board provisions apply, at every annual general meeting and in every unanimous shareholder resolution in lieu thereof, all of the directors whose terms expire shall cease to hold office immediately before the election or appointment of directors, but are eligible for re-election or re-appointment. The shareholders entitled to vote at the annual general meeting for the election of directors may elect, or in a unanimous resolution appoint, the number of directors required to fill any vacancies created. The directors will hold office for the applicable terms contemplated in the staggered board provisions. Upon resignations of a director, the remaining directors may fill the casual vacancy resulting from such resignation for the remainder of the unexpired term.

Following the expiry of the staggered board provisions, the term of every director will be deemed to expire on our first annual general meeting following such expiry. If we cease to be listed on the TSX prior to the expiry of the staggered board provisions then the staggered board provisions will continue to apply.

When we continue as a British Columbia company, we anticipate that the initial terms of office for each of the directors will be as follows:

(i) Nick Bedford, Noel Hall and Ali Tehrani will have one year terms expiring on the first annual general meeting following the date we continue as a British Columbia company;

(ii) Kerry Blanchard, Kenneth Hillan and Shermaine Tilley will have two year terms expiring on the second annual general meeting following the date we continue as a British Columbia company; and

(iii) Hollings Renton, Lota Zoth and Dion Madsen will have three year terms expiring on the third annual general meeting following the date we continue as a British Columbia company.

Immediately prior to the consummation of this offering we anticipate that Dr. Blanchard, Mr. Madsen and Dr. Tilley will resign. The remaining directors are permitted, under the BCBCA and the articles that will be in effect immediately prior to the closing, to fill the causal vacancies resulting from these resignations for the remaining portion of the unexpired terms.

Replacement or Removal of Directors

To the extent directors are elected or appointed to fill casual vacancies or vacancies arising from the removal of directors, in both instances whether by shareholders or directors, the directors shall hold office until the remainder of the unexpired portion of the term of the departed director that was replaced.

Under the articles, the number of directors of Zymeworks will be set at a minimum of three and the directors are authorized to determine the actual number of directors to be elected from time to time.

Pursuant to the amended and restated voting agreement dated January 7, 2016, or the Voting Agreement, among Zymeworks, the holders of the Class A preferred shares, certain holders of common shares and those shareholders of Zymeworks who agree to become party to the Voting Agreement, or the Voting Agreement Shareholders, each Voting Agreement Shareholder agrees to vote, or cause to be voted, all shares owned,

controlled or directed to ensure that the following persons shall be elected to the board of directors of Zymeworks:

(a) one individual designated by CTI Life Sciences Fund, L.P., currently Dr. Tilley;

(b) one individual designated by Eli Lilly and Company, Inc. and its Affiliates, currently Dr. Blanchard; and

(c) one individual designated by BDC Capital Inc., currently Mr. Madsen.

Pursuant to the Voting Agreement, Zymeworks agrees to ensure that the Voting Agreement Shareholders hold, collectively, not less than 66 2/3% of the voting power held by all holders of Zymeworks' capital stock then outstanding. The Voting Agreement, including the board composition and voting rights described therein and noted above, will terminate immediately prior to the consummation of this offering. See "Certain Relationships and Related Party Transactions."

We have no formal policy regarding board diversity. Our priority in the selection of our board members is identifying members who will further the interests of our shareholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business and understanding of the competitive landscape.

Majority Voting Policy

In accordance with the requirements of the TSX, we will adopt a "Majority Voting Policy" to the effect that a nominee for election as a director of Zymeworks who does not receive a greater number of votes "for" than votes "withheld" with respect to the election of directors by shareholders shall offer to tender his or her resignation to the Chairman of our board of directors promptly following the meeting of shareholders at which the director was elected. The nominating and corporate governance committee will consider such offer and make a recommendation to our board of directors whether to accept it or not. Our board of directors will promptly accept the resignation unless it determines, in consultation with the nominating and corporate governance committee, that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. Our board of directors will make its decision and announce it in a press release within 90 days following the meeting of shareholders. A director who tenders a resignation pursuant to our Majority Voting Policy will not participate in any meeting of our board of directors or the nominating and corporate governance committee at which the resignation is considered. Our majority voting policy will not apply for contested meetings at which the number of directors nominated for election is greater than the number of seats available on the board.

Director Term Limits and Other Mechanisms of Board Renewal

Our board of directors has not adopted director term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the nominating and corporate governance committee of our board of directors will develop a skills and competencies matrix for our board as a whole and for individual directors. The nominating and corporate governance committee will also conduct a process for the assessment of our board of directors, each committee and each director regarding his, her or its effectiveness and contribution, and will report evaluation results to our board of directors on a regular basis.

Independence of the Members of the Board of Directors

Director Independence

Applicable NYSE rules require a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. Under the policies of the TSX, the board of directors must have at least two independent directors. Under applicable NYSE rules, a director will only qualify as an "independent director" if, in the opinion of the listed company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of

National Instrument 52-110-Audit Committees, or NI 52-110. Pursuant to NI 52-110, an independent director is a director who is free from any direct or indirect relationship which could, in the view of our board of directors, be reasonably expected to interfere with a director's independent judgment.

Consistent with these considerations, and based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has affirmatively determined that Nick Bedford, Noel Hall, Dion Madsen, Lota Zoth, Kenneth Hillan and Hollings Renton representing 6 of 9 members of our board of directors, are "independent" as that term is defined under the listing standards of the NYSE and NI 58-101. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director. Dr. Tehrani is not independent by reason of the fact that he is our Chief Executive Officer. Dr. Blanchard and Dr. Tilley are not independent by reason of the fact that they are designated board representatives of our affiliates Eli Lilly & Company and CTI Life Science Fund, L.P., respectively. Immediately prior to the consummation of this offering, we anticipate that Dr. Blanchard, Dr. Tilley and Mr. Madsen will resign from our board of directors.

Mandate of the Board of Directors

Our board of directors will hold regularly-scheduled quarterly meetings as well as *ad hoc* meetings from time to time. The independent members of our board of directors will also meet, as required, without the non-independent directors and members of management before or after each regularly scheduled board meeting.

A director who has a material interest in a matter before our board of directors or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by our board of directors or any committee on which he or she serves, such director may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of the BCBCA regarding conflicts of interest.

Meetings of Directors

Our board of directors is responsible for the stewardship of the Company and providing oversight as to the management of our business and affairs, including providing guidance and strategic oversight to management. Our board has adopted a formal mandate that will be effective immediately prior to the consummation of this offering and include the following:

- appointing our Chief Executive Officer;
- developing the corporate goals and objectives that our Chief Executive Officer is responsible for meeting and reviewing the performance of our Chief Executive Officer against such corporate goals and objectives;
- taking steps to satisfy itself as to the integrity of our Chief Executive Officer and other executive officers and that our Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;
- reviewing and approving our Code of Conduct and reviewing and monitoring compliance with the Code of Conduct and our enterprise risk management processes;
- adopting a strategic planning process to establish objectives and goals for our business and reviewing, approving, and modifying, as appropriate, the strategies proposed by management to achieve such objectives and goals; and
- reviewing and approving material transactions not in the ordinary course of business.

Board Committees

Our board of directors has an audit committee, a compensation committee and a corporate governance committee.

Compensation Committee

Our compensation committee currently consists of Ms. Zoth, Mr. Renton and Dr. Hillan, and will be chaired by Mr. Renton. Under SEC and the NYSE rules, there are heightened independence standards for members of the compensation committee. All of our compensation committee members meet this heightened standard and are also independent for purposes of NI 58-101. For a description of the background and experience of each member of our compensation committee, see "Management—Executive Officers and Directors." The functions of this committee include:

- reviewing and making recommendation with respect to compensation policy and programs and determining and recommending option grants under our incentive stock plan;
- reviewing and recommending to our board of directors the manner in which executive compensation should be tied to corporate goals and objectives;
- reviewing and approving annually the corporate goals and objectives applicable to the compensation of the Chief Executive Officer, evaluate at least annually the Chief Executive Officer's performance in light of those goals and objectives and determine and approve the Chief Executive Officer's compensation level based on this evaluation;
- making recommendations to our board of directors regarding the compensation of all other executive officers;
- reviewing and making recommendations to our board of directors regarding incentive compensation plans and equity-based plans;
- authority to oversee Zymeworks' non-executive incentive compensation plans and equity-based plans, including the discharge of any duties imposed on the compensation committee by any of those plans; and
- reviewing director compensation for service on our board of directors and board committees at least once a year and to recommend any changes to our board of directors.

Our board of directors has established a written charter that will be effective immediately prior to the consummation of the offering setting forth the purpose, composition, authority and responsibility of our compensation committee consistent with the rules of the NYSE, the SEC and the guidance of the Canadian Securities Administrators.

Audit Committee

Our audit committee consists of Ms. Zoth, Mr. Hall and Mr. Bedford. Ms. Zoth serves as the chair of our audit committee and has been identified as an "audit committee financial expert" as that term is defined in the rules and regulations established by the SEC. The members of our audit committee are "financially literate" and "independent" within the meaning of the NYSE and NI 52-110. Ms. Zoth currently serves on the audit committees of four public companies: Circassia Pharmaceuticals PLC (London Stock Exchange), NewLink Genetics Corporation (NASDAQ), Orexigen Therapeutics, Inc. (NASDAQ) and Spark Therapeutics, Inc. (NASDAQ). Our board of directors has determined that Ms. Zoth's simultaneous service on those audit committees does not impair her ability to effectively serve on our audit committee. For additional details regarding the relevant education and experience of each member of our audit committee see "Management—Executive Officers and Directors." The principal purpose of our audit committee is to assist our board of directors in its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications, appointment and performance of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management's responsibility for assessing and reporting on the effectiveness of such controls;

- our compliance with applicable legal and regulatory requirements; and
- our enterprise risk management processes.

Our board of directors has established a written charter that will be effective immediately prior to the consummation of the offering setting forth the purpose, composition, authority and responsibility of our audit committee, consistent with the rules of the NYSE, the SEC and NI 52-110.

Our audit committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities.

Both our independent auditors and internal financial personnel regularly meet privately with the audit committee and have unrestricted access to this committee. KPMG LLP was appointed as our independent registered public accountant by resolution of our board of directors on June 24, 2015. See "Changes in Registrant's Certifying Accountant." Aggregate fees billed by our independent auditors, KPMG LLP for the year ended December 31, 2016 were approximately C$323,944.

	Fiscal 2016 (C$)	Fiscal 2016 ($)(5)	Fiscal 2015 (C$)	Fiscal 2015 ($)(5)
Audit Fees(1)	$297,383	$224,474	$114,010	$ 86,058
Audit-Related Fees(2)	26,561	20,049	—	—
Tax Fees(3)	—	—	—	—
All Other Fees(4)	—	—	—	—
Total Fees Paid	$323,944	$244,523	$114,010	$ 86,058

(1) Fees for audit service on an accrued basis.
(2) Fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit of the financial statements.
(3) Fees for professional services rendered for tax compliance, tax advice and tax planning.
(4) All other fees billed by the auditor for products and services not included in the foregoing categories.
(5) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see "Exchange Rate Data."

Before being dismissed as our independent registered accountant on June 24, 2015, aggregate fees billed by PricewaterhouseCoopers LLP through the interim period ended March 31, 2015 were approximately C$124,897 or $94,276 as converted, as detailed below.

	Fiscal 2016 (C$)	Fiscal 2016 ($)(5)	Fiscal 2015 (C$)	Fiscal 2015 ($)(5)
Audit Fees(1)	$ —	$ —	$ 10,500	$ 7,926
Audit-Related Fees(2)	—	—	—	—
Tax Fees(3)	206,283	155,709	114,397	86,350
All Other Fees(4)	22,903	17,288	—	—
Total Fees Paid	$229,186	$172,997	$124,897	$ 94,276

(1) Fees for audit service on an accrued basis.
(2) Fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of our financial statements.
(3) Fees for professional services rendered for tax compliance, tax advice and tax planning.
(4) All other fees billed by the auditor for products and services not included in the foregoing categories.
(5) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see "Exchange Rate Data."

Total fees paid to date to KPMG LLP and PricewaterhouseCoopers LLP for all services relating to the fiscal 2016 and 2015 years were C$792,037 or $597,854, as converted.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will be comprised Mr. Bedford, Mr. Renton and Dr. Hillan, each of whom is independent for purposes of NI 58-101. The nominating and corporate governance committee will be chaired by Mr. Bedford.

Our board of directors has established a written charter that will be effective immediately prior to the consummation of this offering setting forth the purpose, composition, authority and responsibility of our nominating and corporate governance committee. The nominating and corporate governance committee's purpose is to assist our board of directors in:

- identifying individuals qualified to become members of our board of directors;
- selecting or recommending that our board of directors select director nominees for the next annual meeting of shareholders and determining the composition of our board of directors and its committees;
- developing and overseeing a process to assess our board of directors, the Chairman of the board, the committees of the board, the chairs of the committees, individual directors and management; and
- developing and implementing our corporate governance guidelines.

In identifying new candidates for our board of directors, the nominating and corporate governance committee will consider what competencies and skills our board of directors, as a whole, should possess and assess what competencies and skills each existing director possesses, considering our board of directors as a group, and the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.

It will be the responsibility of the nominating and corporate governance committee to regularly evaluate the overall efficiency of our board of directors and our Chairman and all board committees and their chairs. As part of its mandate, the nominating and corporate governance committee will conduct the process for the assessment of our board of directors, each committee and each director regarding his, her or its effectiveness and contribution, and report evaluation results to our board of directors on a regular basis.

Director Attendance

The following table contains information on the attendance of each director for all of our board of director meetings held since January 1, 2016:

Director	Attendance	
Nick Bedford	11 of 11	100%
Donald Drakeman, Ph.D.(1)	8 of 9	89%
Dion Madsen, B. Comm, CFA	10 of 11	91%
Noel Hall	10 of 11	91%
Ali Tehrani, Ph.D.	11 of 11	100%
Amos Michelson, MBA(2)	4 of 7	57%
Shermaine Tilley, Ph.D., MBA	9 of 11	82%
Kerry Blanchard, Ph.D., M.D.	1 of 11	9%
Lota Zoth, CPA(3)	6 of 6	100%
Hollings Renton(4)	3 of 3	100%
Kenneth Hillan(4)	3 of 3	100%

(1) Dr. Drakeman stepped down from the board of directors at the February 3, 2017 board of directors meeting. His departure was on good terms and he continues to work with Zymeworks and our board of directors as a special advisor. Dr. Drakeman's attendance as at February 3, 2017 was 89%.
(2) Mr. Michelson stepped down from the board of directors at the November 9, 2016 board of directors meeting. His departure was on good terms. Mr. Michelson's attendance as at November 9, 2016 was 57%.
(3) Ms. Zoth joined the board of directors on November 9, 2016.
(4) Mr. Renton and Dr. Hillan joined the board of directors on February 3, 2017.

Code of Business Conduct and Ethics

The Code of Conduct will be applicable to all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, controller or principal accounting officer, or other persons performing similar functions, which is a "code of ethics" as defined in Item 16B of Form 20-F promulgated by the SEC and which is a "code" under NI 58-101. The Code of Conduct will set out our fundamental values and standards of behavior that are expected from our directors, officers, employees, consultants and contractors with respect to all aspects of our business. The objective of the Code of Conduct is to provide guidelines to promote integrity and deter wrongdoing.

Upon the effectiveness of the registration statement of which this prospectus forms a part, the full text of the Code of Conduct will be posted on our website at www.zymeworks.com. The written Code of Conduct will also be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. If we make any amendment to the Code of Conduct or grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC and the Canadian Securities Administrators. Under Item 16B of the SEC's Form 20-F, if a waiver or amendment of the Code of Conduct applies to our principal executive officer, principal financial officer, principal accounting officer or controller and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment on our website in accordance with the requirements of Instruction 4 to such Item 16B.

Monitoring Compliance with the Code of Conduct

Our nominating and corporate governance committee will be responsible for reviewing and evaluating the Code of Conduct at least annually and will recommend any necessary or appropriate changes to our board of directors for consideration. The nominating and corporate governance committee will assist our board of directors with the monitoring of compliance with the Code of Business Conduct and Ethics, and will be responsible for considering any waivers of the Code of Conduct (other than waivers applicable to members of the nominating and corporate governance committee, which shall be considered by the audit committee, or waivers applicable to our directors or executive officers, which shall be subject to review by our board of directors as a whole).

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee at any time has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our board of directors or compensation committee.

Position Descriptions

Our board of directors has adopted a written position description for the Chairman of the board of directors that will be effective immediately prior to the consummation of the offering, which sets out the Chairman's key responsibilities, including, among others, duties relating to setting board of director meeting agendas, chairing board of director and shareholder meetings, director development and ensuring the board of directors is provided with timely and relevant information to effectively discharge its duties and responsibilities.

Our board of directors will adopt a written position description for each of our committee chairs which sets out each of the committee chair's key responsibilities, including, among others, duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

Our board of directors will adopt a written position description for our Chief Executive Officer which sets out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing overall leadership, working with the board of directors to develop our strategic direction and the annual corporate plan and budget, and managing the day-to-day business and affairs of the Company and carrying out such duties and responsibilities as is customary for a Chief Executive Officer of a company in a similar industry and stage of development.

Orientation and Continuing Education

Following the closing of this offering, we will implement an orientation program for new directors under which a new director will meet separately with the Chairman of our board of directors, our lead director, if applicable, members of the senior executive team and the secretary.

The chair of each committee will be responsible for providing leadership to enable each committee to effectively carry out the committee's mandate. The board of directors, in conjunction with the Nominating and Corporate Governance Committee, will provide an orientation program for new directors and continuing education opportunities for all directors. The Nominating and Corporate Governance Committee shall assist new directors in becoming acquainted with the Company and its governance processes.

EXECUTIVE COMPENSATION

Introduction

The following section describes the significant elements of our executive compensation program. Our named executive officers for the year ended December 31, 2016 include our principal executive officer and our two other most highly-compensated executive officers in accordance with SEC rules. Three additional "named executive officers" are included below in accordance with the requirements under applicable Canadian securities laws:

- Ali Tehrani, Ph.D., President and Chief Executive Officer;
- Neil Klompas, CPA, CA, Chief Financial Officer;
- Surjit Dixit, Ph.D., Vice President, Technology;
- Diana Hausman, M.D., Chief Medical Officer;
- John Babcook, Senior Vice President Discovery Research; and
- Gordon Ng, Ph.D., former Chief Scientific Officer.

Overview

Compensation Philosophy

The goal of our compensation program is to attract, retain and motivate our employees and executives. The compensation committee is responsible for setting our executive compensation and establishing corporate performance objectives. In considering executive compensation, the compensation committee strives to ensure that our total compensation is competitive within the industry in which we operate and supports our overall strategy and corporate objectives. The combination of base salary, annual incentives and long-term incentives that we provide our executive officers is designed to accomplish this. The compensation committee considers the implications of the risks associated with our compensation policies and practices. For additional details regarding the relevant education and experience of each member of our compensation committee see "Management—Executive Officers and Directors." Our named executive officers and directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the named executive officer or director.

Components of Compensation Package

There are two major components of our executive compensation program:

- Base salary; and
- Variable-performance based compensation, consisting of:
  - annual cash bonuses based on a comparison of individual and corporate performance to pre-set goals and objectives; and
  - long-term incentives, consisting of annual grants of long-term stock options.

Determining Compensation

In second half of year 2015, Radford, part of Aon Hewitt (a business unit of Aon plc), was retained by the compensation committee to conduct a competitive review and assessment of Zymeworks' executive compensation program and recommend go-forward strategies. The compensation committee was involved in and approved of the adoption of the following procedures during Radford's assessment:

- establishing the public company peer group used in the executive compensation assessment;
- reviewing the detailed assessment of Zymeworks' executive compensation program versus the market;
- reviewing and approving executive pay mix; and
- reviewing and approving equity ownership levels.

The compensation committee will utilize these strategies when contemplating future executive compensation matters.

In addition to the compensation services provided to the directors and executive officers, in 2016 Radford was retained to review the salaries, bonuses and equity plan participation of employees below the executive level.

	Executive Compensation Related Fees	Other Fees
2015	$ 7,224	—
2016	$ 110,324	$5,900

Base Salary

Annual base salary is designed to provide a competitive fixed rate of pay recognizing different levels of responsibility and performance within Zymeworks. In determining whether to increase the base salary for a particular executive, our compensation committee in discussions with our Chief Executive Officer (for executive officers other than the Chief Executive Officer) considers a variety of factors, including performance, length of service and criticality of role.

Bonus

The annual cash incentive compensation represents pay at risk — it is only paid out if and to the extent certain goals and objectives are met. The annual cash incentive that each executive is eligible to receive is based on a pre-determined target percentage of his/her base salary. Our board of directors approves performance targets that are tied to the level of achievement of corporate and individual goals. The compensation committee of our board of directors approves the weighting assigned to each goal. For 2016, the corporate and individual weighting was 50% corporate, 50% individual for all executive officers except the Chief Executive Officer (for whom the corporate goal was weighted at 100%). Corporate goals are a combination of strategic and operational goals. In 2016, we had corporate goals tied to IND filings for our product candidates, ZW25 and ZW33, as well as to other business development and corporate finance milestones. In the future, we intend to have corporate goals tied to measures such as revenue and earnings per share targets.

The compensation committee determines performance bonus payments based on the results achieved as compared to targets established for a particular fiscal year.

The compensation committee has the sole discretion to award the amount corresponding to the level of achievement.

Long-Term Incentives

Our stock option plan authorizes us to make grants to eligible recipients of stock options to attract, retain, motivate and reward qualified directors and employees and to enable and encourage such directors and employees to acquire common shares as long term investments.

We set the option exercise price and grant date fair value based on our per-share valuation on the date of grant. For most grants of stock options, 25% of the granted options will vest on the first anniversary of grant date (subject to continued service). On the last day of each month thereafter, a further 1/36 of the total number of remaining granted options will vest. Previous grants are taken into account when considering new option grants.

Please see "— Employee Benefit Plans" for information relating to additional current and future benefit plans.

Other Compensation

Amounts shown in the "All Other Compensation" column in the Summary Compensation Table relate to contributions to our registered retirement savings plan, provincial health care premium, life insurance premiums through our group extended benefit plan, extended medical benefits premiums, parking charges at our office and fitness plan reimbursement.

Summary Compensation Table

The following table presents the compensation awarded to, earned by or paid to each of our named executive officers for the years ended December 31, 2016 and December 31, 2015. We do not have compensation in the form of share-based awards (other than stock options), non-equity incentive plan compensation or non-qualified deferred compensation.

Name and Position	Year	Salary $(1)	Bonus $(1)(2)	Option Awards $(1)(3)	All Other Compensation $(1)	Total $
Ali Tehrani, Ph.D.	2016	301,747	120,699	1,212,673	14,023(4)	1,649,142
President and Chief Executive Officer	2015	223,663	55,916	125,717	12,119(5)	417,415
Neil Klompas, CPA, CA	2016	207,451	62,235	519,717	13,115(6)	802,518
Chief Financial Officer	2015	183,779	36,756	125,717	10,889(7)	357,141
Surjit Dixit, Ph.D.	2016	199,907	59,972	225,211	12,807(8)	497,897
Vice President, Technology	2015	173,612	34,722	125,717	10,502(9)	344,553
Diana Hausman, M.D.	2016	233,333	70,000	190,307	16,245(10)	509,885
Chief Medical Officer(14)	2015	—	—	—	—	—
John Babcook	2016	153,912	49,034	190,307	7,461(11)	400,714
Senior Vice President Discovery Research(14)	2015	—	—	—	—	—
Gordon Ng, Ph.D.	2016	200,450	69,025	519,717	47,303(12)	836,495
former Chief Scientific Officer	2015	191,599	38,320	125,717	12,504(13)	368,140

(1) With the exception of our Chief Medical Officer, 2016 cash compensation amounts for all named executive officers were paid in Canadian dollars and have been converted to U.S. dollars for the purposes of the table. For 2016, the U.S. dollar per Canadian dollar exchange rate used for such conversion was 0.7544, which was the average Bank of Canada exchange rate for the 2016 fiscal year. All option awards, including the option awards granted to our Chief Medical Officer, were paid in Canadian dollars and converted as indicated. Effective as of January 1, 2017, salary for all executive officers is paid in U.S. dollars.

(2) The amounts reflect the performance bonuses paid in 2017 for performance during 2016, as discussed further above under "Executive Compensation—Overview—Bonus."

(3) The amounts set forth in this column reflect the aggregate grant date fair value for option awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation—Stock Compensation*. See the "Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies—Share-based compensation."

(4) Of the total amount for 2016, (i) $9,052 represents contributions to our registered retirement savings plan, (ii) $170 represents provincial health care premium, (iii) $1,624 represents life insurance premiums through our group extended benefit plan, (iv) $1,910 represents extended medical benefits premiums, (v) $1,267 represents parking charges at our office.

(5) Of the total amount for 2015, (i) $6,710 represents contributions to our registered retirement savings plan, (ii) $324 represents provincial health care premium, (iii) $1,436 represents life insurance premiums through our group extended benefit plan, (iv) $2,335 represents extended medical benefits premiums, (v) $1,314 represents parking charges at our office.

(6) Of the total amount for 2016, (i) $7,520 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,624 represents life insurance premiums through our group extended benefit plan, (iv) $2,365 represents extended medical benefits premiums, (v) $1,267 represents parking charges at our office.

(7) Of the total amount for 2015, (i) $5,513 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,354 represents life insurance premiums through our group extended benefit plan, (iv) $2,379 represents extended medical benefits premiums, (v) $1,314 represents parking charges at our office.

(8) Of the total amount for 2016, (i) $7,247 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,588 represents life insurance premiums through our group extended benefit plan, (iv) $2,365 represents extended medical benefits premiums, (v) $1,267 represents parking charges at our office.

(9) Of the total amount for 2015, (i) $5,208 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,262 represents life insurance premiums through our group extended benefit plan, (iv) $2,379 represents extended medical benefits premiums, (v) $1,314 represents parking charges at our office.

(10) Of the total amount for 2016, (i) $10,417 represents contributions to our registered retirement savings plan, (ii) $1,194 represents life insurance premiums through our group extended benefit plan and (iii) $4,634 represents extended medical benefits premium.

(11) Of the total amount for 2016, (i) $4,617 represents contributions to our registered retirement savings plan, (ii) $283 represents provincial health care premium, (iii) $1,232 represents life insurance premiums through our group extended benefit plan, (iv) $1,329 represents extended medical benefits premium.

(12) Of the total amount for 2016, (i) $6,902 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,566 represents life insurance premiums through our group extended benefit plan, (iv) $2,365 represents extended medical benefits premiums, (v) $1,095 represents parking charges at our office, (vi) $1,937 represents other travel support payments, (vii) $182 represents fitness benefits and (viii) $32,917 represents amounts paid pursuant to an arrangement in connection with Dr. Gordon Ng’s termination as agreed to in a separation agreement and release, dated November 17, 2016. Dr. Gordon Ng and the Company mutually agreed to terminate their employment relationship on good terms.

(13) Of the total amount for 2015, (i) $5,748 represents contributions to our registered retirement savings plan, (ii) $339 represents provincial health care premium, (iii) $1,339 represents life insurance premiums through our group extended benefit plan, (iv) $2,379 represents extended medical benefits premiums, (v) $1,204 represents parking charges at our office. (vi) $1,330 represents other travel support payments and (vii) $165 represents fitness benefits.

(14) Dr. Hausman and Mr. Babcook joined the Company in 2016. Therefore, they have no compensation to report for the year ended 2015.

Outstanding Equity Awards at 2016 Fiscal Year End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2016.

Name	Grant Date(1)	Number of Securities Underlying Unexercised Options # Exercisable	Number of Securities Underlying Unexercised Options # Unexercisable	Option Exercise Price (C$)	Option Exercise Price ($)(2)	Option Expiration Date	Value of Unexercised in the Money Options (C$)(3)	Value of Unexercised in the Money Options ($)(2)(3)
Ali Tehrani, Ph.D.	1/1/2012	140,000	—	2.25	1.70	12/31/2021	315,000	237,772
	1/1/2013	50,000	—	3.04	2.29	12/31/2022	152,000	114,734
	1/1/2014	37,500	12,500	4.86	3.67	12/31/2023	182,250	137,568
	1/1/2015	28,000	28,000	6.05	4.57	12/31/2024	169,400	127,868
	1/29/2016	—	700,000	5.07	3.83	1/28/2026	—	—
Neil Klompas, CPA, CA	7/1/2007	16,000	—	1.5	0.00	6/30/2017	24,000	18,116
	1/1/2008	49,765	—	1.99	1.13	12/31/2017	99,032	74,752
	7/1/2009	20,000	—	1.99	1.50	6/30/2019	39,800	30,042
	1/1/2012	20,000	—	2.25	1.50	12/31/2021	45,000	33,967
	1/1/2013	50,000	—	3.04	1.70	12/31/2022	152,000	114,734
	1/1/2014	37,500	12,500	4.86	2.29	12/31/2023	182,250	137,568
	1/1/2015	28,000	28,000	6.05	3.67	12/31/2024	169,400	127,868
	1/29/2016	—	300,000	5.07	4.57	1/28/2026	—	—
Surjit Dixit, Ph.D.	7/1/2007	16,000	—	1.5	3.83	6/30/2017	24,000	18,116
	1/1/2008	3,957	—	1.99	0.00	12/31/2017	7,874	5,944
	7/1/2009	65,000	—	1.99	1.13	6/30/2019	129,350	97,637
	1/1/2011	10,000	—	1.99	1.50	12/31/2020	19,900	15,021
	1/1/2012	10,000	—	2.25	1.50	12/31/2021	22,500	16,984
	1/1/2013	50,000	—	3.04	1.50	12/31/2022	152,000	114,734
	1/1/2014	37,500	12,500	4.86	1.70	12/31/2023	182,250	137,568
	1/1/2015	28,000	28,000	6.05	2.29	12/31/2024	169,400	127,868
	1/29/2016	—	130,000	5.07	3.67	1/28/2026	—	—
Diana Hausman, M.D.(4)	11/9/2016	—	58,955	8.69	4.57	11/8/2026	—	—
John Babcook(4)	11/9/2016	—	63,062	8.69	3.83	11/8/2026	—	—
Gordon Ng, Ph.D.(5)	1/1/2012	39,000	—	2.25		10/31/2017	87,750	66,236
	1/1/2013	50,000	—	3.04		10/31/2017	152,000	114,734
	1/1/2014	50,000	—	4.86		10/31/2017	243,000	183,424
	1/1/2015	56,000	—	6.05		10/31/2017	338,800	255,737
	1/29/2016	75,000	—	5.07		10/31/2017	380,250	287,024

(1) Options vest and become exercisable with respect to (i) 25% of the underlying shares one year after the grant date and (ii) the remainder of the underlying shares in 36 equal monthly installments following the first anniversary of the grant date.

(2) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see “Exchange Rate Data.”

(3) These figures represent the number of vested and exercisable options multiplied by the applicable option exercise price.

(4) Dr. Hausman and Mr. Babcook joined the Company in 2016. Therefore, they have no equity awards to report prior to 2016.

(5) Dr. Gordon Ng and the Company mutually agreed to terminate their employment relationship on good terms and pursuant to a separation agreement and release, dated November 17, 2016.

Incentive Plan Awards—Value Vested or Earned During the Year

The following table indicates, for each of the named executive officers, a summary of the value of the option-based awards expected to be vested in accordance with their terms during the year ending December 31, 2016.

Name	Option-based awards—Value vested during the year ($)
Ali Tehrani, Ph.D.	75,626
Neil Klompas, CPA, CA	75,626
Surjit Dixit, Ph.D.	75,626
Diana Hausman, M.D.	—
John Babcook	—
Gordon Ng, Ph.D.	57,458

(1) Dr. Hausman joined the Company in 2016. Therefore, she has no vested awards to report for the year ended 2016.
(2) Mr. Babcook joined the Company in 2016. Therefore, he has no vested awards to report for the year ended 2016.

Executive Employment Arrangements and Termination and Change in Control Benefits

On December 13, 2007, we entered into an employment agreement with Dr. Ali Tehrani setting forth the terms and conditions of his employment as our President and Chief Executive Officer, which provided for his initial base salary and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. On January 1, 2014 and January 17, 2017, we entered into amending employment agreements with Dr. Tehrani. The revised termination and change of control provisions under Dr. Tehrani's current agreement are set out in detail below.

On January 25, 2007, we entered into an employment agreement with Mr. Neil Klompas, our current Chief Financial Officer, setting forth the terms and conditions of his employment as our Director of Finance & Operations, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. On October 23, 2007 and January 1, 2014, we entered into amending agreements which increased Mr. Klompas' vacation entitlement and on January 17, 2017, we entered into a further amending employment agreement with Mr. Klompas. The revised termination and change of control provisions under Mr. Klompas' new agreement are set out in detail below.

On July 1 2007, we entered into an employment agreement with Dr. Surjit Dixit, our current Vice President, Technology, setting forth the terms and conditions of his employment as a Molecular Simulation Scientist, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. Dr. Dixit's employment agreement also specifies, in the case of termination of employment other than for cause, Dr. Dixit will be entitled to one month notice, or the equivalent base salary, and an additional one month notice, or the equivalent base salary, for each additional completed year of service, up to a total maximum of six months. On October 23, 2007, we entered into an amending agreement, which increased Dr. Dixit's holiday entitlement and on January 17, 2017, we entered into a further amending employment agreement with Dr. Dixit. The revised termination and change of control provisions under Dr. Dixit's new agreement are set out in detail below.

On June 1, 2016, we entered into an employment agreement with Dr. Diana Hausman setting forth the terms and conditions of her employment as our Chief Medical Officer, which provided for her initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. Dr. Hausman's employment agreement also specifies, in the case of termination of employment other than for cause, Dr. Hausman will be entitled to twelve months notice, or the equivalent base salary, or a combination thereof

should termination occur within the first year of employment. Following the first year of employment, Dr. Hausman will be entitled to one month notice, or the equivalent base salary, and an additional one month notice, or the equivalent base salary, for each additional completed year of service, up to a total maximum of eighteen months. On January 18, 2017, we entered into an amending employment agreement with Dr. Hausman. The terms of the new change of control provision under this agreement are set out in detail below.

On March 18, 2016, we entered into an employment agreement with Mr. John Babcook setting forth the terms and conditions of his employment as our Senior Vice President Discovery Research, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. On January 17, 2017, we entered into an amending employment agreement with Mr. Babcook. The revised termination and change of control provisions under Mr. Babcook's new agreement are set out in detail below.

On November 9, 2016, the compensation committee of the board of directors approved amendments to the employment agreements of our named executive officers. We executed new employment agreements with our named executive officers reflecting these amendments on January 17, 2017 and, for Dr. Hausman, on January 18, 2017. The amendments modify the not-for-cause severance provisions for all named executive officers other than our Chief Medical Officer, Dr. Hausman. Under the new not-for cause-termination severance formula, during the first three years of employment, these named executive officers are entitled to 12 months of written notice or payment in lieu of notice equal to their base salary and all other benefits that would be payable during such notice period. Commencing in the fourth year of employment, these named executive officers are entitled to an additional one month notice, or the equivalent base salary, for each additional completed year of service, up to a total maximum of eighteen months.

These amendments also contain severance provisions specific to change of control events. Under these amendments, if our Chief Executive Officer is terminated without cause within twelve months following a change of control, he shall receive up to twenty four months of payment equal to his base salary, all other benefits that would be payables during that period and full vesting acceleration of all unvested stock options or other equity grants made as at that date. If any other named executive officer is terminated without cause within twelve months following a change of control, he or she shall receive up to eighteen months of payment equal to his or her base salary, all other benefits that would be payables during that period and full vesting acceleration of all unvested stock options or other equity grants made as at that date.

The table below shows the estimated amounts of the termination payments and benefits that will be made to our named executive officers upon the termination of their employment, if such termination were to occur immediately following the completion of this offering. These amounts represent the payments and benefits under the terms of the revised employment agreements.

Name and Principal Position	Event	Severance ($)(1)	Options ($)(3)	Other Payments (C$)(4)	Other Payments ($)(2)(4)	Total ($)
Dr. Ali Tehrani	Termination other than for cause	517,500		24,427	18,438	
President and Chief Executive Officer	Termination following a change of control event (double trigger)	690,000		32,596	24,604	
Neil Klompas	Termination other than for cause	371,250		24,427	18,438	
Chief Financial Officer	Termination following a change of control event (double trigger)	371,250		24,427	18,438	
Dr. Surjit Dixit	Termination other than for cause	322,050		24,427	18,438	
Vice President, Technology	Termination following a change of control event (double trigger)	322,050		24,427	18,438	
Dr. Diana Hausman	Termination other than for cause	400,000		—	nil	
Chief Medical Officer	Termination following a change of control event (double trigger)	600,000		—	45,954	
Mr. John Babcook	Termination other than for cause	204,800		16,257	12,271	
Senior Vice President, Discovery Research	Termination following a change of control event (double trigger)	307,200		24,427	18,438	

(1) Severance payments are calculated based on the executive's base salary, which, for all executive officers is paid in U.S. dollars, effective as of January 1, 2017.

(2) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see "Exchange Rate Data."

(3) The value of accelerated vesting of options above is calculated based on the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus.

(4) Amounts shown in the "Other Payments" column relate to contributions to our registered retirement savings plan, provincial health care premium, life insurance premiums through our group extended benefit plan and extended medical benefits premiums. For all executive officers, with the exception of the Chief Medical Officer, these amounts are paid in Canadian dollars.

On January 1, 2012, we entered into an employment agreement with Dr. Gordon Ng, our former Chief Scientific Officer, setting forth the terms and conditions of his employment as our Vice President, Preclinical Research & Development, which provided for his initial base salary and initial equity award, and which includes, among other things, provisions regarding confidentiality, ownership of developments, non-competition and non-solicitation, as well as eligibility for our incentive plans. Dr. Gordon Ng and the Company mutually agreed to terminate their employment relationship on good terms and pursuant to a separation agreement and release, dated November 17, 2016. He received his regular pay up to and including this day, and also received accrued and outstanding vacation pay up to this day. Per the terms of the separation agreement and release signed by Dr. Ng, he shall receive salary and benefits continuation (excluding Life, AD&D, Critical Illness, and Long Term

Disability coverage) for a period of 14 months from the date of termination until January 17, 2018. Also per the terms of the separation agreement and release, the Company has agreed to pay Dr. Ng the year-end bonus for the year ending December 31, 2016. Dr. Ng's vested options (270,000) remain exercisable up to October 31, 2017. His unvested options expired effective November 10, 2016.

Director Compensation

The written charter of our compensation committee provides that the committee will review compensation for members of our board of directors on at least an annual basis, taking into account their responsibilities and time commitment and information regarding the compensation paid at peer companies. The compensation committee will make recommendations to our board of directors with respect to changes to our approach to director compensation as it considers appropriate.

In 2016, the following members of our board of directors received cash compensation:

- Nick Bedford ($11,041);
- Donald Drakeman ($5,699);
- Noel Hall ($4,986); and
- Lota Zoth ($7,836).

This compensation was awarded pursuant to our board compensation program, which was approved on February 3, 2017, but is effective as of November 9, 2016. The amounts above represent cash compensation for services between November 9 and December 31, 2016. In 2016, none of the members of our board of directors received equity compensation.

Each member of our board of directors is entitled to reimbursement for reasonable travel and other expenses incurred in connection with attending board meetings and meetings for any committee on which he or she serves.

Employee Benefit Plans

Our executive officers receive medical, dental, life insurance and other benefits generally made available to all of its employees.

Pension Benefits

We do not have any qualified or non-qualified defined benefit pension plans.

Non-qualified Deferred Compensation

We do not have any non-qualified defined contribution plans or other deferred compensation plans.

Registered Retirement Savings Plan

Our executives resident in Canada are eligible along with all other employees resident in Canada to participate in Zymeworks registered retirement savings plan, or RRSP, matching program. Under this program, Zymeworks matches the amount contributed by the executives into a group RRSP plan up to a pre-determined percentage of annual salary. Upon the formal approval of the compensation committee of the board of directors on November 9, 2016, Zymeworks began matching executives' contributions to the group RRSP up to 5.5% of annual salary, with company matching contributions not to exceed 50% of the annual RRSP contribution limit set by the Canada Revenue Agency in any given year.

401(k) Plan

Zymeworks Biopharmaceuticals Inc. executives resident in the United States are eligible along with all other U.S.-based employees to participate in a 401(k) plan. Under this plan, Zymeworks Biopharmaceuticals Inc. matches the amount contributed by the executives into a 401(k) plan up to a predetermined percentage of annual salary. Upon the formal approval of the compensation committee of the board of directors on November 9, 2016, Zymeworks began matching executives' contributions to 401(k) plan up to 5.5% of annual salary, with company matching contributions not to exceed the annual personal and Age 50 Catch Up contribution limit (if applicable) set by the Internal Revenue Service in any given year.

Stock Option Plan

Our stock option plan is administered by our compensation committee and provides for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, non-statutory stock options, restricted stock and other stock-based awards. Our employees, officers, directors and consultants are eligible to receive awards under our stock option plan. Upon an acquisition of us, the exercisability of options or the vesting of restricted stock awards issued under the stock option plan will be accelerated. In addition, our board of directors will make appropriate provisions for the continuation of awards by us or substitution of awards by the surviving or acquiring entity.

As of February 28, 2017, under our stock option plan, there were options to purchase an aggregate of 5,475,330 common shares outstanding at a weighted-average exercise price of C$5.88 per share, (or $4.44 per share, as converted).

Immediately prior to completion of this offering we intend to approve a new employee stock option plan, or the New Plan. Upon completion of this offering, no further awards will be issued under the existing stock option plan. However, any outstanding options granted under our stock option plan will remain outstanding, subject to the terms of the plan and the applicable grant documents, until such outstanding options are exercised or they terminate or expire by their terms. Any common shares subject to awards under our existing stock option plan that expire, terminate, or are otherwise surrendered, canceled, forfeited or repurchased without having been fully exercised, or resulting in any common shares being issued, will become available for issuance under the New Plan, up to a specified number of shares.

New Stock Option Plan

A new stock option plan, or the New Plan, was approved by our shareholders on , 2017 and will become effective immediately prior to the consummation of the offering. The New Plan will allow for the grant of options to our (or our direct or indirect subsidiaries') directors, officers, employees and consultants. We may grant incentive stock options, or ISOs, within the meaning of Section 422 of the Code, to our employees (and employees of eligible affiliates) under the New Plan. The board of directors will be responsible for administering the New Plan, and the compensation committee will make recommendations to the board of directors in respect of matters relating to the New Plan. The New Plan is filed as an exhibit to the registration statement of which this prospectus forms a part.

The board of directors, in its sole discretion, shall from time to time designate the directors, executive officers, employees or consultants to whom options shall be granted, the number of common shares to be covered by each option granted and the terms and conditions of such option.

The maximum number of common shares reserved for issuance, in the aggregate, under our New Plan will not exceed a rolling number equal to 17% of our issued and outstanding common shares (on a non-diluted basis) at the time of grant of options under the New Plan (and shall include the number of common shares that are reserved for issuance upon the exercise of stock options outstanding as of the effective time of the New Plan that were previously granted under the existing stock option plan). Following the expiry, cancellation or other termination of any options under the New Plan or the existing stock option plan, a number of common shares equal to the number of options or rights so expired, cancelled or terminated shall immediately and automatically become available for issuance in respect of options that may be subsequently granted under the New Plan. ISOs may be granted with respect to a maximum fixed amount equal to 20% of the common shares reserved for issuance under the New Plan at the effective time of the New Plan. All of the common shares covered by expired, cancelled or forfeited options granted under the New Plan and the existing stock option plan will be available for grants under the New Plan, subject to any required approval by the TSX, and if our common shares are listed or posted for trading on another stock exchange, the stock exchange(s) where the common shares are listed or posted for trading. No options have been granted or awarded as of the date of this prospectus.

The number of common shares issuable to Insiders (as defined pursuant to the TSX Company Manual), at any time, under the New Plan, together with the aggregate number of common shares issuable to Insiders under any other share compensation arrangement, shall not exceed 10% of our total issued and outstanding share capital and the number of common shares issued to Insiders under the New Plan, together with the aggregate number of common shares issued to Insiders under any share compensation arrangement, within a one year period shall not exceed 10% of our total issued and outstanding share capital.

The board of directors has authority to determine the terms, including the limitations, restrictions, vesting period and conditions, if any, of option grants.

All options granted under the New Plan will have an exercise price determined and approved by the board of directors at the time of grant, which shall not be less than the market price of the common shares at such time. For purposes of the New Plan, the market price of the common shares shall be the volume weighted average trading price of the common shares on the TSX (or the stock exchange where the majority of trading volume and value of the common shares has occurred for the five trading days prior to the relevant date) for the five trading days ending on the last trading day before the day on which the option is granted. The Company may convert a market price denominated in Canadian currency into United States currency and vice versa and such converted amount shall be the market price.

An option shall be exercisable during a period established by the board of directors which shall commence on the date of the grant and shall terminate not later than ten years after the date of the granting of the option. The New Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate on the tenth business day after the last day of the black-out period.

The New Plan also provides that appropriate adjustments, if any, will be made by the board of directors in connection with a reclassification, reorganization or other change of shares, consolidation, distribution, merger or amalgamation or similar corporate transaction, in order to adjust the class(es) and maximum number of securities subject to the New Plan, the class(es) and maximum number of securities that may be issued pursuant to the exercise of ISO, maintain the optionees' economic rights in respect of their options in connection with such change in capitalization, including adjustments to the exercise price or the number of common shares to which an optionee is entitled upon exercise of options, or permitting the immediate exercise of any outstanding options that are not otherwise exercisable.

The following table describes the impact of certain events upon the rights of holders under the New Plan, including termination for cause (as determined by the board of directors, in its discretion), resignation, termination other than for cause, retirement, death or disability:

Event	Provisions
Termination for cause	Forfeiture of all vested and unvested options as of date of termination
Resignation	Forfeiture of all unvested options Earlier of the expiry date and 90 days after resignation to exercise vested options
Termination other than for cause	Forfeiture of all unvested options Earlier of the expiry date and 90 days after termination to exercise vested options
Retirement	Forfeiture of all unvested options Earlier of the expiry date and 90 days after retirement to exercise vested options
Death or disability	Forfeiture of all unvested options Earlier of the expiry date and one year after event to exercise vested options

If any of our non-executive directors cease to be a director for a reason other than the death or incapacity, all vested options as of the date of such event may be exercised until the earlier of the date that is one year from such event and the expiry date.

All options shall vest in accordance with the terms of their grant agreement. A participant's grant agreement or any other written agreement between a participant and us may provide that unvested options be subject to acceleration of vesting and exercisability in certain circumstances. The board of directors may at its discretion accelerate the vesting of any outstanding options notwithstanding the previously established vesting schedule, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration or, subject to applicable regulatory provisions and shareholder approval, extend the expiration date of any option, provided that the period during which an option is exercisable does not exceed ten years from the date such option is granted. If the New Plan is terminated, the provisions of the plan with respect to outstanding options will continue in effect as long as any such option remains outstanding.

In the event of certain change of control transactions, the board of directors has the right to provide for the conversion or exchange of any outstanding options into or for options, rights or other securities in any entity participating in or resulting from a change of control, cash or other property. The board of directors may accelerate the vesting and/or the expiry date of any or all outstanding options to provide that such options are fully vested and conditionally exercisable upon (or prior to) the completion of the change of control, provided the period during which an option is exercisable does not exceed ten years from the date such option is granted.

The board of directors may, in its sole discretion, suspend or terminate the New Plan at any time, or from time to time, and may amend the New Plan or any option at any time without the consent of the optionees provided that such amendment shall (i) not adversely alter or impair any option previously granted except as permitted by the terms of the New Plan, (ii) be subject to applicable law and any regulatory approvals including, where required, the approval of the TSX, and if our common shares are listed or posted for trading on another stock exchange, the stock exchange(s) where the common shares are listed or posted for trading, and (iii) be subject to shareholder approval, where required by law, the requirements of the TSX, and if our common shares are listed or posted for trading on another stock exchange, the stock exchange(s) where the common shares are listed or posted for trading or the New Plan, provided however that shareholder approval shall not be required for the following amendments and our board of directors may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the New Plan;
- a change to the provisions of any option governing vesting, assignability and effect of termination of a participant's employment contract or office;
- the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;
- a change to advance the date on which any option may be exercised under the New Plan; and
- an amendment necessary to comply with applicable law or the requirements of the TSX or other regulatory body having authority over the Company, the New Plan, the participants or the shareholders.

For greater certainty, the board of directors shall be required to obtain shareholder approval to make the following amendments:

- any amendment which reduces the exercise price of any option after the options have been granted or any cancellation of an option and the substitution of that option by a new option with a reduced price, except in the case of an adjustment pursuant to a change in capitalization;
- any amendment which extends the expiry date of any option beyond the original expiry date, except in case of an extension due to a black-out period;
- any increase to the maximum number of common shares issuable from treasury under the New Plan and any other treasury-based share compensation plans, other than an adjustment pursuant to a change in capitalization;

- a change to the eligible participants of the New Plan;
- any amendment to the restrictions on common shares issuable to Insiders;
- any amendment to the restriction providing that no option shall be granted, and no common shares shall be issued or sold hereunder, where such grant, issue or sale would require registration of the New Plan or of common shares under the securities laws of any foreign jurisdiction (other than the United States), and any purported grant of any option or purported issue or sale of common shares under the New Plan in violation of such restriction shall be void; and
- any amendment to the amendment provisions of the New Plan.

Except as specifically provided in an option agreement approved by the board of directors, options granted under the New Plan are generally not transferable; however, an optionee may, with the prior approval of the board of directors, transfer options to (i) such optionee's family or retirement savings trust, or (ii) registered retirement savings plans or registered retirement income funds of which the optionee is and remains the annuitant.

We currently do not provide any financial assistance to participants under the New Plan.

Employee Stock Purchase Plan

The employee stock purchase plan, or ESPP, was approved by our shareholders on , 2017 and will be effective immediately prior to the consummation of this offering. Under the ESPP, eligible employees will be able to acquire our common shares at a discount from the average market price of our common shares on the purchase date. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code for employees who are United States taxpayers. The following discussion is qualified in its entirety by the full text of the ESPP.

Unless otherwise determined by our board of directors, participation in the ESPP will be open to our employees in Canada and the United States who are customarily employed for at least 20 hours per week. Participation in the ESPP will be voluntary. Eligible employees will be able to contribute up to 15% of their gross base earnings for purchases under the ESPP through regular payroll deductions. The maximum number of common shares issued to insiders within any six month period, or issuable to insiders at any time, under the ESPP and all private placements must not exceed 10% of the number of common shares issued and outstanding at that time. No employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding common shares measured by vote or value under Section 424(d) of the Code. In addition, no employee may purchase shares under the ESPP at a rate in excess of US$25,000 worth of our common shares (determined on the grant date of the purchase right) for each year such purchase right is outstanding.

The ESPP is implemented through a series of offerings under which eligible employees are granted rights to purchase our common shares at the end of specified purchase periods. We currently expect to hold offerings consisting of a single six-month purchase period commencing on January 1 and July 1 of each calendar year, with a single purchase date at the end of the purchase period on June 30 and December 31 of each calendar year. However, our compensation committee may establish different offerings and purchase periods from time to time, which may have a duration of between three months to twenty-four months. No offering may commence prior to July 1, 2017, unless otherwise determined by our compensation committee. Common shares purchased under the ESPP will be issued from treasury at a purchase price equal to 85% of the average market price of the common shares on such date, all in accordance with applicable laws and the terms and conditions of the ESPP. For the purposes of the ESPP, the average market price of the common shares as at a given date shall be the weighted average trading price on the trading day immediately preceding such date.

The number of common shares reserved for issuance under the ESPP will not exceed 650,000 common shares, plus the number of common shares that are automatically added on January 1st of each year, commencing on (and including) January 1, 2018 and ending on (and including) January 1, 2027, in an amount equal to the lesser of (i) 1% of the total number of common shares issued and outstanding on December 31st of the preceding calendar year, and (ii) 1,000,000 common shares. No rights to purchase common shares may be issued under the plan from and after the tenth anniversary of the date the plan becomes effective, unless otherwise approved by our shareholders.

The ESPP will be administered by the compensation committee of our board of directors. The compensation committee will have the authority, in the event the common shares are subdivided or consolidated, or in the event the common shares will be exchanged for shares of another issuer in the context of a reorganization, split-up, liquidation, recapitalization or similar transaction, to determine appropriate equitable adjustments, if any, to be made under the ESPP, including adjustments to the number of common shares which have been authorized for issuance under the ESPP.

In the event of certain significant corporate transactions such as an acquisition, merger or sale of all or substantially all of our assets, then either (i) a participant's then-outstanding purchase right shall be continued or substituted for by the surviving or acquiring entity, or (ii) such purchase right shall be terminated in exchange for a cash payment equal to the fair market value of a number of our common shares on the date of such transaction that the participant's accumulated payroll deductions as of the date of the transaction could purchase, determined with reference only to the first business day of the applicable purchase period, less the result of multiplying such number of shares by such purchase price.

Our board of directors will have the right to amend or terminate the ESPP, in whole or in part, at any time, subject to applicable laws and requirements of any stock exchange or governmental or regulatory body (including any requirement for shareholder approval). Subject to certain exceptions, our board of directors will be entitled to make amendments to the ESPP without shareholder approval.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements discussed under "Management," the following is a description of the material terms of those transactions with related parties to which we are party and which we are required to disclose pursuant to the disclosure rules of the SEC and the Canadian Securities Administrators.

Investor Rights Agreement

We entered into an investor rights agreement with certain holders of our common and preferred shares, including shares held by Lilly, Celgene and CTI, on January 7, 2016 that provides for registration rights, customary rights provided to major investors including rights to certain future equity issuances, notification rights, information rights and other similar rights and ongoing covenants. All of these rights and covenants, other than the registration rights and certain notification rights, will terminate immediately prior to the completion of this offering. The registration rights will continue following this offering and will terminate for any particular holder with registration rights on the earlier of the fifth anniversary of the completion of this offering or at such time following this offering when (i) all securities held by that holder may be sold pursuant to Rule 144 under the Securities Act or (ii) upon the occurrence of a Deemed Liquidation event, as such term is defined in the investor rights agreement. Upon the completion of this offering, the holders of an aggregate of common shares, or their permitted transferees, will be entitled to rights with respect to the registration of these shares under the Securities Act six months after the effectiveness of the registration. See "Description of Share Capital — Registration Rights" for additional information regarding registration rights.

Voting Agreement

We entered into a voting agreement with certain holders of our common and preferred shares, including Lilly, Celgene and CTI, on January 7, 2016 that provides for customary rights provided to major investors including rights regarding the election and number of directors on our board of directors, drag-along rights in the event of a sale and other similar rights. All of these rights will terminate upon the completion of this offering.

Right of First Refusal and Co-Sale Agreement

We entered into a right of first refusal and co-sale agreement, or ROFR, with certain shareholders of our common and preferred shares, including Lilly, Celgene, CTI and certain of our directors and officers, on January 7, 2016. This agreement provides us with the right, but not the obligation, to purchase the equity securities of these shareholders before such equity securities can be offered for sale to a third party on the same terms and conditions. If we do not exercise our right of first refusal, each shareholder subject to the ROFR may elect to exercise similar rights on a *pro rata* basis before such equity securities can be offered for sale to a third party on the same terms and conditions. All of these rights will terminate upon the completion of this offering.

CDRD Ventures Inc. (CVI)

A loan agreement was signed by Kairos Therapeutics on January 2, 2014 to receive up to $1,700,000 from CVI, in the form of expenses paid on their behalf. The loan was non-interest bearing with a security interest in favor of CVI in all of their present and after-acquired personal property, and was due on December 18, 2016. Prior to our acquisition of Kairos on March 18, 2016, Kairos repaid the loan on December 23, 2015 with the funds received our initial investment in Kairos on December 23, 2015. Our investment in Kairos was made using proceeds from the sale of our Class A preferred shares. Prior to our acquisition, Kairos also received certain personnel services from CVI at no charge since its inception.

Upon our acquisition of Kairos, CVI, a Kairos shareholder, received Zymeworks common shares and became a Zymeworks shareholder. For more information see our consolidated financial statements and the related notes included elsewhere in this prospectus.

Indemnification Agreements and Directors' and Officers' Liability Insurance

We carry directors' and officers' liability insurance for our directors and officers. Currently, this insurance covers the liabilities of our directors and officers up to a maximum claim of US$10 million (less a deductible of up to US$10,000 payable by the Company depending on the nature of the claim) for each loss at an annual premium of US$17,360. We believe this level of coverage is appropriate for a biopharmaceutical company at our stage of development.

Prior to closing, we will enter into indemnification agreements with each of our current directors and officers. The indemnification agreements generally require that we indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to us as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal and administrative actions or other non-civil proceedings that are enforced by monetary penalty, if the indemnitee had reasonable grounds to believe that his or her conduct was lawful. The indemnification agreements also provide for the advancing of defense expenses to the indemnitees by us.

Equity Awards

Since our inception, we have granted equity awards to our officers. We describe our equity plans under "Executive Compensation."

Indebtedness of Directors, Executive Officers and Employees

None of our directors, executive officers, employees, former directors, former executive officers or former employees, and none of their associates, is indebted to us or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us.

Participation in this Offering

At our request, the underwriters have reserved up to 2.5% of the common shares being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other common shares. See "Underwriting—Directed Share Program."

Employment Agreements

We have entered into employment agreements with certain of our executive officers and key employees. For more information regarding these agreements and arrangements, see "Management."

Policy on Future Related Party Transactions

All future transactions between us and our officers, directors, principal shareholders and their affiliates will be approved by the audit committee, or a similar committee consisting of entirely independent directors, according to the terms of our Code of Conduct.

Requirements under the Business Corporations Act (British Columbia)

Pursuant to the BCBCA, directors and officers are required to act honestly and in good faith with a view to the best interests of the company. Under the BCBCA, subject to certain limited exceptions, a director who holds

a disclosable interest in a material contract or transaction into which we have entered or propose to enter shall not vote on any directors' resolution to approve the contract or transaction. A director or officer has a disclosable interest in a material contract or transaction if the director or officer:

- is a party to the contract or transaction;
- is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- has a material interest in a party to the contract or transaction.

Generally, as a matter of practice, directors or officers who have disclosed a material interest in any contract or transaction that our board of directors is considering will not take part in any board discussion respecting that contract or transaction. If such directors were to participate in the discussions, they would abstain from voting on any matters relating to matters in which they have disclosed a disclosable interest.

Interests of Management and Others in Material Transactions

Other than as described elsewhere in this prospectus, there are no material interests, direct or indirect, of any of our directors or executive officers, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and Certain Relationships and Related Party Transactions."

PRINCIPAL SHAREHOLDERS

The following table indicates information as of February 28, 2017 regarding the beneficial ownership of our common shares, after giving effect to the sale of common shares offered in this offering, for:

- each person who is known by us to beneficially own more than 5% of our common shares;
- each named executive officer;
- each of our directors; and
- all of our directors and executive officers as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on common shares after giving effect to the automatic conversion of all outstanding Class A convertible preferred shares as of February 28, 2017, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," which will occur immediately prior to the consummation of this offering, into an aggregate of common shares. Percentage ownership of our common shares after this offering (assuming no exercise of the underwriters' over-allotment option to purchase additional shares) reflects our sale of shares in this offering. Unless otherwise indicated in the footnotes to the table, and subject to community property laws where applicable, the following persons have sole voting and investment control with respect to the shares beneficially owned by them. In accordance with SEC rules, if a person has a right to acquire beneficial ownership of any common shares on or within 60 days of February 28, 2017, upon conversion or exercise of outstanding securities or otherwise, the shares are deemed beneficially owned by that person and are deemed to be outstanding solely for the purpose of determining the percentage of our shares that person beneficially owns. These shares are not included in the computations of percentage ownership for any other person. As of February 28, 2017, we had 144 record holders of our common shares, with 116 record holders in Canada, representing 74% of our outstanding common shares, and 14 record holders in the United States, representing 18% of our outstanding common shares. Furthermore, as of February 28, 2017, we had 15 record holders of our Class A preferred shares, with eight record holders in Canada, representing 55% of our outstanding preferred shares, and six record holders in the United States, representing 37% of our outstanding preferred shares.

The table below reflects the conversion of preferred shares into beneficially owned common shares assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares." The table below does not reflect any shares that may be purchased by our directors, executive officers or significant shareholders pursuant to our directed share program. See "Underwriting — Directed Share Program."

Except as otherwise indicated, the address of each of the persons in this table is 540-1385 West 8th Avenue, Vancouver, British Columbia, Canada V6H 3V9.

Name and Address of Beneficial Owner	Shares Beneficially Owned Prior to the Offering	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% and Greater Shareholders:			
Eli Lilly and Company(1)	7,719,520	17.5%	%
CTI Life Sciences Fund, L.P.(2)	6,420,651	14.6	
Mr. Ian Ihnatowycz(3)	3,738,082	8.5	
Celgene Alpine Investment Co. LLP(4)	2,673,301	6.1	
Directors and Named Executive Officers:			
John Babcook(5)	1,555,566	3.5	
Nick Bedford(6)	439,665	1.0	
Kerry Blanchard, Ph.D., M.D.(7)	—	—	
Surjit Dixit, Ph.D.(8)	277,082	*	
Donald Drakeman, Ph.D.(9)	110,806	*	
Noel Hall(10)	310,755	*	
Diana Hausman, M.D.(11)	—	—	
Jennifer Kaufman-Shaw, Ph.D., LL.B.(12)	46,874	*	
Neil Klompas, CPA, CA(13)	331,013	*	
Dion Madsen, B.Comm, CFA(14)	—	—	
Amos Michelson, MBA(15)	2,106,647	4.8	
Gordon Ng, Ph.D.(16)	270,000	*	
Ali Tehrani, Ph.D.(17)	1,247,279	2.8	
Shermaine Tilley, Ph.D., MBA(18)	—	—	
Lota Zoth, CPA(19)	18,162	*	
Kenneth Hillan(20)	16,666	*	
Hollings Renton(21)	16,666	*	
All executive officers and directors as a group (17 persons)	6,747,181	14.7%	%

* Less than one percent

(1) Consists of 5,276,591 common shares and 2,442,929 preferred shares held by Eli Lilly and Company. The address of the entity is Lilly Corporate Center, Indianapolis, Indiana 46285, USA. The shares stated above are held directly by Eli Lilly and Company. Derica W. Rice may be deemed to have sole investment and dispositive power over the shares held by Eli Lilly and Company. Voting decisions with respect to shares are made by Bronwen Mantlo. Ms. Mantlo and Mr. Rice disclaim beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

(2) Consists of 4,359,532 common shares, 1,781,119 preferred shares and 280,000 common share warrants. The address for this entity is 1 Place Ville-Marie, Suite 1635, Montréal, Québec, Canada H3B 2B6. The shares stated above are held directly by CTI Life Sciences Fund L.P. CTI Partner L.P. is the general partner of CTI Life Sciences Fund L.P., and may be deemed to have voting, investment and dispositive power over the shares held by CTI Life Sciences Fund L.P. The managers of CTI Partner L.P. are Ken Pastor, Jean-François Leprince and Dr. Shermaine Tilley. Investment and voting decisions with respect to the shares held by CTI Life Sciences Fund L.P. are made by the managers of CTI Partner L.P. collectively. Ken Pastor, Jean-François Leprince and Dr. Shermaine Tilley disclaim beneficial ownership of these shares, except to the extent of any pecuniary interest therein.

(3) Consists of 3,120,798 common shares held by Advanced Biotechnologies Venture Fund (VCC) Inc. and 617,284 common shares held by First Generation Capital Inc., each of which are beneficially owned, controlled or directed, directly or indirectly by Mr. Ian Ihnatowycz.

(4) Consists of 1,652,893 common shares and 1,020,408 preferred shares. The address for the entity is 86 Morris Avenue, Summit, NJ 07901, USA. The shares stated above are beneficially owned Celgene Alpine Investment Company III, LLC, a wholly owned subsidiary of Celgene Corporation. Celgene Corporation may be deemed to have voting, investment and dispositive power over the shares held by

Celgene Alpine Investment Co. LLP. Celgene Corporation disclaims beneficial ownership of these shares, except to the extent of any pecuniary interest therein.

(5) Consists of 1,555,566 common shares held personally and nil common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(6) Consists of 294,628 common shares held jointly with Stania Bedford, and 145,037 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(7) Consists of nil common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017. Dr. Blanchard, a member of our board of directors, is Senior Vice-President of Medicines Development Unit and External Innovation of Eli Lilly & Co. Dr. Blanchard has no voting or investment power over and disclaims beneficial ownership of the securities held by Eli Lilly & Co. Dr. Blanchard's business address is c/o Lilly China, 21F, 1 Corporate Ave, 222 Hu Bin Road, Shanghai, China 200021.

(8) Consists of 277,082 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(9) Consists of 110,806 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017. Dr. Drakeman stepped down from the board of directors at the February 3, 2017 board of directors meeting. His departure was on good terms and he remains involved as a special advisor to the Company.

(10) Consists of 88,396 of common shares held by Noel Hall, 95,197 common shares held by Sandra MacPherson and 127,162 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(11) Consists of nil common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(12) Consists of 46,874 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(13) Consists of 331,013 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(14) Mr. Madsen, a member of our board of directors, is a Senior Managing Partner at BDC Capital Inc. Mr. Madsen has no voting or investment power over and disclaims beneficial ownership of securities held by BDC Capital Inc. Mr. Madsen's business address is c/o Suite 2100, 505 Burrard St., Vancouver, BC, V7X 1M3.

(15) Consists of 1,688,237 common shares held by Advanced Biotechnologies Venture Fund (VCC) II Inc. and 399,748 common shares held by JNKS (2006) Investments Ltd. and 18,662 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017. Mr. Michelson stepped down from the board of directors at the November 9, 2016 board of directors meeting. His departure was on good terms.

(16) Consists of 270,000 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(17) Consists of 611,000 common shares held personally and 146,029 common shares held by Charissa Tehrani, and 490,250 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(18) Dr. Tilley, a member of our board of directors, is a Partner at CTI Life Sciences Fund, L.P. CTI Partner L.P. is the general partner of CTI Life Sciences Fund L.P., and may be deemed to have voting, investment and dispositive power over the shares held by CTI Life Sciences Fund L.P. The managers of CTI Partner L.P. are Ken Pastor, Jean-François Leprince and Dr. Tilley. Investment and voting decisions with respect to the shares held by CTI Life Sciences Fund L.P. are made by the managers of CTI Partner L.P. collectively. Ken Pastor, Jean-François Leprince and Dr. Tilley disclaim beneficial ownership of these shares, except to the extent of any pecuniary interest therein. Dr. Tilley's business address is c/o CTI Life Sciences Fund, L.P., Place Ville-Marie, Suite 1635, Montréal, Québec, Canada H3B 2B6.

(19) Consists of 18,162 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(20) Consists of 16,666 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

(21) Consists of 16,666 common shares issuable upon the exercise of options exercisable within 60 days after February 28, 2017.

DESCRIPTION OF SHARE CAPITAL

General

The following is a summary of the material rights of our common shares and preferred shares, as contained in our new notice of articles and articles and any amendments thereto, that will be in effect upon completion of the offering. This summary is not a complete description of the share rights associated with our common shares and preferred shares. For more detailed information, please see the forms of our BCBCA notice of articles and articles that will be in effect immediately prior to the closing of this offering, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Immediately prior to the closing of this offering we will cause all of our outstanding Class A preferred shares to convert into an aggregate of common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares." Each Class A preferred share is convertible at any time at the option of the holder into common shares on a 1:1 basis, subject to certain adjustments. However, Class A preferred shares automatically converted in connection with this offering are subject to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares."

Immediately prior to the closing of this offering, our authorized share capital will consist of an unlimited number of common shares, each without par value, and an unlimited number of preferred shares, issuable in series, each without par value. Immediately following the closing of this offering, we expect to have issued and outstanding common shares (common shares if the underwriters' over-allotment option is exercised in full) and no preferred shares outstanding. Immediately following the closing of this offering we also expect to have outstanding vested and unvested options granted pursuant to our equity incentive plans to acquire common shares, options available for grant under our equity incentive plans to acquire common shares and outstanding warrants to acquire common shares, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," and no preferred shares.

Share Capital

Outstanding Shares

As a result, upon closing of this offering, based on the common shares and preferred shares outstanding as of February 28, 2017, our authorized share capital will consist of an unlimited number of common shares, each without par value, of which will be issued and outstanding, and an unlimited number of preferred shares, issuable in series, each without par value, none of which will be issued and outstanding.

As of February 28, 2017, we had 2,525,505 common shares issuable pursuant to exercisable outstanding stock options, 2,949,825 common shares issuable pursuant to outstanding options that are not currently exercisable, 280,000 common shares issuable upon the exercise of outstanding common share warrants, 704,081 common shares issuable upon the exercise of an outstanding Class A preferred share warrant, and we had approximately 144 holders of record of our common shares.

Voting Rights

Under our new articles that will be in effect immediately prior to the closing of this offering, the holders of our common shares will be entitled to one vote for each common share held on all matters submitted to a vote of the shareholders, including the election of directors. Our notice of articles and articles to be in effect immediately prior to the completion of this offering do not provide for cumulative voting rights. Because of this, the holders

of a plurality of the common shares entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Dividends

Subject to priority rights that may be applicable to any then outstanding preferred shares, holders of our common shares are entitled to receive dividends, as and when declared by our board of directors in their absolute discretion out of legally available funds. For more information, see the section titled "Dividend Policy."

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common shares will be entitled to share ratably in the net assets legally available for distribution to shareholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding new preferred shares.

Rights and Preferences

Our common shares contain no pre-emptive or conversion rights and have no provisions for redemption or repurchase for cancellation, surrender or sinking or purchase funds. There are no provisions in our notice of articles and articles that will be in effect prior to the closing of this offering requiring holders of common shares to contribute additional capital. The rights, preferences and privileges of the holders of our common shares are subject to and may be adversely affected by, the rights of the holders of any series of new preferred shares that our board of directors may designate and we may issue in the future.

Fully Paid and Nonassessable

All of our outstanding common shares are, and the common shares to be issued pursuant to this offering, when paid for, will be fully paid and nonassessable.

Special Conversion Adjustment for Class A Preferred Shares

As discussed in "Capitalization — Special Conversion Adjustment for Class A Preferred Shares," the number of common shares to be issued upon the conversion of all outstanding Class A preferred shares depends, in part, on the initial public offering price of our common shares. We expect the initial public offering price of our common shares to be between $ and $ per share, as set forth on the cover page of this prospectus. However, the actual initial public offering price may be lower or higher, which would increase or decrease, respectively, the number of common shares to be issued upon the conversion of our Class A preferred shares, as described in more detail below. We will not know the initial public offering price and, as a result, the total number of common shares to be issued upon the conversion of the Class A preferred shares, until the determination of the actual price per share following the effectiveness of the registration statement of which this prospectus forms a part.

The table below shows the effect of the special conversion adjustment of the Class A convertible preferred shares at various initial public offering prices. The initial public offering prices below of $, $ or $, represent the low, mid and highpoint of the estimated price range set forth on the cover page if this prospectus. The initial public offering prices shown in the table below are hypothetical and illustrative.

Initial Public Offering Price Per Share	Increase in the Number of Common Shares Issued Upon Conversion of Class A Convertible Preferred Shares	Total Number of Common Shares to be Outstanding after this Offering
$		
$		
$		

New Preferred Shares

Upon or immediately prior to the closing of this offering, our articles will be amended to delete all references to our Class A preferred shares. Under our new notice of articles and articles that will be in effect upon the closing of this offering, our board of directors will have the authority to issue, without further action by our shareholders, an unlimited number of new preferred shares, issuable in one or more series, and subject to the provisions of the BCBCA to fix such rights, preferences, privileges, restrictions and conditions thereon, including dividend and voting rights, as our board of directors may determine, and such rights, preferences and privileges, including dividend, voting rights and rights relating to the distribution of our assets in the event of liquidation, dissolution or winding up of our affairs, whether, voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, may be superior to those of our common shares. The issuance of new preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of common shares and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of new preferred shares could, among other things, have the effect of delaying, deferring or preventing a change in control of our company or other corporate action and could adversely affect the market price of our common shares and the voting and other rights of the holders of our common shares.

Upon closing of this offering, no new preferred shares will be outstanding, and we have no present plan to issue any new preferred shares.

Registration Rights

Upon the completion of this offering, the holders of an aggregate of 31,492,303 of our common shares, which includes common shares issuable upon conversion of our Class A preferred shares, or their permitted transferees, are entitled to rights with respect to the registration of these shares under the Securities Act for resale to the public. These shares are referred to as registrable securities. All of these rights are provided under the terms of our investor rights agreement between us and the holders of these shares, and include demand registration rights and "piggyback" registration rights, in each case as described below.

Form F-1 or Form S-1 Demand Registration Rights. At any time after six months from the effective date of this offering, subject to certain limitations, the holders of a majority of the registrable securities (as such term is defined in the investor rights agreement) then outstanding (the "initiating holders") have the right to demand that we file a Form F-1 or Form S-1 registration statement, as applicable, covering the registration of all or any portion of the registrable securities then outstanding and having an aggregate price to the public of not less than $10 million. We will not be required to effect a registration if our board of directors, in its good faith judgment, determines that it would be detrimental to us and our shareholders for such registration statement to be effected at such time, in which case we have the right to defer such filing for up to 120 days following receipt of the demand request from the holders.

Form F-3 or Form S-3 Demand Registration Rights. At any time after we become eligible to file a registration statement on Form S-3 or Form F-3, any holder or holders of registrable securities for which a Form S-3 or Form F-3 is available may require us to file such a registration statement having an aggregate price to the public of not less than $2 million. We are not obligated to file more than six Form S-3 or Form F-3 registration statements and no more than two Form S-3 or Form F-3 registration statements in a twelve month period.

Piggyback Registration Rights. Subject to certain limitations, if at any time we file a registration statement for a public offering of any of our securities, other than a demand registration, including this offering, the holders of registrable securities will have the right to include all or any part of their registrable securities in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement to an amount not below 25% of the total number of shares included in the registration statement.

Registration Expenses. We are generally required to bear the reasonable expenses of all registrations, including the expense of a single counsel to the holders of each registration. However, we will not be required to pay for underwriting commissions or expenses in connection with the exercise of demand and piggyback registration rights and we will not be required to bear the expenses in connection with the exercise of demand and piggyback registration rights of a registration if the request is subsequently withdrawn at the request of the selling shareholders.

Corporate Governance

Under the BCBCA, we will be required to hold a general meeting of our shareholders at least once every year at a time and place determined by our board of directors, provided that the meeting must not be held later than 15 months after the preceding annual general meeting. The BCBCA requires that meetings of shareholders shall be held at any place within British Columbia as our board of directors may from time to time determine unless the shareholders approve a different location by an ordinary resolution and this location is approved in writing by the registrar of companies. A notice to convene a meeting, specifying the date, time and location of the meeting must be sent to shareholders, to each director and the auditor not less than 21 days prior to the meeting or such other minimum period as required by the applicable securities laws. Under the BCBCA, shareholders entitled to notice of a meeting may waive or reduce the period of notice for that meeting, provided applicable securities laws requirements are met.

Pursuant to the new articles that will be in effect prior to the completion of the offering, all business transacted at a special meeting of shareholders, except business relating to the conduct of or voting at the meeting, and all business transacted at an annual meeting of shareholders, except business relating to the conduct of our voting at the meeting, consideration of the financial statements, consideration of any director or auditor's report, election of directors, setting or changing of the number of directors, and appointment of the auditor, remuneration of the auditor, business arising out of a report of the directors not requiring the passage of a special resolution, and any other business which, under the articles or BCBCA, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders, is deemed to be special business. Notice of a meeting of shareholders at which special business is to be transacted shall (a) state the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon; and (b) if the special business includes considering, ratifying, adopting or authorizing any document, or the signing of any document, have attached to it the document or state that such document is available for inspection.

Under the new articles, our board of directors has the power at any time to call a special meeting of our shareholders. In addition, the holders of not less than 5% of our shares that carry the right to vote at a meeting sought to be held can also requisition our board of directors to call a meeting of our shareholders for the purposes stated in the requisition. If our board of directors does not call the meeting within 21 days after receiving the requisition, our shareholders can call the meeting and the expenses reasonably incurred by such shareholders in requisitioning, calling and holding the meeting must be reimbursed by us.

Under the new articles, and as permitted by the BCBCA, the board of directors may effect a consolidation without shareholder approval.

Those entitled to vote at a meeting are entitled to attend meetings of our shareholders. Every shareholder entitled to vote may appoint a proxyholder to attend the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. Directors, auditors, legal counsels, secretary (if any), and any other persons invited by the chair of the meeting or with the consent of those at the meeting are entitled to attend any meeting of our shareholders but will not be counted in quorum or be entitled to vote at the meeting unless he or she or it is a shareholder or proxyholder entitled to vote at the meeting.

Certain Takeover Bid Requirements

Unless such offer constitutes an exempt transaction, an offer made by a person, an "offeror", to acquire outstanding shares of a Canadian entity that, when aggregated with the offeror's holdings (and those of persons

or companies acting jointly with the offeror), would constitute 20% or more of the outstanding shares in a class, would be subject to the take-over provisions of Canadian securities laws. The foregoing is a limited and general summary of certain aspects of applicable securities law in the provinces and territories of Canada, all in effect as of the date hereof.

In addition to those takeover bid requirements noted above, the acquisition of our shares may trigger the application of statutory regimes including among others, the Investment Canada Act (Canada) and the Competition Act (Canada).

Limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act (Canada). This legislation permits the Commissioner of Competition, or the Commissioner, to review any acquisition of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year, to challenge this type of acquisition before the Canadian Competition Tribunal on the basis that it would, or would be likely to, substantially prevent or lessen competition in any market in Canada.

This legislation also requires any person who intends to acquire our common shares to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded and if that person (and their affiliates) would hold more than 20% of our common shares. If a person already owns 20% or more of our common shares, a notification must be filed when the acquisition of additional shares would bring that person's holdings to over 50%. Where a notification is required, the legislation prohibits completion of the acquisition until the expiration of a statutory waiting period, unless the Commissioner provides written notice that he does not intend to challenge the acquisition.

There is no limitation imposed by Canadian law or our articles on the right of non-residents to hold or vote our common shares, other than those imposed by the Investment Canada Act.

The Investment Canada Act requires any person that is a "non-Canadian" (as defined in the Investment Canada Act) who acquires control of an existing Canadian business, where the acquisition of control is not a reviewable transaction, to file a notification with Industry Canada. The Investment Canada Act generally prohibits the implementation of a reviewable transaction unless, after review, the relevant minister is satisfied that the investment is likely to be of net benefit to Canada. Under the Investment Canada Act, the acquisition of control of us (either through the acquisition of our common shares or all or substantially all our assets) by a non- Canadian who is a World Trade Organization member country investor, including a U.S. investor, would be reviewable only if the enterprise value of our business was equal to or greater than a specified amount. The specified amount for 2016 was C$600 million. The threshold amount will increase to C$800 million in enterprise value on April 24, 2017 and C$1 billion in enterprise value on April 24, 2019.

The acquisition of a majority of the voting interests of an entity is deemed to be acquisition of control of that entity. The acquisition of less than a majority but one-third or more of the voting shares of a corporation or an equivalent undivided ownership interest in the voting shares of a corporation is presumed to be an acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of voting shares. The acquisition of less than one-third of the voting shares of a corporation is deemed not to be an acquisition of control of that corporation. Certain transactions in relation to our common shares would be exempt from review by the Investment Canada Act including:

- the acquisition of our common shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- the acquisition of control of us in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Canada Act; and
- the acquisition of control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which ultimate direct or indirect control in fact of us, through the ownership of our voting shares, remains unchanged.

Under the national security regime in the Investment Canada Act, review on a discretionary basis may also be undertaken by the federal government in respect of a much broader range of investments by a non-Canadian to "acquire, in whole or in part, or to establish an entity carrying on all or any part of its operations in Canada." The relevant test is whether such an investment by a non-Canadian could be "injurious to national security." The Minister of Innovation, Science and Economic Development has broad discretion to determine whether an investor is a non-Canadian and may be subject to national security review. Review on national security grounds is at the discretion of the federal government and may occur on a pre- or post-closing basis.

There is no law, governmental decree or regulation in Canada that restricts the export or import of capital or which would affect the remittance of dividends or other payments by us to non-Canadian holders of our common shares or preferred shares, other than withholding tax requirements.

Neither our notice of articles to be in effect upon the completion of this offering nor articles to be in effect upon the completion of this offering contain any change of control limitations with respect to a merger, acquisition or corporate restructuring that involves us.

This summary is not a comprehensive description of relevant or applicable considerations regarding such requirements and, accordingly, is not intended to be, and should not be interpreted as, legal advice to any prospective purchaser and no representation with respect to such requirements to any prospective purchaser is made. Prospective investors should consult their own Canadian legal advisors with respect to any questions regarding securities law in the provinces and territories of Canada.

Actions Requiring a Special Majority

Under the new articles that will be in effect prior to the completion of the offering, certain corporate actions require the approval of a special majority of shareholders, meaning holders of shares representing not less than 66 ⅔% of those votes cast in respect of a shareholder vote addressing such matter. Those items requiring the approval of a special majority generally relate to fundamental changes with respect to our business, and include among others, resolutions: (i) specifying or changing the majority of votes required to pass a special resolution; (ii) approving an amalgamation; (iii) approving a continuance; and (iv) providing for a sale, lease or exchange of all or substantially all of our property.

Advance Notice Procedures and Shareholder Proposals

Under the BCBCA, shareholders may make proposals for matters to be considered at the annual general meeting of shareholders. Such proposals must be sent to us in advance of any proposed meeting by delivering a timely written notice in proper form to our registered office in accordance with the requirements of the BCBCA. The notice must include information on the business the shareholder intends to bring before the meeting.

In addition, our articles that will be in effect upon the closing of this offering, require that shareholders provide us with advance notice of their intention to nominate any persons, other than those nominated by management, for election to our board of directors at a meeting of shareholders.

These provisions could have the effect of delaying until the next shareholder meeting the nomination of certain persons for director that are favored by the holders of a majority of our outstanding voting securities.

We anticipate that the articles that will be in effect immediately prior to the closing of this offering will include a forum selection provision that provides that, unless we consent in writing to the selection of an alternative forum, the Supreme Court of British Columbia, Canada and the appellate courts therefrom, will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising

pursuant to any provision of the BCBCA or our articles; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and their respective shareholders, directors and/or officers, but excluding claims related to our business or such affiliates. The forum selection provision also provides that our securityholders are deemed to have consented to personal jurisdiction of the provincial and federal courts located within the Province of British Columbia and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

Ownership and Exchange Controls

There is currently no law, governmental decree or regulation in Canada that restricts the export or import of capital, or which would affect the remittance of dividends, interest or other payments by us to non-resident holders of our common shares, other than withholding tax requirements, as discussed below under "United States and Canadian Income Tax Considerations — Certain Canadian Federal Income Tax Information."

There is currently no limitation imposed by Canadian law or our notice of articles or articles that will be in effect prior to closing on the right of non-residents to hold or vote our common shares, other than those imposed by the Investment Canada Act and the Competition Act (Canada). These acts will generally not apply except where a control of an existing Canadian business or company, which has Canadian assets or revenue over a certain threshold, is acquired and will not apply to trading generally of securities listed on a stock exchange.

Listing

We have applied to list our common shares on the NYSE and, we intend to apply to list our common shares on the TSX, under the symbol "ZYME."

Transfer Agent, Registrar and Auditor

Upon the closing of this offering, the transfer agent and registrar for our common shares in the United States will be Computershare Trust Company, N.A. at its principal office in Canton, Massachusetts, and in Canada will be Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

KPMG LLP, located at 777 Dunsmuir St, Vancouver, British Columbia V7Y 1K4 is our independent registered public accounting firm and has been appointed as our independent auditor.

Options to Purchase Shares

The following table sets forth the aggregate number of options to purchase our common shares upon completion of the offering:

Category	Number Of Options To Acquire Common Shares	Exercise Price(C$) (1)	Exercise Price($) (2)	Expiration Date
All Of Our Executive Officers And Past Executive Officers, And All Of Our Directors And Past Directors, As A Group (25 in total)	3,703,793	$5.49	$ 4.14	From December 31, 2017 to February 6, 2027
All Other Of Our Employees And Past Employees, As A Group (159 in total)	1,771,543	$6.72	$ 5.07	From December 31, 2017 to February 2, 2027

(1) Represents the weighted-average exercise price of all outstanding options to purchase our common shares, whether vested or unvested.
(2) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see "Exchange Rate Data."

Prior Sales

The following table summarizes issuances of our common shares and securities convertible or exchangeable into common shares during the 12-month period preceding the date of this Prospectus.

Date of Issuance	Type of Security	Number of Securities Issued	Issuance/ Exercise Price per Security(CS)	Issuance/ Exercise Price per Security($) (1)	Issuance/ Exercise Price per Security(C$)	Issuance/ Exercise Price per Security($) (1)
February 6, 2017	Stock Options	47,500	9.47	7.15	9.47	7.15
February 3, 2017	Stock Options	598,117	9.47	7.15	9.47	7.15
February 2, 2017	Stock Options	440,500	9.47	7.15	9.47	7.15
January 6, 2017	Stock Options	22,000	9.49	7.16	9.49	7.16
November 9, 2016	Stock Options	595,855	8.69	6.56	8.69	6.56
September 19, 2016	Common Shares	721,445	6.89	5.20	6.89	5.20
June 2, 2016	Warrants	704,081	—	4.90	—	4.90
April 11, 2016	Common Shares	10,000	1.99	1.50	1.99	1.50

(1) Canadian dollar amounts have been converted to U.S. dollars based on the historical Canadian to U.S. noon rate of exchange as at February 28, 2017. For further information, see “Exchange Rate Data.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was no public market for our common shares. Future sales of our common shares in the public market, or the availability for sale of substantial amounts of our common shares in the public market, could adversely affect prevailing market prices and could impair our ability to raise equity capital in the future. Upon closing of this offering, assuming an initial public offering price of $ per common share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and giving effect to the conversion price adjustment more fully described in "Capitalization – Special Conversion Adjustment for Class A Preferred Shares," we will have outstanding common shares and no preferred shares. All of the common shares issued in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial numbers of our shares in the public market could adversely affect prevailing market prices of our common shares. While we have applied to list our common shares on the NYSE and, we intend to apply to list our common shares on the TSX, we cannot assure you that a regular trading market will develop in our common shares. The common shares issuable upon the conversion of the Class A preferred shares that will be held by our existing shareholders upon closing of this offering will be available for sale in the public market after the expiration or waiver of the lock-up arrangements described below, subject to limitations imposed by U.S. and Canadian securities laws on resale by our affiliates.

Rule 144

In general, under Rule 144 of the Securities Act as currently in effect, beginning 90 days after the date of this prospectus, an "affiliate" who has beneficially owned our shares for a period of at least six months is entitled to sell within any three-month period a number of shares that does not exceed the greater of either 1% of the then outstanding shares or the average weekly trading volume of our shares on the NYSE during the four calendar weeks preceding the filing with the SEC of a notice on Form 144 with respect to such sale. Such sales under Rule 144 of the Securities Act are also subject to prescribed requirements relating to the manner of sale, notice and availability of current public information about us.

Under Rule 144, a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior holder other than an affiliate, is entitled to sell such shares without restriction, provided we have been in compliance with our reporting requirements under the Exchange Act for 90 days preceding such sale. To the extent that our affiliates sell their shares, other than pursuant to Rule 144 or a registration statement, the purchaser's holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees or directors who acquire our common shares from us in connection with a compensatory stock plan or other written agreement executed prior to the closing of this offering is eligible to resell such shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Regulation S

Regulation S provides generally that sales made in offshore transactions are not subject to the registration or prospectus-delivery requirements of the Securities Act.

Canadian Resale Restrictions

Any sale of any of our shares which constitutes a "control distribution" under Canadian securities laws (generally a sale by a person or a group of persons holding more than 20% of the voting rights attached to our outstanding voting securities) will be subject to restrictions under applicable Canadian securities laws in addition to those restrictions noted above, unless the sale is qualified under a prospectus filed with Canadian securities

regulatory authorities or if prior notice of the sale is filed with the Canadian securities regulatory authorities at least seven days before any sale and there has been compliance with certain other requirements and restrictions regarding the manner of sale, payment of commissions, reporting and availability of current public information about us and compliance with applicable Canadian securities laws.

Lock-up Agreements

For a description of the lock-up arrangements that we and our shareholders have entered into in connection with this offering, see “Underwriting.”

Form S-8 Registration Statement

Following the completion of this offering, we intend to file a registration statement on Form S-8 to register our common shares subject to stock options outstanding as reserved for issuance under our stock option plan. The registration statement with become effective automatically upon filing. Common shares issued upon exercise of a stock option and registered pursuant to the Form S-8 registration statement, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates, and the lock-up agreements described under “Underwriting”, be available for sale in the open market immediately.

TAXATION

The following is, as of the date of this prospectus, a general summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada), or the Canadian Tax Act, generally applicable to an investor who acquires common shares pursuant to this offering and who, for the purposes of the Canadian Tax Act and at all relevant times, deals at arm's length with the Company and the underwriters, is not affiliated with the Company or the underwriters and who acquires and holds the common shares as capital property, or a Holder. Generally, the common shares will be considered to be capital property to a Holder thereof provided that the Holder does not use the common shares in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Canadian Tax Act; (ii) that is a "specified financial institution" as defined in the Canadian Tax Act; (iii) an interest in which would be a "tax shelter investment" as defined in the Canadian Tax Act; (iv) that has made a functional currency reporting election under the Canadian Tax Act; or (v) that has or will enter into a "derivative forward agreement" or a "synthetic disposition arrangement", as those terms are defined in the Canadian Tax Act, with respect to the common shares. **Such Holders should consult their own tax advisors with respect to the consequences of acquiring common shares.**

Additional considerations, not discussed herein, may be applicable to a Holder that (i) is a corporation resident in Canada and (ii) is (or does not deal at arm's length for the purposes of the Canadian Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the common shares, controlled by a corporation that is not resident in Canada for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Canadian Tax Act. **Such Holders should consult their own tax advisors with respect to the consequences of acquiring common shares.**

This summary is based upon the current provisions of the Canadian Tax Act and the regulations thereunder, or the Regulations, in force as of the date hereof and the Company's understanding of the current published administrative and assessing practices of the Canada Revenue Agency, or the CRA. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, or the Tax Proposals, and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary does not address the deductibility of interest expense incurred or paid by a Holder that has borrowed money in connection with the acquisition of common shares pursuant to this offering. **Holders should consult their own tax advisors with respect to their particular circumstances.**

All amounts in a currency other than the Canadian dollar relevant in computing a Holder's liability under the Canadian Tax Act with respect to the acquisition, holding or disposition of common shares must generally be converted into Canadian dollars using the single daily exchange rate quoted by the Bank of Canada for the day on which the amount arose or such other rate of exchange that is acceptable to the CRA.

Residents of Canada

The following section of this summary applies to a Holder who, for the purposes of the Canadian Tax Act, is or is deemed to be resident in Canada at all relevant times, or a Canadian Resident Holder. Certain Canadian Resident Holders whose common shares might not constitute capital property may in certain circumstances make an irrevocable election permitted by subsection 39(4) of the Canadian Tax Act to deem the common shares, and every other "Canadian security" as defined in the Canadian Tax Act, held by such Canadian Resident Holder, in the taxation year of the election and each subsequent taxation year to be capital property. Canadian Resident Holders should consult their own tax advisors regarding this election.

Dividends

Dividends received or deemed to be received on the common shares will be included in computing a Canadian Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (each as defined in the Canadian Tax Act). An enhanced dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Company to the Canadian Resident Holder in accordance with the provisions of the Canadian Tax Act.

Dividends received or deemed to be received by a corporation that is a Canadian Resident Holder on the common shares must be included in computing its income but generally will be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Canadian Tax Act will treat a taxable dividend received by a Canadian Resident Holder that is a corporation as proceeds of disposition or a capital gain. A Canadian Resident Holder that is a corporation should consult its own tax advisors having regard to its own circumstances. A Canadian Resident Holder that is a "private corporation" as defined in the Canadian Tax Act and certain other corporations controlled, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) generally will be liable to pay a $38^{1}/_{3}\%$ refundable tax under Part IV of the Canadian Tax Act on dividends received or deemed to be received on the common shares to the extent such dividends are deductible in computing taxable income. Such refundable tax will generally be refunded to a corporate Canadian Resident Holder at the rate of 38 1/3% of taxable dividends paid while it is a private corporation.

Dispositions of Common Shares

Upon a disposition (or a deemed disposition) of a common share, a Canadian Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such common share, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such common share to the Canadian Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses."

The adjusted cost base to a Canadian Resident Holder of a common share acquired pursuant to this offering will be averaged with the adjusted cost base of any other of the Company's common shares held by such Canadian Resident Holder as capital property for the purposes of determining the Canadian Resident Holder's adjusted cost base of each common share.

Capital Gains and Capital Losses

Generally, a Canadian Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year. Subject to and in accordance with the provisions of the Canadian Tax Act, a Canadian Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized in the year by such Canadian Resident Holder. Allowable capital losses in excess of taxable capital

gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Canadian Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of common shares by a Canadian Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances specified by the Canadian Tax Act. Similar rules may apply where a Canadian Resident Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or that itself is a member of a partnership of a beneficiary of a trust that owns such shares. Canadian Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Canadian Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" as defined in the Canadian Tax Act may also be liable to pay an additional refundable tax on its "aggregate investment income" for the year which will include taxable capital gains. The rate of the refundable tax is 10 2/3% for taxation years beginning after 2015. Such refundable tax will generally be refunded to a corporate Canadian Resident Holder at the rate of 38 1/3% of taxable dividends paid while it is a private corporation.

Minimum Tax

Capital gains realized and dividends received by a Canadian Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Canadian Tax Act. Such Canadian Resident Holders should consult their own advisors with respect to the application of minimum tax.

Non-Residents of Canada

The following section of this summary is generally applicable to a Holder who, for the purposes of the Canadian Tax Act, and at all relevant times: (i) has not been and will not be deemed to be resident in Canada; and (ii) does not use or hold the common shares in, or in the course of, carrying on a business, or part of a business, in Canada, each a Non-Canadian Holder. Special rules, which are not discussed in this summary, may apply to a Non-Canadian Holder that is an insurer carrying on business in Canada and elsewhere or that is an "authorized foreign bank" as defined in the Canadian Tax Act. Such a Non-Canadian Holder should consult its own tax advisors.

Dividends

Dividends on the common shares paid or credited or deemed to be paid or credited to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980), or the Treaty, as amended, the rate of withholding tax on dividends paid or credited to a Non-Canadian Holder who is resident in the U.S. for purposes of the Treaty, is entitled to the full benefits under the Treaty and beneficially owns the dividend, or a U.S. Holder, is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a corporation beneficially owning at least 10% of the Company's voting shares). Not all persons who are residents of the U.S. for purposes of the Treaty will qualify for the benefits of the Treaty. Non-Canadian Holders that are resident in the U.S. are advised to consult their tax advisors in this regard. The rate of withholding tax on dividends is also reduced under other bilateral income tax treaties or conventions to which Canada is a signatory.

Dispositions of Common Shares

A Non-Canadian Holder generally will not be subject to tax under the Canadian Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a common share, nor will capital losses arising

therefrom be recognized under the Canadian Tax Act, unless the common share constitutes "taxable Canadian property" to the Non-Canadian Holder thereof for purposes of the Canadian Tax Act, and the gain is not exempt from Canadian federal income tax pursuant to the terms of an applicable tax treaty.

Provided the common shares are listed on a "designated stock exchange", as defined in the Canadian Tax Act (which currently includes the TSX and NYSE), at the time of disposition, the common shares generally will not constitute taxable Canadian property of a Non-Canadian Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Canadian Holder, persons with whom the Non-Canadian Holder did not deal at arm's length, partnerships in which the Non-Canadian Holder or persons with whom the Non-Canadian Holder did not deal at arm's length held a membership interest (either directly or indirectly through one or more partnerships), or the Non-Canadian Holder together with all such persons, owned 25% or more of the Company's issued shares of any class or series of the Company's shares; and (ii) more than 50% of the fair market value of such shares was derived directly or indirectly from one, or any combination of, real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Canadian Tax Act), "timber resource properties" (as defined in the Canadian Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a common share may otherwise be deemed to be taxable Canadian property to a Non-Canadian Holder for purposes of the Canadian Tax Act.

Provided that the common shares are listed at the time of their disposition or deemed disposition on a "recognized stock exchange" (which currently includes the TSX and the NYSE), as defined in the Canadian Tax Act, a Non-Canadian Holder that disposes of common shares that are taxable Canadian property will not be required to satisfy the obligations imposed under section 116 of the Canadian Tax Act and, as such, the purchaser of such shares will not be required to withhold any amount on the purchase price paid. An exemption from such requirements may also be available in respect of such disposition if the common shares are "treaty exempt property," as defined in the Canadian Tax Act.

A Non-Canadian Holder's capital gain (or capital loss) in respect of common shares that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Canadian Tax Act) will generally be computed and included in income in the manner described above under the subheadings "Residents of Canada—Dispositions of Common Shares" and "Residents of Canada—Capital Gains and Capital Losses".

Non-Canadian Holders whose common shares may be taxable Canadian property should consult their own tax advisors.

Certain United States Income Tax Considerations For United States Holders

The following discussion summarizes the anticipated material U.S. federal income tax consequences of the ownership and disposition of the common shares. It applies only to U.S. Holders (as defined below) that acquire and hold the common shares as capital assets (generally, property held for investment purposes) and is of a general nature. This summary should not be construed to constitute legal or tax advice to any particular U.S. Holder.

This section does not apply to U.S. Holders subject to special rules, including, without limitation, brokers, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, tax-exempt organizations, insurance companies, banks, thrifts and other financial institutions, persons liable for alternative minimum tax, persons that hold an interest in an entity that holds the common shares, persons that will own, or will have owned, directly, indirectly or constructively 10% or more (by vote or value) of the Company's equity, persons that hold the common shares as part of a hedging, integration, conversion or constructive sale transaction or a straddle, or persons whose functional currency is not the U.S. dollar.

This discussion does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may be relevant to U.S. Holders in light of their particular circumstances. Further, it does not address any aspect of foreign, state, local or estate or gift taxation or the 3.8% surtax imposed on certain net investment income. **Each prospective investor should consult its own tax advisor as to the U.S. federal, state, local, foreign and any other tax consequences of the purchase, ownership and disposition of the common shares.**

This discussion is based on the Code, its legislative history, U.S. Treasury Regulations, Internal Revenue Service, or the IRS, rulings, published court decisions, and the income tax treaty between the United States and Canada, or the Convention, all as in effect as of the date hereof, and any of which may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. This summary is applicable to U.S. Holders who are residents of the United States for purposes of the Convention and who qualify for the full benefits of the Convention.

A "U.S. Holder" is a beneficial owner of the common shares who, for U.S. federal income tax purposes, is a citizen or individual resident of the United States, a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States or any State thereof or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust (i) if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership or other pass-through entity holds the common shares of the Company, the U.S. federal income tax treatment of a partner, beneficiary, or other stakeholder will generally depend on the status of that person and the tax treatment of the pass-through entity. A partner, beneficiary, or other stakeholder in a pass-through entity holding the common shares should consult its own tax advisor with regard to the U.S. federal income tax treatment of its investment in the common shares.

The Common Shares

Distributions

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any distribution received by a U.S. Holder with respect to the common shares (including amounts withheld to pay Canadian withholding taxes) will be included in the gross income of the U.S. Holder as a dividend to the extent attributable to the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The Company does not intend to calculate its earnings and profits under U.S. federal income tax rules. Accordingly, U.S. Holders should expect that a distribution generally will be treated as a dividend for U.S. federal income tax purposes. Unless the Company is treated as a PFIC for the taxable year in which it pays a distribution or in the prior taxable year (see "Passive Foreign Investment Company Rules" below), the Company believes that it may qualify as a "qualified foreign corporation," in which case distributions treated as dividends and received by non-corporate U.S. Holders may be eligible for a preferential tax rate. Distributions on the common shares generally will not be eligible for the dividends received deduction available to U.S. Holders that are corporations.

The amount of any dividend paid in Canadian dollars (including amounts withheld to pay Canadian withholding taxes) will equal the U.S. dollar value of the Canadian dollars calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the Canadian dollars are converted into U.S. dollars. A U.S. Holder will have a tax basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. If the Canadian dollars received are converted into U.S. dollars on the date of receipt, the U.S. Holder should generally not be required to recognize foreign currency gain

or loss in respect of the distribution. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder may recognize foreign currency gain or loss on a subsequent conversion or other disposition of the Canadian dollars. Such gain or loss will be treated as U.S. source ordinary income or loss.

A U.S. Holder may be entitled to deduct or credit Canadian withholding tax imposed on dividends paid to a U.S. Holder, subject to applicable limitations in the Code. For purposes of calculating a U.S. Holder's foreign tax credit, dividends received by such U.S. Holder with respect to the common shares of a foreign corporation generally constitute foreign source income. However, and subject to certain exceptions, a portion of the dividends paid by a foreign corporation will be treated as U.S. source income for U.S. foreign tax credit purposes, in proportion to its U.S. source earnings and profits, if U.S. persons own, directly or indirectly, 50% or more of the voting power or value of the foreign corporation's common shares. If a portion of any dividends paid with respect to the common shares are treated as U.S. source income under these rules, it may limit the ability of a U.S. Holder to claim a foreign tax credit for any Canadian withholding taxes imposed in respect of such dividend. Dividends distributed by us will generally constitute "passive category" income for U.S. foreign tax credit purposes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances, including the impact of, and any exception available to, the special income sourcing rule described in this paragraph.

Sale, Exchange or Other Taxable Disposition

Subject to the discussion below under "Passive Foreign Investment Company Rules," a U.S. Holder will recognize a capital gain or loss on the sale, exchange or other taxable disposition of the common shares in an amount equal to the difference between the amount realized for the common shares and the U.S. Holder's adjusted tax basis in the common shares. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a U.S. Holder generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes.

Passive Foreign Investment Company Rules

A foreign corporation will be considered a PFIC for any taxable year in which (1) 75% or more of its gross income is "passive income" under the PFIC rules or (2) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, certain rents and royalties, and certain gains. Royalties derived in the active conduct of a trade or business by a corporation in the licensing of property developed or created through its own officers or staff of employees is generally excluded from passive income, and interest, dividends, rents and royalties received from a related person (within the meaning of the PFIC rules) are excluded from passive income to the extent such payments are properly allocable to the active income of such related person. Moreover, for purposes of determining if the foreign corporation is a PFIC, if the foreign corporation owns, directly or indirectly, at least 25%, by value, of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of such other corporation. If a corporation is treated as a PFIC with respect to a U.S. Holder for any taxable year, the corporation will continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding taxable years, regardless of whether the corporation continues to meet the PFIC requirements in such years, unless certain elections are made.

The determination as to whether a foreign corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of the income, expenses and assets of the foreign corporation from time to time and the nature of the activities performed by its officers and employees. The Company believes that it was not classified as a PFIC for the taxable year ending December 31, 2016. However, the Company cannot provide any assurance regarding its PFIC status for the future taxable years given that the determination of PFIC status is fact-intensive and made on

an annual basis. Neither the Company's U.S. counsel nor U.S. tax advisor expresses any opinion with respect to the Company's PFIC status or with respect to the Company's expectations regarding its PFIC status.

If the Company is classified as a PFIC, a U.S. Holder that does not make any of the elections described below would be required to report any gain on the disposition of common shares as ordinary income, rather than as capital gain, and to compute the tax liability on the gain and any "Excess Distribution" (as defined below) received in respect of common shares as if such items had been earned ratably over each day in the U.S. Holder's holding period (or a portion thereof) for the common shares. The amounts allocated to the taxable year during which the gain is realized or distribution is made, and to any taxable years in such U.S. Holder's holding period that are before the first taxable year in which the Company is treated as a PFIC with respect to the U.S. Holder, would be included in the U.S. Holder's gross income as ordinary income for the taxable year of the gain or distribution. The amount allocated to each other taxable year would be taxed as ordinary income in the taxable year during which the gain is realized or distribution is made at the highest tax rate in effect for the U.S. Holder in that other taxable year and would be subject to an interest charge as if the income tax liabilities had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of common shares as security for a loan may be treated as a taxable disposition of the common shares. An "Excess Distribution" is the amount by which distributions during a taxable year in respect of a common share exceed 125% of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the common shares).

Certain additional adverse tax rules will apply to a U.S. Holder for any taxable year in which the Company is treated as a PFIC with respect to such U.S. Holder and any of the Company's subsidiaries is also treated as a PFIC (a "Subsidiary PFIC"). In such a case, the U.S. Holder will generally be deemed to own its proportionate interest (by value) in any Subsidiary PFIC and be subject to the PFIC rules described above with respect to the Subsidiary PFIC regardless of such U.S. Holder's percentage ownership in the Company.

The adverse tax consequences described above may be mitigated if a U.S. Holder makes a timely "qualified electing fund" election (a "QEF election") with respect to its interest in the PFIC. Consequently, if the Company is classified as a PFIC, it would likely be advantageous for a U.S. Holder to elect to treat the Company as a "qualified electing fund" (a "QEF") with respect to such U.S. Holder in the first year in which it holds common shares. If a U.S. Holder makes a timely QEF election with respect to the Company, the electing U.S. Holder would be required in each taxable year that the Company is considered a PFIC to include in gross income (i) as ordinary income, the U.S. Holder's pro rata share of the ordinary earnings of the Company and (ii) as capital gain, the U.S. Holder's pro rata share of the net capital gain (if any) of the Company, whether or not the ordinary earnings or net capital gain are distributed. An electing U.S. Holder's basis in common shares will be increased to reflect the amount of any taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the common shares and will not be taxed again as distributions to the U.S. Holder.

A QEF election made with respect to the Company will not apply to any Subsidiary PFIC; a QEF election must be made separately for each Subsidiary PFIC (in which case the treatment described above would apply to such Subsidiary PFIC). If a U.S. Holder makes a timely QEF election with respect to a Subsidiary PFIC, it would be required in each taxable year to include in gross income its pro rata share of the ordinary earnings and net capital gain of such Subsidiary PFIC, but may not receive a distribution of such income. Such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge (which would not be deductible for U.S. federal income tax purposes if the U.S. Holder were an individual).

If the Company determines that it, and any subsidiary in which the Company owns, directly or indirectly, more than 50% of such subsidiary's total aggregate voting power, is likely a PFIC in any taxable year, the Company intends to make available to U.S. Holders, upon request and in accordance with applicable procedures, a "PFIC Annual Information Statement" with respect to the Company and any such subsidiary for such taxable year. The "PFIC Annual Information Statement" may be used by U.S. Holders for purposes of complying with the reporting requirements applicable to a QEF election with respect to the Company and any Subsidiary PFIC.

The U.S. federal income tax on any gain from the disposition of common shares or from the receipt of Excess Distributions may be greater than the tax if a timely QEF election is made. It is recommended that, if the Company were to be classified as a PFIC, a U.S. Holder make a QEF election with respect to the Company and any Subsidiary PFIC.

Alternatively, if the Company were to be classified as a PFIC, a U.S. Holder could also avoid certain of the rules described above by making a mark-to-market election (instead of a QEF election), provided the common shares are treated as regularly traded on a qualified exchange or other market within the meaning of the applicable Treasury regulations. However, a U.S. Holder will not be permitted to make a mark-to-market election with respect to a Subsidiary PFIC. U.S. Holders should consult their own tax advisers regarding the potential availability and consequences of a mark-to-market election, as well as the advisability of making a protective QEF election in case the Company is classified as a PFIC in any taxable year.

During any taxable year in which the Company or any Subsidiary PFIC is treated as a PFIC with respect to a U.S. Holder, that U.S. Holder must file IRS Form 8621. U.S. Holders should consult their own tax advisers concerning annual filing requirements.

Required Disclosure with Respect to Foreign Financial Assets

Certain U.S. Holders are required to report information relating to an interest in the common shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the common shares. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of the common shares.

UNDERWRITING

Citigroup Global Markets Canada Inc., Barclays Capital Inc. and Wells Fargo Securities, LLC are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, on or before , 2017, the number of common shares set forth opposite the underwriter's name in the following table at the initial public offering price, payable in cash to us against delivery.

Underwriters	Number of Common Shares
Citigroup Global Markets Canada Inc.	
Barclays Capital Inc.	
Wells Fargo Securities, LLC	
Canaccord Genuity Inc.	
Cormark Securities (USA) Limited	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the common shares included in this offering are subject to approval of legal matters by counsel and to other conditions, and may be terminated at any time before the closing of this offering at their discretion on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events. The underwriters are obligated to purchase all the common shares (other than those covered by the over-allotment option to purchase additional common shares described below) if they purchase any of the common shares.

The offering is being made concurrently in the United States and in each of the provinces and territories of Canada. The common shares will be offered in the United States through certain of the underwriters listed above, either directly or indirectly, through their respective U.S. broker-dealer affiliates or agents. The common shares will be offered in each of the provinces and territories of Canada through certain of the underwriters or their Canadian affiliates who are registered to offer the common shares for sale in such provinces and territories, or through such other registered dealers as may be designated by the underwriters. Subject to applicable law, the underwriters may offer the common shares outside of the United States and Canada. The common shares are being offered in the United States and Canada in U.S. dollars.

Common shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any common shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all the common shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. Any such reduction in the offering price or the other selling terms will not affect the proceeds received by us, and the compensation realized by the underwriters will be decreased by the amount that the aggregate offering price paid by the purchasers for the common shares is less than the gross proceeds paid by the underwriters to us. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional common shares at the initial public offering price less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the public offering of the common shares offered by this prospectus. To the extent the option is exercised, each underwriter must purchase a number of additional common shares approximately proportionate to that underwriter's initial purchase commitment. Any common shares issued or sold under the option will be issued and sold on the same terms and conditions as the other common shares that are the subject of this offering.

We, our officers, directors and holders of substantially all of our securities have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any common shares or any securities convertible into or exchangeable for our common shares. The representatives, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

Prior to this offering, there has been no public market for our common shares. Consequently, the initial public offering price for the common shares will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure however, that the price at which the common shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our common shares will develop and continue after this offering.

We have applied to have our common shares listed on the NYSE and, we intend to apply to list our common shares on the TSX, under the symbol "ZYME." Listing will be subject to us fulfilling all of the listing requirements of the NYSE and the TSX.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional common shares.

	Paid by Zymeworks Inc.	
	No Exercise	Full Exercise
Per share	$	$
Total	$	$

We estimate that our portion of the total expenses of this offering will be $. We have also agreed to reimburse the underwriters for certain FINRA-related and other expenses incurred by them in connection with this offering in an amount up to $.

In addition, we have separately agreed to pay MTS Securities, LLC, or MTS, a financial advisory fee upon the completion of this offering of $400,000. MTS is also being paid an initial retainer of $50,000 and up to $100,000 in reimbursement of legal fees. MTS is not acting as an underwriter and will not sell or offer to sell any securities or identify, solicit or engage directly with potential investors. In addition, MTS will not underwrite or purchase any of the offered securities or otherwise participate in any such undertaking.

In connection with the offering, the underwriters may purchase and sell common shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters' over-allotment option to purchase additional common shares, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of common shares than they are required to purchase in the offering.
    - "Covered" short sales are sales of common shares in an amount up to the number of common shares represented by the underwriters' over-allotment option to purchase additional common shares.

- "Naked" short sales are sales of common shares in an amount in excess of the number of common shares represented by the underwriters' over-allotment option to purchase additional common shares.

- Covering transactions involve purchases of common shares either pursuant to the underwriters' over-allotment option to purchase additional common shares or in the open market in order to cover short positions.
  - To close a naked short position, the underwriters must purchase common shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering.
  - To close a covered short position, the underwriters must purchase common shares in the open market or must exercise their over-allotment option to purchase additional common shares. In determining the source of common shares to close the covered short position, the underwriters will consider, among other things, the price of common shares available for purchase in the open market as compared to the price at which they may purchase common shares through the underwriters' over-allotment option to purchase additional common shares.
- Stabilizing transactions involve bids to purchase common shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the common shares. They may also cause the price of the common shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE and the TSX, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common shares. The underwriters are not obliged to engage in these activities and if commenced, any of these activities may be discontinued at any time.

In accordance with Canadian securities laws, the underwriters may not, throughout the period of distribution, bid for or purchase the common shares. Exceptions, however, exist where the bid or purchase is not made to create the appearance of active trading in, or rising prices of, the common shares. These exceptions include a bid or purchase permitted under the articles that will be in effect prior to closing of the offering and rules of applicable Canadian securities regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, in connection with the offering and pursuant to the first exception mentioned above, the underwriters may over-allot or effect transactions that stabilize or maintain the market price of the common shares at levels other than those which might otherwise prevail on the open market. Any of the foregoing activities may have the effect of preventing or slowing a decline in the market price of the common shares. They may also cause the price of the common shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE, the TSX, in the OTC market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in

the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and the applicable Canadian securities laws or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Directed Share Program

At our request, the underwriters have reserved up to 2.5% of the shares for sale at the initial public offering price to persons who are directors, officers, employees and other individuals associated with us and members of their families. The number of shares available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program. The sales will be made by Fidelity Capital Markets, a division of National Financial Services, LLC in the United States and Canaccord Genuity Corp. in Canada. Except for certain of our officers, directors and employees who have entered into lock-up agreements referred to above, each person buying shares through the directed share program has agreed that, for a period of 180 days from the date of this prospectus, he or she will not, without the prior written consent of the representatives, dispose of or hedge any shares or any securities convertible into or exchangeable for our common stock with respect to shares purchased in the program. For certain officers, directors and employees purchasing shares through the directed share program, the lock-up agreements referred to above shall govern with respect to their purchases. The representatives in their sole discretion may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice. Any directed shares not purchased will be offered by the underwriters to the general public on the same basis as all other shares offered. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of the directed shares.

Selling Restrictions

Other than in the United States and each of the provinces and territories of Canada, no action has been taken by us that would permit a public offering of the common shares offered by this prospectus in any jurisdiction where action for that purpose is required. The common shares offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such common shares be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common shares offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus

Directive is implemented in that relevant member state (the relevant implementation date), an offer of common shares described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of common shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the common shares to be offered so as to enable an investor to decide to purchase or subscribe for the common shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of the common shares have not authorized and do not authorize the making of any offer of common shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the common shares as contemplated in this prospectus. Accordingly, no purchaser of the common shares, other than the underwriters, is authorized to make any further offer of the common shares on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the common shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The common shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the common shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the common shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The common shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to professional investors, as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under that Ordinance; or in other circumstances which do not result in the document being a prospectus, as defined in the Companies Ordinance (Cap. 32) of Hong Kong ("CO") or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors, as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Notice to Prospective Investors in Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the initial purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common shares may not be circulated or distributed, nor may the common shares be offered or sold, or be made the subject of an invitation for

subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the common shares pursuant to an offer made under Section 275 of the SFA except:
  - to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - where no consideration is or will be given for the transfer;
  - where the transfer is by operation of law;
  - as specified in Section 276(7) of the SFA; or
  - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Australia

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
- a person associated with the Company under Section 708(12) of the Corporations Act; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under Section 708 of the Corporations Act.

EXPENSES RELATED TO THIS OFFERING

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the offer and sale of our common shares in this offering. All amounts listed below are estimates except the SEC registration fee and FINRA filing fee.

Itemized expense	Amount
SEC registration fee	$
Canadian securities regulatory filing fees	
NYSE listing fee	
TSX listing fee	
FINRA filing fee	
Printing and engraving expenses	
Transfer agent and registrar fees	
Legal fees and expenses	
Accounting fees and expenses	
Public Relations fees	$
Total	

LEGAL MATTERS

The validity of the common shares being offered by this prospectus and other legal matters concerning this offering relating to Canadian law will be passed upon for us by Blake, Cassels & Graydon LLP. Certain legal matters in connection with this offering relating to U.S. law will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by McCarthy Tétrault LLP, with respect to Canadian law, and by Cooley LLP, with respect to U.S. law. As of the date of this prospectus, the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of our common shares, and the partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of our common shares.

EXPERTS

The consolidated financial statements of Zymeworks Inc. as of December 31, 2015 and 2016 and for each of the years in the three year period then ended have been included herein in reliance on the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon authority of said firm as experts in auditing and accounting. KPMG LLP is independent with respect to us within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia and under all relevant U.S. professional and regulatory standards, including PCAOB Rule 3520.

The financial statements of Kairos Therapeutics Inc. as of March 31, 2015 and December 31, 2015 and for the year ended March 31, 2015 and the nine months ended December 31, 2015 have been included herein in reliance on the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon authority of said firm as experts in auditing and accounting.

CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

On June 24, 2015, PricewaterhouseCoopers LLP, or the Former Accountant, was dismissed as our independent registered public accounting firm. We approved the appointment of KPMG LLP, or the New Accountant, as our independent registered public accountant. At the recommendation of the audit committee of the board of directors, the resolution to change accountants was approved by our shareholders on June 24, 2015.

The Former Accountant's audit report on the financial statements of the Company for the fiscal year ended December 31, 2014 contained no adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal year ended December 31, 2014, and through the interim period ended March 31, 2015 and the date of the Former Accountant's dismissal, June 24, 2015, there were no "disagreements" (as such term is defined in Item 16F of Form 20-F) with the Former Accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to the satisfaction of the Former Accountant would have caused them to make reference thereto in their reports on the financial statements for such periods.

During the fiscal year ended December 31, 2014, and through the interim period ended March 31, 2015 and the date of the Former Accountant's dismissal, June 24, 2015, there were no "reportable events" (as such term is defined in Item 16F of Form 20-F). We authorized the Former Accountant to respond fully and without limitation to all requests of the New Accountant concerning all matters related to the audited period by the Former Accountant.

Prior to retaining the New Accountant, we did not consult with the New Accountant regarding either: (i) the application of accounting principles to a specified transaction, either contemplated or proposed, or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) any matter that was the subject of a "disagreement" or a "reportable event" (as those terms are defined in Item 16F of Form 20-F).

We have provided a copy of the above statements to the Former Accountant and requested that it furnish us with a letter addressed to the SEC stating whether or not they agree with the above disclosure. A copy of that letter, dated March 31, 2017, is filed as an exhibit to the registration statement of which this prospectus is a part.

Subsequent to their appointment as our independent auditors, we engaged the New Accountant to audit our consolidated financial statements as at and for the year ended December 31, 2014.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act, including relevant exhibits and schedules, with respect to the common shares to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement and its exhibits for further information with respect to us and the common shares. Some of these exhibits consist of documents or contracts that are described in this prospectus in summary form. You should read the entire document or contract for the complete terms. You may read and copy the registration statement and its exhibits at the SEC's Public Reference Room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov, from which you can electronically access the registration statement and its exhibits.

After this offering, we will be subject to the reporting requirements of the Exchange Act applicable to foreign private issuers. As a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports on Form 10-Q, among other things. However, we plan to produce quarterly financial reports and furnish them to the SEC not later than 45 days after the end of each of the first three quarters of our fiscal year and to file our annual report on Form 20-F not later than 90 days after the end of our fiscal year. In addition, our "insiders" are not subject to the SEC's rules regarding insider reporting and prohibiting short-swing trading under Section 16 of the Exchange Act.

We will also be subject to the full informational requirements of the securities commissions in all provinces and territories of Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we intend to file with the Canadian provincial and territorial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) (http://www.sedar.com), the Canadian equivalent of the SEC's Electronic Document Gathering And Retrieval System. Documents filed on SEDAR are not, and should not be considered, part of this prospectus.

We also maintain a website at www.zymeworks.com. Information contained in, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Zymeworks Inc.:

We have audited the accompanying consolidated balance sheets of Zymeworks Inc. (the "Company") as of December 31, 2015 and 2016, and the related consolidated statements of changes in redeemable convertible preferred shares, special shares and shareholders' equity, loss and comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Zymeworks Inc. as of December 31, 2015 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Chartered Professional Accountants

March 17, 2017

Vancouver, Canada

ZYMEWORKS INC.
Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars except share data)

	December 31, 2015	December 31, 2016	Pro forma December 31, 2016 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 11,519	$ 16,437	
Short-term investments	3,641	23,824	
SR&ED receivables	759	1,660	
Accounts receivables	1,506	2,647	
Prepaid expenses and other current assets	254	1,916	
Total current assets	17,679	46,484	
Deferred financing fees	360	1,560	
Acquired in-process research and development	—	19,932	
Goodwill	—	12,016	
Equity investment	4,185	—	
Long-term prepaid assets	—	1,483	
Property and equipment, net	781	6,721	
Intangible assets, net	144	699	
Deferred tax assets	—	5,100	
Total assets	$ 23,149	$ 93,995	
Liabilities, redeemable convertible preferred shares, and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 4,791	$ 9,477	
Warrant liabilities	—	4,342	
Other current liabilities	60	2,737	
Total current liabilities	4,851	16,556	
Long-term debt	—	4,417	
Deferred tax liability	16	5,019	
Other long term liabilities	43	141	
Total liabilities	4,910	26,133	
Research collaboration and licensing agreements (note 13)			
Commitments and contingencies (note 16)			
Subsequent events (note 18)			
Redeemable convertible preferred shares, 15,306,123 authorized shares, no par value: 12,554,665 shares issued and outstanding at December 31, 2016 (December 31, 2015 nil)	—	58,860	
Shareholders' equity:			
Common shares, unlimited authorized shares, no par value: 26,966,711 and 31,327,561 shares issued and outstanding at December 31, 2015 and December 31, 2016, respectively	83,605	106,595	
Warrants	333	—	
Additional paid-in capital	4,882	6,856	
Accumulated other comprehensive loss	(6,659)	(6,659)	
Accumulated deficit	(63,922)	(97,790)	
Total shareholders' equity	18,239	9,002	
Total liabilities, redeemable convertible preferred shares and shareholders' equity	$ 23,149	$ 93,995	

The accompanying notes are an integral part of these financial statements

ZYMEWORKS INC.
Consolidated Statements of Changes in Redeemable Convertible Preferred Shares, Special Shares and Shareholders' Equity
(Expressed in thousands of U.S. dollars except share data)

	Special shares		Redeemable Convertible Class A Preferred shares		Common shares						
	Shares	Amount	Shares	Amount	Shares	Amount	Warrants	Accumulated deficit	Accumulated other comprehen-sive income (loss)	Additional paid-in capital	Total shareholders' equity
Balance at December 31, 2013	3,341,824	$ 1	—	$ —	12,428,867	$ 27,256	$ —	$ (31,810)	$ 113	$ 2,955	$ (1,486)
Issuance of common shares	—	—	—	—	9,700,753	46,745	—	—	—	—	46,745
Share issue costs and issue of warrants	—	—	—	—	—	(736)	333	—	—	—	(403)
Issuance of common shares on exercise of options	—	—	—	—	29,023	55	—	—	—	—	55
Issuance of common shares on conversion of convertible debt	—	—	—	—	4,359,532	8,405	—	—	—	—	8,405
Cancellation of special shares	(3,341,824)	(1)	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	—	—	—	574	574
Net loss	—	—	—	—	—	—	—	(12,942)	—	—	(12,942)
Foreign currency translation	—	—	—	—	—	—	—	—	(1,185)	—	(1,185)
Balance at December 31, 2014	—	$ —	—	—	26,518,175	$ 81,725	$ 333	$ (44,752)	$ (1,072)	$ 3,529	$ 39,763
Issuance of common shares	—	—	—	—	367,500	1,797	—	—	—	—	1,797
Share issue costs	—	—	—	—	—	(45)	—	—	—	—	(45)
Issuance of common shares on exercise of options	—	—	—	—	81,036	128	—	—	—	—	128
Share-based compensation	—	—	—	—	—	—	—	—	—	1,353	1,353
Net loss	—	—	—	—	—	—	—	(19,170)	—	—	(19,170)
Foreign currency translation	—	—	—	—	—	—	—	—	(5,587)	—	(5,587)
Balance at December 31, 2015	—	$ —	—	—	26,966,711	$ 83,605	$ 333	$ (63,922)	$ (6,659)	$ 4,882	$ 18,239
Issuance of redeemable convertible preferred shares	—	—	12,554,665	61,518	—	—	—	—	—	—	—
Share issue costs	—	—	—	(2,658)	—	—	—	—	—	—	—
Issuance of common shares for Kairos Acquisition	—	—	—	—	4,350,017	22,973	—	—	—	—	22,973
Issuance of common shares on exercise of options	—	—	—	—	10,833	17	—	—	—	—	17
Fair value adjustments upon reclassification of options to liabilities	—	—	—	—	—	—	—	(124)	—	(823)	(947)
Share-based compensation	—	—	—	—	—	—	—	—	—	2,797	2,797
Fair value adjustment upon reclassification of warrants to liabilities	—	—	—	—	—	—	(333)	65	—	—	(268)
Net loss	—	—	—	—	—	—	—	(33,809)	—	—	(33,809)
Balance at December 31, 2016	—	$ —	12,554,665	$58,860	31,327,561	$106,595	$ —	$ (97,790)	$ (6,659)	$ 6,856	$ 9,002

The accompanying notes are an integral part of these financial statements

ZYMEWORKS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of U.S. dollars except share and per share data)

	Year Ended December 31,		
	2014	2015	2016
Revenue			
Research and developmental collaborations	$ 1,670	$ 9,660	$ 11,009
Operating expenses:			
Research and development	12,622	24,654	36,816
Government grants and credits	(2,149)	(251)	(1,265)
	10,473	24,403	35,551
General and administrative	3,945	5,217	12,554
Impairment on acquired IPR&D	—	—	768
Total operating expenses	14,418	29,620	48,873
Loss from operations	(12,748)	(19,960)	(37,864)
Other income (expense)			
Interest and other expense	(9)	(18)	(950)
Change in fair value of warrant liabilities	—	—	(808)
Accretion on convertible debt and long-term debt	(293)	—	(576)
Interest and other income	116	324	308
Foreign exchange (loss) gain	(8)	518	927
Equity loss on investment	—	—	(98)
Gain on fair value of equity investment	—	—	177
Total other income (expense)	(194)	824	(1,020)
Loss before income taxes	(12,942)	(19,136)	(38,884)
Income tax expense	—	(18)	(430)
Deferred income tax (expense) recovery	—	(16)	5,505
Net loss	$ (12,942)	$ (19,170)	$ (33,809)
Basic and diluted loss per common share	(0.74)	(0.71)	(1.11)
Weighted-average number of outstanding shares—basic and diluted	17,479,680	26,888,906	30,397,535
Other comprehensive loss:			
Foreign currency translation adjustment	(1,185)	(5,587)	—
Total comprehensive loss	$ (14,127)	$ (24,757)	$ (33,809)
Pro forma basic and diluted loss per common share (unaudited)		(0.71)	(0.79)
Pro forma weighted-average number of outstanding shares—basic and diluted (unaudited)		26,888,906	42,746,386

The accompanying notes are an integral part of these financial statements

ZYMEWORKS INC.
Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Year Ended December 31,		
	2014	2015	2016
Cash flows from operating activities:			
Loss for the year	$(12,942)	$(19,170)	$(33,809)
Items not involving cash:			
Depreciation of property and equipment	275	280	541
Depreciation of intangible assets	137	214	484
Equity loss on investment	—	—	98
Gain on fair value of equity investment	—	—	(177)
Accretion on convertible debt and long-term debt	293	—	576
Share-based compensation	574	1,389	4,291
Deferred income tax expense (recovery)	—	16	(5,505)
Impairment on acquired IPR&D	—	—	768
Change in fair value of warrant liabilities	—	—	808
Unrealized foreign exchange (gain) / loss	—	—	(954)
Changes in non-cash operating working capital:			
Accounts receivables	(279)	(1,363)	(592)
SR&ED receivables	(316)	1,660	(780)
Prepaid expenses and other current assets	(16)	(116)	(3,141)
Accounts payable and accrued liabilities	(1,744)	2,417	1,934
Deferred revenue	7,002	(7,515)	—
Income taxes payable	—	18	212
Net cash used in operating activities	$ (7,016)	$(22,170)	$(35,246)
Cash flows from financing activities:			
Issuance of common shares from private placement, net of issuance costs	46,341	1,752	—
Issuance of preferred shares from private placement, net of issuance costs	—	—	58,860
Issuance of common shares on exercise of options	55	128	17
Debt financing	—	—	6,953
Deferred financing fees	—	(360)	(1,046)
Capital lease payments	(9)	(4)	(7)
Net cash provided by financing activities	$ 46,387	$ 1,516	$ 64,777
Cash flows from investing activities:			
Short-term investments	—	(4,310)	(20,067)
Acquisition of property and equipment	(80)	(626)	(4,425)
Acquisition of intangible assets	(201)	(227)	(1,039)
Acquisition of equity investments	—	(4,038)	—
Cash acquired from Kairos, net of cash consideration	—	—	78
Net cash used in investing activities	$ (281)	$ (9,201)	$(25,453)
Effect of exchange rate changes on cash and cash equivalents	(1,244)	(5,461)	840
Net change in cash and cash equivalents	37,846	(35,316)	4,918
Cash and cash equivalents, beginning of year	8,989	46,835	11,519
Cash and cash equivalents, end of year	$ 46,835	$ 11,519	$ 16,437
Supplemental disclosure of non-cash investing and finance items:			
Deferred financing fees in accounts payable and accrued liabilities	—	—	910
Acquisition of property and equipment in accounts payable and accrued liabilities	—	—	2,055
Class A Preferred Shares Warrant issued in connection with debt	—	—	3,266
Common Shares issued in connection with the Kairos acquisition	—	—	22,973

The accompanying notes are an integral part of these financial statements

ZYMEWORKS INC.
Notes to the Consolidated Financial Statements

1. Nature of Operations

Zymeworks Inc. (the "Company" or "Zymeworks") was incorporated on September 8, 2003 under the laws of the Canada Business Corporations Act. On October 22, 2003, the Company was registered as an extra-provincial company under the Company Act (British Columbia). Zymeworks is a clinical-stage biopharmaceutical company dedicated to the discovery, development and commercialization of next-generation biotherapeutics, initially focused on the treatment of cancer.

Since its inception, the Company has devoted substantially all of its resources to research and development activities, including developing its therapeutic platforms, identifying and developing potential product candidates and undertaking preclinical studies as well as providing general and administrative support, business planning, raising capital and protecting its intellectual property.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of Zymeworks Inc. and its wholly owned subsidiaries, Zymeworks Biopharmaceuticals Inc., which was incorporated in the State of Washington on December 5, 2014, and Zymeworks Biochemistry Inc. (formerly Kairos Therapeutics Inc. ("Kairos")), which was acquired on March 18, 2016. Kairos' financial statements have been consolidated within the Company's consolidated financial statements from the date of acquisition. All inter-company accounts and transactions have been eliminated in consolidation.

All amounts expressed in the consolidated financial statements of the Company and the accompanying notes thereto are expressed in thousands of U.S. dollars, except for per share data and where otherwise indicated. References to "$" are to U.S. dollars and references to "C$" are to Canadian dollars.

Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires the Company to make estimates and judgments in certain circumstances that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. In preparing these consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, government grants and credits, equity investment, share-based compensation, accrual of expenses, preclinical study accruals, valuation allowance for deferred taxes, other contingencies and valuation of assets acquired in a business combination. Management bases its estimates on historical experience or on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from these estimates.

Unaudited Pro Forma Consolidated Balance Sheet Presentation

The unaudited pro forma consolidated balance sheet as of December 31, 2016, reflects the automatic conversion of the outstanding shares of redeemable convertible Class A preferred shares into common shares and the automatic conversion of the redeemable convertible Class A preferred share warrants into common share warrants as though the completion of the Company's initial public offering ("IPO") had occurred on December 31, 2016. In addition, the pro forma consolidated balance sheet information assumes the

reclassification of the redeemable convertible Class A preferred share warrant liability to additional paid-in capital upon its conversion to a common share warrant. The unaudited pro forma consolidated balance sheet does not assume any proceeds from the proposed IPO.

Changes in Significant Accounting Policies

Foreign Currency Translation and Functional Currency Conversion

Prior to January 1, 2016, the Company's functional currency was the Canadian dollar.

The Company reassessed its functional currency and determined as at January 1, 2016, its functional currency changed from the Canadian dollar to the U.S. dollar based on management's analysis of the changes in the primary economic environment in which the Company operates. The change in functional currency is accounted for prospectively from January 1, 2016 and prior year financial statements have not been restated for the change in functional currency.

For periods prior to January 1, 2016, the effects of exchange rate fluctuations on translating foreign currency monetary assets and liabilities into Canadian dollars were included in the statement of loss and comprehensive loss as foreign exchange gain/loss. Revenue and expense transactions were translated into the U.S. dollar reporting currency at the average exchange rate during the period, and assets and liabilities were translated at end of period exchange rates, except for equity transactions, which were translated at historical exchange rates. Translation gains and losses from the application of the U.S. dollar as the reporting currency while the Canadian dollar was the functional currency are included as part of the cumulative foreign currency translation adjustment, which is reported as a component of shareholders' equity under accumulated other comprehensive loss.

For periods commencing January 1, 2016, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Opening balances related to non-monetary assets and liabilities are based on prior period translated amounts, and non-monetary assets and non-monetary liabilities incurred after January 1, 2016 are translated at the approximate exchange rate prevailing at the date of the transaction. Revenue and expense transactions are translated at the approximate exchange rate in effect at the time of the transaction. Foreign exchange gains and losses are included in the statement of loss and comprehensive loss as foreign exchange gain (loss).

The functional currency of Zymeworks Biopharmaceuticals Inc. and Zymeworks Biochemistry Inc. is also the U.S. dollar.

Liability Classified Awards

For awards accounted for under Accounting Standards Codification ("ASC") 718 "Compensation—Stock Options" ("ASC 718"), with an exercise price which is not denominated in: (a) the currency of a market in which a substantial portion of the Company's equity securities trades, (b) the currency in which the individual's pay is denominated, or (c) the Company's functional currency, are required to be classified as liabilities. For awards accounted for under ASC 815 "Derivatives and Hedging" ("ASC 815"), any warrant or option that provides for an exercise price which is not denominated in the Company's functional currency are required to be classified as liabilities.

Upon the change of the functional currency from Canadian dollars to U.S. dollars effective January 1, 2016, certain options previously classified as equity awards with total fair value of $251 and common share warrants previously classified as equity awards with a total fair value of $268 have been reclassified as liability awards. Under ASC 815, upon the change in classification, the change in fair value of the options and common share

warrants while they were classified as equity is recorded as an adjustment to the accumulated deficit. Additionally, upon the change of the compensation currency for certain directors from Canadian dollars to U.S. dollars effective November 9, 2016, options held by such directors which were previously classified as equity awards with total fair value of $1,341 have been classified as liability awards.

Liability classified awards are subsequently measured at fair value at each balance sheet date until exercised or cancelled, with changes in fair value recognized as compensation cost or additional paid-in capital (ASC 718 awards) or other income and expenses (ASC 815 awards) for the period. Under ASC 718, when an award is reclassified from equity to liability, if at the reclassification date the original vesting conditions are expected to be satisfied, then the minimum amount of compensation cost to be recognized is based on the grant date fair value of the original award. Fair value changes below this minimum amount are recorded in additional paid-in capital. Fair value is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model uses various inputs to measure fair value, including estimated fair value of the Company's underlying common shares at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of the Company's common shares.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents consist primarily of money market funds and are stated at cost, which approximates fair value.

Short-Term Investments

The Company's short-term investments consist of guaranteed investment certificates with original maturities exceeding three months and less than one year. The carrying value of these investments are recorded at cost plus accrued interest, which approximates their fair value.

Accounts Receivable

Accounts receivable are reported in the consolidated balance sheets at outstanding amounts, net of any provisions for uncollectible amounts. At all periods presented, the company has no allowance for doubtful accounts.

The Company evaluates the collectability of accounts receivable on a regular basis based upon various factors including the financial condition and payment history of customers, an overall review of collections experience on other accounts and economic factors or events expected to affect future collections experience.

Deferred Financing Costs

Deferred financing fees as of December 31, 2015 consist of legal and other professional fees directly attributable to the redeemable convertible Class A preferred share financing that was completed in 2016. These fees were deferred as of December 31, 2015 and subsequently were charged against the gross proceeds from the financing in 2016.

Deferred financing fees as of December 31, 2016 consist of incremental legal and accounting fees directly attributable to the potential IPO. These fees will be offset against the IPO proceeds upon the consummation of the offering. In the event the offering is terminated, deferred financing fees will be expensed.

ZYMEWORKS INC.
Notes to the Consolidated Financial Statements

The Company has also deferred financing costs which represent the unamortized costs incurred on issuance of the Company's credit facility. Amortization of deferred financing costs on the credit facility is provided on the effective interest rate method over the term of the facility based on amounts available under the facility. Deferred financing costs related to the issuance of debt are presented in the consolidated balance sheet as a direct reduction of the carrying amount of the long-term debt.

Equity Investment

An equity investment is when the Company has significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not extend to control or joint control over those policies.

The results and assets and liabilities of an equity investment are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an entity is initially recognised at cost (including directly related transaction costs) and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the equity investment.

Any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. The Company periodically reviews its equity investment for other-than-temporary declines in market value when there is an event or change in circumstances that indicates the carrying value may not be recoverable. Any decline that is not expected to be recovered is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. There were no impairment charges related to the equity investment.

Segment Information

The Company currently operates in one operating segment. Operating segments are defined as components of an enterprise about which separate discrete information is available for the chief operating decision maker, or decision making group, in deciding how to allocate resources and assessing performance. The Company views its operations and manages its business in one segment, which is the discovery, development and commercialization of next-generation biotherapeutics, initially focused on the treatment of cancer.

Property and Equipment

Property and equipment are stated at cost. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred.

The Company records depreciation using the straight-line method over the estimated useful lives of the capital assets as follows:

Asset Class	Rate
Computer hardware	3 years
Office equipment	3 years
Furniture and fixtures	5 years
Laboratory equipment	7 years
Leasehold improvements	Shorter of the initial lease term or useful life

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Property and equipment, acquired or disposed of during the year, are depreciated proportionately for the period they are in use.

Patents and Intellectual Property Costs

The costs of acquiring patents and of prosecuting and maintaining intellectual property rights are expensed as incurred to general and administrative due to the uncertainty surrounding the drug development process and the uncertainty of future benefits. Patents and intellectual property acquired from third parties are capitalized and amortized over the remaining life of the patent. No patent or intellectual property costs have been capitalized to date.

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset or asset group. If carrying value exceeds the sum of undiscounted cash flows, the Company then determines the fair value of the underlying asset group. Any impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the estimated fair value of the asset group. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2016 and 2015, the Company determined that there were no impaired assets and no assets held-for-sale.

Government Grants and Credits

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Reimbursements of eligible costs pursuant to government assistance programs are recorded as a reduction of research and development costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim.

Grant claims not settled by the balance sheet date are recorded as receivables. The determination of the amount of the claim, and hence the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near-term dependent on the review and audit by the government agency.

The Company participates in the Scientific Research and Experimental Development (“SR&ED”) Program, a federal tax incentive program that encourages Canadian businesses to conduct research and development in Canada. The benefits of investment tax credits for scientific research and development expenditures are recognized in the year the qualifying expenditure is made provided there is reasonable assurance of recoverability. This investment tax credit reduces the carrying cost of research and development expenditures.

Research and Development Costs

Research and development expenses include costs that the Company incurs for its own and for the Company’s strategic partners’ research and development activities. Research and development expenditures are expensed as incurred. These costs primarily consist of employee related expenses, including salaries and benefits,

expenses incurred under agreements with contract research organizations on our behalf, investigative sites and consultants that conduct the Company's clinical trials, the cost of acquiring and manufacturing clinical trial materials and other allocated expenses, share-based compensation expense, and costs associated with nonclinical activities and regulatory approvals.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has substantially completed and collectability is reasonably assured.

The Company's revenues are primarily derived from research and development agreements with strategic partners for the research and development of therapeutics products. The terms of the agreements may include non-refundable signing and licensing fees, research funding, milestone payments and royalties on any product sales derived from strategic arrangements.

The Company analyzes agreements with more than one element, or deliverable, based on the guidance in ASC 605-25, Revenue Recognition—Multiple Element Arrangements ("ASC 605-25). Each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting. A delivered item or items are considered a separate unit of accounting if they have value to the collaborator or licensee on a stand-alone basis and, if the agreement includes a general right of return, the delivery or performance of undelivered items is considered probable and within the control of the Company.

In assessing whether an item or items have stand-alone value, the Company considers if the deliverable or deliverables have been sold separately on a stand-alone basis. Additional factors considered include research capabilities of the strategic partner or licensee, the availability of the associated expertise in the general market place, whether the delivered item or items can be used for their intended purpose without receipt of the remaining item(s), whether the value of the delivered item(s) is dependent on the undelivered item(s) and whether there are other vendors that can provide the undelivered item(s).

Arrangement consideration that is fixed or determinable is allocated at the inception of the agreement to all identified units of accounting based on the relative estimated selling prices in accordance with the selling price hierarchy. The selling price of each deliverable is determined using vendor specific objective evidence of selling prices, if it exists; otherwise, third-party evidence of selling prices. If neither vendor specific objective evidence nor third-party evidence exists, the Company uses its best estimate of the selling price for each deliverable. Management may be required to exercise considerable judgment in estimating the selling prices of identified units of accounting under its agreements. The arrangement consideration otherwise allocable to delivered units is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions.

When the Company determines that a license and the related therapeutic platform have stand-alone value to the licensee, these items are considered a unit of accounting and arrangement consideration allocated to this unit of accounting is recognized upon delivery of the therapeutic platform. When research services related to the transfer of the technical information are required, then the license, the applicable research services, and therapeutic platform are considered a unit of accounting and the Company must determine the period over which the performance obligations will be performed, which generally relates to the period the research services will be performed, and over which revenue is recognized. If the Company cannot reasonably estimate the timing and the level of effort to complete its performance obligations under the arrangement, then revenue under the arrangement is recognized on a straight-line basis over the period the Company is expected to complete its performance obligations.

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The Company recognizes other research support payments as revenue upon the performance of activities which are eligible for research support payments from its strategic partners, in accordance with the respective licensing and collaboration agreements.

The Company analyzes milestones based on the guidance in ASC 605-28, Revenue Recognition—Milestone Method ("ASC 605-28"). The Company evaluates milestone payments on an individual basis and recognizes revenue from non-refundable milestone payments when the earnings process is complete and the payment is reasonably assured. Non-refundable milestone payments related to arrangements under which the Company has continuing performance obligations are recognized as revenue upon achievement of the associated milestone, provided that the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement.

A milestone event is considered substantive if (i) the milestone is commensurate with either (a) the Company's performance to achieve the milestone or (b) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the Company's performance to achieve the milestone; (ii) it relates solely to past performance and (iii) it is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement. If any portion of the milestone payment does not relate to the Company's performance, does not relate solely to past performance or is refundable or adjustable based on future performance, the milestone is not considered to be substantive.

Certain milestones in the agreements do not meet the ASC 605-28 definition of a milestone because achievement of the milestone solely depends on the performance of the licensee. Any revenue from these contingent payments is subject to an allocation of arrangement consideration and is recognized over the remaining period of performance obligations, if any, relating to the arrangement. If there are no remaining performance obligations under the arrangement at the time the contingent payment is triggered, the contingent payment is recognized as revenue in full upon the triggering event occurring.

Options for future deliverables are considered substantive if, at the inception of the arrangement, the Company is at risk as to whether the licensee will choose to exercise the option. Factors that the Company considers in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the licensee might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, the Company does not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated option fees are not included in the initial consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, the Company would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in the initial consideration.

Royalty revenue will be recognized upon the sale of the related products provided the Company has no remaining performance obligations under the arrangement.

The Company periodically enters into contract amendments and subsequent contracts with the same entity. Contracts that amend the terms of existing agreements are treated in substance as one arrangement. Subsequent contracts that contain unrelated deliverables are accounted for as separate arrangements. The factors considered by the Company when determining if a deliverable in one agreement is unrelated to a deliverable in another agreement include assessing if the different deliverables in each agreement are closely interrelated or interdependent in terms of design, technology and function, if the fee in one agreement is impacted by the performance in another agreement, and is a deliverable in one agreement essential to the functionality of a deliverable in another agreement.

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Income Taxes

The Company accounts for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of and changes in the tax law or rates. The measurement of deferred tax assets is reduced, if necessary, by the extent of the valuation allowance. The Company uses a two-step approach to determine whether an uncertain tax position should be recorded, consisting of a "more-likely-than-not" recognition criteria, and a measurement attribute that measures a given tax position as the largest amount of tax benefits that are more than 50% likely of being realized upon ultimate settlement.

Interest and tax penalties are expensed as incurred and nil has been incurred to date.

Stock-Based Compensation

The Company recognizes stock-based compensation expense on share awards granted to employees and members of the board of directors based on their estimated grant date fair value using the Black-Scholes option pricing model. This Black-Scholes option pricing model uses various inputs to measure fair value, including estimated fair value of the Company's underlying common share at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of the Company's common shares. The Company recognizes stock-based compensation expense, net of estimated forfeitures, in the consolidated statements of loss and comprehensive loss on a straight-line basis over the requisite service period. The Company applies an estimated forfeiture rate derived from historical employee termination behavior. If the actual number of forfeitures differs from those estimated by management, adjustments to compensation expense may be required in future periods.

Stock options granted to individual service providers who are not employees are measured on the date of performance using the Black-Scholes option-pricing model and the awards are periodically remeasured as the underlying options vest. The fair value of the stock-based awards is amortized over the vesting period.

Redeemable Convertible Class A Preferred Share Warrant Liability

The redeemable convertible Class A preferred share warrants are classified as liabilities and recorded at their estimated fair value as they contain a down-round provision and because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances, such as a deemed liquidation event. The warrants are subject to re-measurement at each balance sheet date and the change in fair value, if any, is included in other income (expense). The Company will continue to adjust the liability for changes in fair value until the earlier of (i) exercise or expiration of the warrants, or (ii) the completion of an IPO, at which time, all redeemable convertible Class A preferred share warrants will be converted into common share warrants and the related redeemable convertible Class A preferred share warrant liability will be reclassified to additional paid-in capital.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration for a business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

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Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration issued for the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. Goodwill is evaluated for impairment on an annual basis or more frequently if an indicator of impairment is present. Goodwill is subject to a two-step impairment test. The first step compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired, and the second step of the impairment test is unnecessary. If the carrying amount exceeds the implied fair value of the reporting unit, the second step measures the amount of the impairment loss. If the carrying amount exceeds the fair value of the goodwill, an impairment loss is recognized equal to that excess.

Acquired In-Process Research and Development

The in-process research and development intangible asset ("IPR&D") arose from the acquisition of Kairos on March 18, 2016 (note 5). IPR&D is classified as indefinite-lived and is not amortized. IPR&D becomes definite-lived upon the completion or abandonment of the associated research and development efforts. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which are the respective patent terms. Amortization begins when intangible assets with finite lives are put into use. Indefinite-lived intangible assets will be evaluated for impairment on an annual basis or more frequently if an indicator of impairment is present. For definite-lived intangibles, if there is a major event indicating that the carrying value of intangible assets may be impaired, then management will perform an impairment test. When an impairment test is performed, if the carrying value exceeds the recoverable value, based on discounted future cash flows, then such assets are written down to their fair values. All research and development costs incurred subsequent to the acquisition are immediately expensed as incurred.

The costs incurred in establishing and maintaining patents for intellectual property developed internally are expensed in the period incurred.

Financial Instruments

Fair Value of Financial Instruments

The Company measures certain financial instruments and other items at fair value.

To determine the fair value, the Company uses the fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use to value an asset or liability and are developed based on market data obtained from independent sources. Unobservable inputs are inputs based on assumptions about the factors market participants would use to value an asset or liability. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 inputs are quoted market prices for identical instruments available in active markets.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. If the asset or liability has a contractual term, the input must be observable for substantially the full term. An example includes quoted market prices for similar assets or liabilities in active markets.
- Level 3 inputs are unobservable inputs for the asset or liability and will reflect management's assumptions about market assumptions that would be used to price the asset or liability.

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Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities, warrants, long term debt, liability classified options and other long term liabilities.

The carrying values of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. Based on the borrowing rates available to the Company for debt with similar terms and consideration of default and credit risk using Level 2 inputs, the carrying value of the Company's long term debt as of December 31, 2016 approximates its fair value. As quoted prices for the warrants and liability classified stock options are not readily available, the Company has used a Black-Scholes pricing model to estimate fair value. These are level 3 inputs as defined above.

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

	December 31, 2016	Level 1	Level 2	Level 3
Liabilities				
Liability classified stock options	$ 2,458	$ —	$ —	$2,458
Warrant liabilities	4,342	—	—	4,342
Total	$ 6,800	$ —	$ —	$6,800

	December 31, 2015	Level 1	Level 2	Level 3
Liabilities				
Liability classified stock options	$ 36	$ —	$ —	$ 36
Total	$ 36	$ —	$ —	$ 36

The following table presents the changes in fair value of the Company's preferred share warrants:

	Liability at beginning of the period	Warrants issued in the period	Increase (decrease) in fair value of preferred share warrants	Liability at end of the period
Year ended December 31, 2016	$ —	$ 3,266	$ 48	$ 3,314
Year ended December 31, 2015	$ —	$ —	$ —	$ —

The following table presents the changes in fair value of the Company's common share warrants:

	Liability at beginning of the period	Reclassification to liabilities from equity	Increase (decrease) in fair value of common share warrants	Liability at end of the period
Year ended December 31, 2016	$ —	$ 268	$ 760	$ 1,028
Year ended December 31, 2015	$ —	$ —	$ —	$ —

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The following table presents the changes in fair value of the liability classified stock options:

	Liability at beginning of the period	Reclassification to liabilities from equity	Increase (decrease) in fair value of liability classified stock options	Foreign currency loss (gain)	Liability at end of the period
Year ended December 31, 2016	$ 36	$ 947	$ 1,467	8	$ 2,458
Year ended December 31, 2015	$ —	$ —	$ 36	—	$ 36

Net Income (Loss) Per Share

The Company follows the two-class method when computing net income (loss) per common share as the Company issued redeemable convertible Class A preferred shares in January 2016 that meet the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common shareholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's redeemable convertible Class A preferred shares contractually entitle the holders of such shares to participate in dividends, but do not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss or a net loss attributable to common shareholders resulting from preferred share dividends, net losses are not allocated to participating securities. The Company reported a net loss attributable to common shareholders for all the periods presented.

Basic net income (loss) per share attributable to common shareholders (which equals net loss for all periods presented) is computed by dividing the net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) attributable to common shareholders is computed by adjusting net income (loss) attributable to common shareholders to reallocate undistributed earnings based on the potential impact of dilutive securities, including outstanding redeemable convertible Class A preferred shares, convertible debentures, stock options and warrants. Diluted net income (loss) per share attributable to common shareholders is computed by dividing the diluted net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding instruments. The if-converted method is used to determine the dilutive effect of the Company's redeemable convertible Class A preferred shares, convertible debentures and warrants. The treasury stock method is used to determine the dilutive effect of the Company's stock option grants. For the years ended December 31, 2015 and 2016, redeemable convertible Class A preferred shares, convertible debentures, stock options and warrants outstanding were excluded from the calculation of diluted loss per share because their inclusion would have been anti-dilutive.

	Year Ended December 31,		
	2014	2015	2016
Basic loss per common share:			
Net loss	$ (12,942)	$ (19,170)	$ (33,809)
Basic weighted-average common shares outstanding	17,479,680	26,888,906	30,397,535
Basic loss per common share	$ (0.74)	$ (0.71)	$ (1.11)
Diluted loss per common share:			
Net loss	$ (12,942)	$ (19,170)	$ (33,809)
Basic weighted-average common shares outstanding	17,479,680	26,888,906	30,397,535
Effect of dilutive securities	—	—	—
Diluted weighted-average common shares outstanding	17,479,680	26,888,906	30,397,535
Diluted loss per common share	$ (0.74)	$ (0.71)	$ (1.11)

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Unaudited Pro forma Net Loss Per Share

The unaudited pro forma basic and diluted net loss per share is computed using the weighted-average number of common shares outstanding and assumes the conversion of all outstanding shares of the redeemable convertible Class A preferred shares into common shares upon completion of the Company's IPO, as if they had converted at the beginning of the respective period or the date of issuance, if later. In addition, the numerator in the pro forma basic and diluted net loss per share calculation has been adjusted to remove gains or losses resulting from the fair value remeasurements of the redeemable convertible Class A preferred share warrant liability as the warrants will be converted into common share warrants and the related redeemable convertible Class A preferred share warrant liability will be reclassified to additional paid-in capital upon the completion of the IPO.

The Company believes the unaudited pro forma basic and diluted loss per share provides material information to investors, as the conversion of the redeemable convertible Class A preferred shares into common shares and the conversion of the redeemable convertible Class A preferred share warrants into common share warrants will occur upon the closing of the IPO.

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share:

	Year Ended December 31,	
	2015	2016
Numerator:		
Net loss attributable to common shareholders, basic and diluted	$ (19,170)	$ (33,809)
Change in fair value of preferred share warrant liability	—	48
Net loss used in calculating pro forma net loss per share attributable to common shareholders, basic and diluted	$ (19,170)	$ (33,761)
Denominator:		
Weighted-average shares used to calculate net loss per share attributable to common shareholders, basic and diluted	26,888,906	30,397,535
Pro forma adjustment to reflect assumed conversion of all outstanding redeemable convertible preferred shares	—	12,348,851
Weighted-average shares used to calculate pro forma net loss per share attributable to common shareholders, basic and diluted	26,888,906	42,746,386
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.71)	$ (0.79)

3. Recent Accounting Pronouncements

Early Adoption of New Accounting Pronouncements:

In November 2015, the FASB, issued Accounting Standards Update ("ASU"), No. 2015-17, "Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and entities are permitted to apply either prospectively or retrospectively; early adoption is permitted. This standard was adopted retrospectively in the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires that debt issuance costs related to a

recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those years. This standard was adopted in the Company's consolidated financial statements with no material impact.

Recent Accounting Pronouncements Not Yet Adopted:

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASC 606). The standard, as subsequently amended, is intended to clarify the principles for recognizing revenue for U.S. GAAP by creating a new Topic 606, "Revenue from Contracts with Customers". This guidance supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition", and supersedes some cost guidance included in Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts". The core principle of the accounting standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The amendments should be applied by either (1) retrospectively to each prior reporting period presented; or (2) retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The new guidance is effective for fiscal years beginning after December 15, 2017, which, for the Company, means January 1, 2018. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases", which amends lease accounting requiring the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The new guidance retains a distinction between finance leases and operating leases, with cash payments from operating leases classified within operating activities in the statement of cash flows. ASU 2016-02 will be effective for fiscal years and interim periods within those years, beginning after December 15, 2018. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation – Improvements to Employee Share-Based Payment Accounting", which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification of the statement of cash flows. The amendments stipulate (a) all excess tax benefits and tax deficiencies should be recognized as income tax expense or benefit in the statement of operations and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur, (b) excess tax benefits should be classified along with other tax cash flows as an operating activity, (c) an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur, (d) the threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions, and (e) cash paid by an employee when directly withholding shares for tax withholding purposes should be classified as financing activity. ASU 2016-09 will be effective for fiscal years and interim periods within those years, beginning on or after December 15, 2016 and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 "Classification of Certain Cash Receipts and Cash Payments," which addresses eight cash flow classification issues. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 and interim periods within those years, and early adoption is permitted, including in an interim period. Early adoption requires the adoption of all the amendments in the same period. The standard is to be applied through a retrospective transition method to each period presented. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

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In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance will be effective on January 1, 2018 and early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This new standard will be effective on January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment." ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test, which required an entity to determine the fair value of its assets and liabilities at the impairment testing date. ASU 2017-04 is effective for public companies' annual periods, including interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

4. Short-Term Investments

Short-term investments consist of guaranteed investment certificates ("GICs") held at financial institutions in accordance with the Company's treasury policy. These GICs bear interest rate of 0.6%-1.0% per annum with a maturity up to 12 months. The Company may redeem these investments 30 days after deposit without penalty.

5. Equity Investment and Acquisition of Kairos

Equity Investment in Kairos:

On December 21, 2015, the Company acquired 19.99% of Kairos, a privately held company specializing in the discovery and development of antibody-drug conjugates, for consideration of $3,600 (C$5,000), paid in cash. Legal and scientific transactional costs of $585 (C$812) were also capitalized to the initial cost of the equity investment.

The Company's interest in Kairos was accounted for under the equity method. During the year ended December 31, 2015, the Company had no equity interest in Kairos' loss.

The following table presents summarized financial information assuming a 100% ownership interest in Kairos prior to the impact of the transaction and excluding the impact from purchase price adjustments arising from the acquisition.

	December 31, 2015
Total assets	$ 49
Total liabilities	(1,774)
Net assets of Kairos	$ (1,725)

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Acquisition of Kairos:

Description of the Transaction

On March 18, 2016, the Company completed the acquisition of all remaining issued and outstanding shares of Kairos, for $24,778 (C$32,257). This consideration was comprised of $23,043 (C$30,000) in common shares of the Company, and $1,733 (C$2,257) in cash, pursuant to a net working capital adjustment determined at closing.

At the time of acquisition, the Company issued 3,628,572 common shares having a fair value of $19,203 (C$25,000). The remaining 725,714 common shares, having a fair value of $3,770 (C$5,000), were held back for a period of six months under the terms of the agreement for the sellers' satisfaction of general representations and warranties and potential working capital adjustments and were issuable in six months, subject to deductions for any undisclosed matters that may arise during that period. On September 18, 2016, 721,445 common shares were issued after accounting for adjustments relating to undisclosed pre-acquisition invoices. On the date of the acquisition, refundable SR&ED credits receivable by Kairos related to the period preceding the acquisition are payable to CDRD Ventures Inc. ("CVI"), the former majority shareholder of Kairos. As of December 31, 2016, a SR&ED receivable and corresponding payable to CVI of $131 has been recorded in the consolidated financial statements.

Preliminary Purchase Price Allocation

The acquisition is accounted for in accordance with ASC—805 Business Combinations—using the acquisition method. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values at the closing date of the acquisition. For the purpose of these consolidated financial statements, the purchase consideration has been allocated on a preliminary basis based on management's best estimates of the fair values at the time these consolidated financial statements were prepared.

The Company is required to estimate the acquisition date fair value of the common shares issued. The fair value of the common shares issued was determined by the Company's board of directors, with input from management, and takes into account the most recently available valuation of common shares prepared by independent valuation specialists and the assessment of additional objective and subjective factors the Company believes are relevant and which may have changed between the date of the most recent valuation and the date of the acquisition.

The fair value of the previously held 19.99% equity interest is calculated as the implied per share fair value based upon the acquisition purchase price reduced by the lack of control discount associated with the 19.99% holding. Upon acquiring the remaining outstanding ownership interest in Kairos, the Company remeasured its original equity interest to its fair value and recognized a $177 gain which is included in net loss for the year ended December 31, 2016.

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The fair values of the consideration issued, assets acquired and liabilities assumed in the acquisition at March 18, 2016 are not yet final. The Company is continuing its review of the fair values and allocations during the measurement period, which shall not exceed one year from the acquisition date. The preliminary consideration and purchase price allocation, which are subject to final adjustments, are estimated as follows:

Total Consideration:	
4,350,017 Zymeworks common shares	$22,973
Cash paid	1,733
Total consideration for 80.01% equity	24,706
Fair value of previously held 19.99% equity interest	4,264
Implied purchase price consideration for 100% equity	$28,970
Net assets acquired:	
Cash and cash equivalents	$ 1,811
Receivables and other assets	546
Acquired IPR&D	20,700
Goodwill	12,016
Accounts payable and accrued liabilities	(721)
Deferred tax liabilities	(5,382)
	$28,970

The preliminary fair value of each IPR&D project is estimated using either the cost approach, market approach or combination of the two. The cost approach estimates the total value of the asset by reference to costs that would have been incurred in order to recreate the asset while the market approach analyses recent transactions involving comparable assets. Within these two approaches the following valuation methods were used: comparable public company cost multiple approach, expected investor return approach, and the guideline technology and collaboration transactions approach. IPR&D are required to be classified as indefinite-lived assets until they become definite lived assets upon the successful completion or the abandonment of the associated research and development effort. Accordingly, all IPR&D acquired is currently classified as indefinite-lived and is not currently being amortized.

Based on the fair values above, an amount of $12,016 has been allocated to goodwill, which represents the excess of the purchase price over the fair values assigned to the net assets acquired. Goodwill is attributable to strategic, synergistic and other benefits expected to arise after the Company's acquisition of Kairos. Kairos' antibody-drug conjugate platform technology has a potential to develop new technologies and therapeutics, and the Company believes that additional platforms may emerge from the research synergies afforded by the business combination. Synergies are expected as both the Company and Kairos are underpinned by complementary antibody technologies and both have experience in designing and developing antibodies as product candidates. There is also future potential value expected to be derived from Kairos' existing collaboration agreements, and the potential to enter into new collaboration agreements. The Company will also benefit from the expertise, knowledge, experience and networks of the Kairos' management team, as well as the depth and breadth of its existing laboratory research team in the fields of chemistry and biologics.

The full amount of the value of goodwill has been assigned to the entire Company, since management has determined that the Company has only one reporting unit. The goodwill is not deductible for tax purposes, and is not amortized, but will be evaluated for impairment on an annual basis or more often if the Company identifies impairment indicators that would require earlier testing.

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At the time of the acquisition, a deferred tax liability of $5,382 was recorded for the excess of the fair value of the IPR&D over the corresponding tax bases, with a corresponding increase recorded to goodwill. The deferred tax liability relates to an indefinite lived asset. In addition, Zymeworks Inc. has unclaimed tax deductions for SR&ED tax credits with no expiry, for which the Company previously had provided a valuation allowance. Because of the indefinite life of these tax attributes, the deferred tax liability that arose from the preliminary purchase price allocation has been used as a source of potential income in determining that the realization of certain SR&ED tax credits is now more likely than not. Consequently, the Company reduced its valuation allowance by $5,407 and recognized a corresponding deferred income tax recovery in the statement of loss.

The consolidated statement of loss for the year ended December 31, 2016 includes $(98) related to the equity in loss of Kairos for the period prior to March 18, 2016. Financial and operating results of Kairos are included in the Company's consolidated financial statements effective March 18, 2016.

Impairment Evaluation for Intangible Assets and Goodwill

All IPR&D acquired in the Kairos business combination is classified as indefinite-lived and is not currently being amortized. IPR&D becomes definite-lived upon the completion or abandonment of the associated research and development efforts, and will be amortized from that time over an estimated useful life based on respective patent terms. The Company evaluates the recoverable amount of intangible assets on an annual basis and performs an annual evaluation of goodwill as of December 31 each year, unless there is an event or change in the business that could indicate impairment, in which case earlier testing is performed.

For the year ended December 31, 2016, the Company recorded an impairment charge of $768 for the discontinuance of the Co-Development program with Oxford BioTherapeutics ("OBT Co-Development") due to the negative results received from scientific studies conducted during the period subsequent to the acquisition of Kairos. The corresponding deferred tax liability and deferred tax asset balances of $198 were also reversed which resulted in deferred tax liability and offsetting deferred tax asset of $5,127 related to IPR&D as of December 31, 2016. The following table summarizes the carrying value of IPR&D, net of impairment as at December 31, 2016:

Acquired IPR&D	$ 20,700
Impairment	(768)
As of December 31, 2016	$ 19,932

The Company performed its annual impairment test for goodwill as of December 31, 2016. As part of the evaluation of the recoverability of goodwill, the Company has identified only one reporting unit to which the total carrying amount of goodwill has been assigned. As at December 31, 2016, the fair value of the reporting unit exceeded the carrying value of the reporting unit, and as such the second step of the impairment test, which measures the amount of impairment charge if any, was not required. In estimating the fair value of the reporting unit, the Company considered the recent independent valuation of the Company, using guideline company transactions method, which is market approach. The guideline company transactions method uses recent merger and acquisition transaction data for acquisitions of target companies that are similar to the Company's reporting unit. No impairment charge on goodwill was identified for the period ended December 31, 2016.

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6. Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2015	2016
Computer hardware	$ 871	$ 1,391
Furniture and fixture	167	386
Office equipment	149	316
Laboratory equipment	582	3,745
Leasehold improvements	367	2,144
Construction in progress	—	622
Property and equipment	2,136	8,604
Less accumulated depreciation and amortization	(1,355)	(1,883)
Property and equipment, net	$ 781	$ 6,721

During the year ended December 31, 2016, the Company entered into a new capital lease for office equipment of $14 (2015– $27). Total assets under capital lease were $37 and $68 at December 31, 2015 and 2016, respectively; accumulated depreciation for these assets were $6 and $25 at December 31, 2015 and 2016, respectively. As of December 31, 2016, the total future minimum lease payments for the capital leases are $57.

Depreciation expense on property and equipment for the years ended December 31, 2014, 2015 and 2016 was $275, $280 and $541, respectively.

7. Intangible Assets

Intangible assets consist of the following:

	December 31,	
	2015	2016
Computer software and licenses	$ 664	$ 1,706
Less accumulated depreciation and amortization	(520)	(1,007)
Intangible assets, net	$ 144	$ 699

Amortization expense on intangible assets for the years ended December 31, 2014, December 31, 2015 and 2016 was $137, $214 and $484 respectively.

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8. Current Liabilities

Accounts payable and accrued expenses consisted of the following:

	December 31, 2015	December 31, 2016
Trade payables	$2,112	$2,955
Accrued research expenses	1,798	2,305
Employee compensation and vacation accruals	470	1,651
Accrued legal and professional fees	381	1,489
Payable to CVI for Kairos SR&ED receivable (note 5)	—	131
Other	30	946
Total	$4,791	$9,477

Other current liabilities consisted of the following:

	December 31, 2015	December 31, 2016
Fair value of liability classified share options (note 11i)	$ 36	$2,458
Income tax liability (note 15)	18	230
Lease inducements	—	41
Current portion of lease liability	6	8
Total	$ 60	$2,737

9. Convertible Debt

	Principal	Carrying value
December 31, 2013	$ 6,299	$ 8,198
Accretion on convertible debt	—	293
Conversion into Class B common shares at maturity, June 16, 2014	(6,180)	(8,405)
Foreign currency adjustment	(119)	(86)
December 31, 2014	$ —	$ —

The convertible debentures matured on June 16, 2014 and bore interest at an annual rate of 8%, compounding annually until the date of maturity. Upon maturity, pursuant to the optional conversion terms on the convertible debentures, the debenture holder exercised its' option to convert the principal and accrued interest amount of $8,405 into 4,359,532 Class B common shares of the Company reflecting the conversion price of C$2.09 per Class B common share. The Class B common shares were subsequently converted into common shares on October 22, 2014 (note 11b).

10. Warrant Liabilities and Long-Term Debt

a. Perceptive Debt and Preferred Share Warrant Liability

On June 2, 2016, the Company entered into a Credit Agreement (the "Perceptive Debt") with Perceptive Credit Opportunities Fund L.P. and PCOF Phoenix II Fund L.P. (collectively, the "Lenders"). The total credit facility is for $15.0 million consisting of Tranche A and Tranche B term loans for $7.5 million each. The Tranche

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A term loan was made available to the Company on June 2, 2016, with total net proceeds received of $6,953, which excludes other administrative costs, on the transaction date. The Company will be eligible for the Tranche B term loan when it has achieved specific milestones relating to its clinical trials and future collaboration agreements.

The interest rate on the Tranche A term loan is LIBOR plus an applicable margin of 10% per annum with LIBOR to be a minimum of 1%. On December 31, 2016, the applicable interest rate was 11%. The Company will pay monthly interest payments only, up until June 2, 2018, after which monthly principal payments of $225 will also commence. The remaining outstanding principal balance will be paid on June 2, 2020. The Company may settle the loan earlier, subject to certain penalty payments. Amounts borrowed under the Tranche A or Trance B term loans and subsequently repaid or prepaid may not be reborrowed.

On June 2, 2016, pursuant to the terms of the Perceptive Debt, the Company also issued Warrant Certificates which entitled Perceptive Credit Opportunities Fund, L.P. to purchase up to 704,081 redeemable convertible Class A preferred shares of the Company at an exercise price of $4.90 per share, with an expiry term of five years. These warrants are classified as liabilities and recorded at their estimated fair value as they contain a down-round provision and because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances, such as a deemed liquidation event. Changes in fair value are recorded in the consolidated statements of loss and comprehensive loss. At the completion of an IPO, all redeemable convertible Class A preferred share warrants will be converted into common share warrants.

The warrants were initially recorded at their fair value at issuance of $3,266 and the residual balance of the original principal, $4,234, has been recorded as long-term debt. The long-term debt will be accreted to its face value of $7,500 over the four-year term of the Perceptive Debt. On August 3, 2016, the Warrant Certificates were assigned to Perceptive Credit Holdings, LP, an affiliate of the Lenders.

The Company recorded $488 in interest expense relating to the outstanding principal under the Perceptive Debt, as well as $48 in change in fair value of warrant liabilities, during the year ended December 31, 2016.

In addition to the interest payable, the Company paid approximately $845 of administrative, legal fees and other costs in connection with the Perceptive Debt, including expenses incurred prior to the transaction date. Of this amount, $368 attributed to the warrants was expensed on the date of the transaction, while $477 was allocated to long-term debt and will be amortized to interest expense over the term of the Perceptive Debt. For the year ended December 31, 2016, $84 of deferred financing costs were amortized as interest expense.

The Credit Agreement contains various customary affirmative, negative and financial covenants, agreements, representations, warranties, borrowing conditions, and events of default. The Company was in compliance with all covenants at December 31, 2016.

	December 31, 2015	December 31, 2016
Long term debt at the time of financing	$ —	$ 4,234
Accretion	—	576
Less: Deferred charges on debt financing, net of amortization	—	(393)
Long term debt, net of deferred charges	$ —	$ 4,417

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In accordance with the loan agreement, the Company is obligated to make payments on the principal of the term loan as follows:

2018	$ 1,575
2019	2,700
2020	3,225
Total	$ 7,500

b. Common Share Warrant Liability

On October 22, 2014, the Company issued 280,000 common share purchase warrants to CTI Life Sciences Fund, L.P. ("CTI") in conjunction with a share exchange. Each warrant entitles the holder of the warrants to subscribe for and purchase, subject to the terms and restrictions of the agreement, one fully paid common share of the Company, at a purchase price of C$4.86 per common share. The warrants expire upon the earlier of October 22, 2017 or certain transactions or events as defined under the agreement. These warrants were originally recorded in shareholders' equity. Upon the change of the functional currency from Canadian dollars to U.S. dollars effective January 1, 2016, these warrants were reclassified as liability awards at that date with a total fair value of $268. The change in fair value of the warrants during the period they were classified as equity awards, $65, is recorded as an adjustment in the shareholders' equity. Subsequently, these liability classified warrants are measured at fair value at each reporting period until exercised or cancelled, with changes in fair value recorded in the consolidated statements of loss and comprehensive loss. Upon the completion of a qualifying public listing of the Company's shares, the Company can accelerate the expiration date by giving written notice to the holder, which will give the holder 30 days to exercise the warrants.

c. Warrant Liabilities Include the Following:

	December 31,	
	2015	2016
Preferred share warrant liabilities	$—	$3,314
Common share warrant liabilities	—	1,028
Total warrant liabilities	$—	$4,342

11. Redeemable Convertible Class A Preferred Shares, Special Shares and Shareholders' Equity

The number of shares and per share amounts are not presented in thousands.

a. Authorized

The Company has an unlimited number of voting common shares without par value. On December 21, 2015, the Company's Articles of Incorporation were amended to include 15,306,123 Class A preferred shares of which none are issued and outstanding as at December 31, 2015.

b. Share Exchange

On October 22, 2014, 4,359,532 Class B common shares of the Company were exchanged for Class A common shares, on a one-for-one basis (the "Share Exchange"). Immediately following the Share Exchange, all of the issued and outstanding Class A common shares were redesignated as common shares of the Company.

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c. Equity Financing

From January 1, 2014 to October 21, 2014, the Company completed multiple tranches of a private placement that began in 2013. The Company issued 2,411,496 common shares at a price of C$4.86 per share for aggregate gross proceeds of $10,677 (C$11,720), bringing the aggregate gross proceeds of the private placement to $16,079 (C$17,364). The Company recorded $28 in share issue costs related to this financing.

On October 22, 2014 and December 18, 2014, the Company completed private placements in which 4,909,091 common shares and 727,273 common shares were issued, respectively, at a price of C$5.50 for aggregate gross proceeds of $27,464 (C$31,000). On December 24, 2014, the Company completed a private placement in which 1,652,893 common shares were issued at a price of C$6.05 per share for aggregate gross proceeds of $8,604 (C$10,000). The Company recorded $375 in share issue costs related to these financings.

On February 17, 2015, the Company completed a private placement issuance of 367,500 common shares at a price of C$6.05 per share for gross proceeds of $1,797 (C$2,223). The Company recorded $45 in share issuance costs related to the financing.

On January 7, 2016, the Company completed an equity financing in which 12,554,665 Class A Preferred Shares were issued at a price of $4.90 per share for gross proceeds of $61,518. The Company recorded $2,658 in share issuance costs related to the financing.

d. Redeemable Convertible Class A Preferred Shares

The Class A preferred shares accrue dividends at 8% per annum non-cumulative, payable only when, and if, declared by the Board of Directors of the Company (the “Board”). In addition, holders of the Class A preferred shares will be entitled to receive, when and as declared by the Board, dividends in an amount equal to any dividend per common share declared by the Board on the common shares multiplied by the number of common shares that would be issued in exchange for the Class A preferred shares upon conversion.

Optional conversion: Each Class A preferred share is convertible at any time at the option of the holders into common shares, which is determined by dividing the Class A original issue price of $4.90 per share by the Class A conversion price in effect at the time of the conversion.

Mandatory conversion: Upon either a) the closing of the sale of common shares to the public at a price of at least 1.4 times the Class A original issue price of $4.90 per share in a firm-commitment underwritten public offering resulting in at least $50 million of gross proceeds, or b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding Class A Preferred Share, all outstanding Class A preferred shares will be automatically converted into common shares at the effective conversion rate. However, in the event the common share public issuance price is less than 1.5 times the Class A original issue price of $4.90 per share, then immediately prior to, and contingent upon such conversion, the Class A conversion price will be automatically adjusted to equal the lesser of (a) the quotient obtained by dividing the per share price in such public offering by 1.5 and (b) the Class A conversion price in effect as of immediately prior to such public offering.

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Upon the liquidation, dissolution, reorganization or winding-up of the Company, holders of Class A preferred shares are entitled to receive, before any distribution or payment on the common shares, an amount equal to the greater of:

(i) a) if such event occurs prior to January 7, 2017, 1.25 times the Class A original issue price of $4.90 per share,

b) if such event occurs after January 7, 2017, 1.5 times the Class A original issue price of $4.90 per share,

under both cases plus any dividends declared but unpaid.

(ii) amount per share payable had all Class A preferred shares been converted into common shares in accordance with the conversion mechanism.

The preferences over common shareholders cease to exist upon conversion of preferred shares into common shares.

Each preferred shareholder is entitled to the number of votes that such shareholder would be entitled to if such preferred shares were converted to common shares.

The Company assessed the Class A preferred shares for any beneficial conversion features or embedded derivatives, including the conversion option, that would require bifurcation from the applicable series of preferred shares and receive separate accounting treatment. On the date of the issuance of preferred shares, the fair value of the common shares into which the Class A preferred shares were convertible was less than the effective conversion price of such shares and, as such, there was no intrinsic value of the conversion option on the commitment date. There is a contingent beneficial conversion feature that would become applicable if an initial public offering is completed at an issue price in excess of the conversion price within one year of the date the preferred shares were issued. The Company classifies its preferred shares outside of permanent equity as the redemption of such shares is not solely under the control of the Company.

e. Special Shares

The special shares were issued in 2009, 2010 and 2011 in conjunction with the issuance of convertible debentures. The special shares were redeemed and cancelled on June 16, 2014, in conjunction with the conversion of the convertible debentures into Class B common shares (note 9). The special shares were redeemable at the option of the special shareholders at an amount equal to the aggregate issue price of the special shares being redeemed. The special shares had certain voting rights and preferential liquidation rights. The Company classified its special shares outside of permanent equity as the redemption of such shares was not solely under the control of the Company.

f. Special Purchase Warrant

The Special Purchase Warrant (the “Warrant”) was issued in conjunction with convertible debentures, and entitled the holder to subscribe for and purchase a number of securities equal to 25% of the securities issued as a result of the conversion of the convertible debentures in connection with certain qualifying transactions. As no qualifying transactions were completed, the Warrant expired on June 16, 2014, in conjunction with the conversion of the convertible debentures into Class B common shares (note 9).

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g. Common Share Purchase Warrant

On October 22, 2014, the Company issued 280,000 common share purchase warrants. The warrants were issued in conjunction with the Share Exchange (note 11b). Each warrant entitles the holder of the warrants to subscribe for and purchase, subject to the terms and restrictions of the agreement, one fully paid common share of the Company, at a purchase price of C$4.86 per common share. The warrants expire upon the earlier of October 22, 2017 or certain transactions or events as defined under the agreement. The estimated fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	68.35%
Risk-free interest rate	0.69%

The warrants had a fair value of $333 (C$374) on issuance.

h. Redeemable Convertible Class A Preferred Shares Warrant

Class A Preferred Share Warrants were issued on June 2, 2016, pursuant to the terms of the Perceptive Debt, which entitled Perceptive Credit Opportunities Fund, L.P. to purchase up to 704,081 redeemable convertible Class A preferred shares of the Company at an exercise price of $4.90 per share, with an expiry term of five years (note 10 a). The estimated fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	67.41%
Risk-free interest rate	1.93%

The warrants had a fair value of $3,266 on issuance.

i. Stock-Based Compensation

On July 14, 2006, the shareholders approved an employee stock option plan (the “Stock Option Plan”). The Stock Option Plan provides for the granting of options to directors, officers, employees and consultants. Options to purchase common shares may be granted at an exercise price of each option equal to the last private issuance of common shares immediately preceding the date of the grant. The total number of options outstanding is not to exceed 20% of the issued common shares of the Company.

Options granted under the Stock Option Plan are exercisable at various dates over their ten-year life. New common shares are issued when options are exercised.

For options issued to employees, the shares available for issuance under the Stock Option Plan vest over 4 years. Shares available for issuance under the Stock Option Plan issued to directors vest over 3 years, and shares available for issuance under the Stock Option Plan issued to consultants and members of the Scientific Advisory Board vest immediately upon issuance.

The exercise prices of the Company’s stock options are denominated in Canadian dollars. The U.S. dollar amounts have been translated using the period end rate or the average rate for the period, as applicable, and have been provided for information purposes.

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The following table summarizes information pertaining to the Company's stock options outstanding:

	Number of Options	Weighted-Average Exercise Price (C$)	Weighted-Average Exercise Price (US$)	Weighted-Average Contractual Term (years)	Aggregate intrinsic value (C$)	Aggregate intrinsic value (US$)
Outstanding, December 31, 2013	1,528,395	2.26	2.12	6.80	3,980	3,742
Granted	394,000	4.86	4.40			
Expired	(49,461)	2.00	1.81			
Exercised	(29,023)	2.07	1.87			
Forfeited	(10,538)	2.79	2.53			
Outstanding, December 31, 2014	1,833,373	2.82	2.43	6.54	5,917	5,100
Granted	909,500	6.05	4.73			
Expired	(14,471)	2.43	1.90			
Exercised	(81,036)	2.00	1.56			
Forfeited	(17,736)	5.09	3.98			
Outstanding, December 31, 2015	2,629,630	3.95	2.85	6.79	3,826	2,764
Granted	2,345,855	5.99	4.52			
Expired	(24,417)	3.88	2.93			
Exercised	(10,833)	2.07	1.56			
Forfeited	(380,522)	5.28	3.99			
Outstanding, December 31, 2016	4,559,713	4.89	3.64	7.36	20,958	15,609
December 31, 2015:						
Exercisable	1,625,503	2.95	2.13			
Vested and expected to vest	2,580,176	3.92	2.83			
December 31, 2016:						
Exercisable	2,184,871	3.61	2.69			
Vested and expected to vest	4,438,962	6.08	4.53			

The Company received cash of $17 (C$22) (2015—$128 (C$162), 2014—$55(C$60)), resulting from stock options exercised.

The following table summarizes information pertaining to the Company's stock options outstanding at December 31, 2015 and December 31, 2016:

	As of December 31, 2015						
	Options outstanding				Options exercisable		
Exercise price (C$)	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C$)	Weighted-average exercise price (US$)	Number of options exercisable	Weighted-average exercise price (C$)	Weighted-average exercise price (US$)
1.50	40,000	1.4	1.50	1.08	40,000	1.50	1.08
1.99	707,442	3.7	1.99	1.44	707,442	1.99	1.44
2.25	273,500	5.9	2.25	1.63	273,500	2.25	1.63
3.04	321,188	7.0	3.04	2.20	242,682	3.04	2.20
4.86	386,000	8.2	4.86	3.51	184,555	4.86	3.51
6.05	901,500	9.1	6.05	4.37	177,324	6.05	4.37
1.50 to 6.05	2,629,630	6.8	3.95	2.8	1,625,503	2.95	2.13

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	As of December 31, 2016						
	Options outstanding				Options exercisable		
Exercise price (C$)	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C$)	Weighted-average exercise price (US$)	Number of options exercisable	Weighted-average exercise price (C$)	Weighted-average exercise price (US$)
1.50	40,000	0.4	1.50	1.12	40,000	1.50	1.12
1.99	696,971	2.7	1.99	1.48	696,971	1.99	1.48
2.25	263,500	4.9	2.25	1.68	263,500	2.25	1.68
3.04	305,478	6.0	3.04	2.26	305,164	3.04	2.26
4.86	364,123	7.2	4.86	3.62	281,676	4.86	3.62
5.07	1,510,000	9.1	5.07	3.78	75,000	5.07	3.78
6.05	783,786	8.1	6.05	4.51	522,560	6.05	4.51
8.69	595,855	9.9	8.69	6.47	—	—	—
1.50 to 8.69	4,559,713	7.4	4.89	3.64	2,184,871	3.61	2.69

The stock options expire at various dates from February 4, 2017 to November 9, 2026.

A summary of the Company's non-vested stock option activity and related information for the year ended December 31, 2015 and 2016 is as follows:

	Number of options	Weighted-average fair value price (C$)	Fair value (C$)	Weighted-average fair value price (US$)
Non-vested, January 1, 2015	609,792	2.49	1,519	2.15
Options granted	909,500	3.57	3,248	2.79
Options vested	(497,429)	2.75	(1,366)	2.15
Options forfeited and cancelled	(17,736)	3.01	(53)	2.35
Non-vested, December 31, 2015	1,004,127	3.33	3,348	2.41
Options granted	2,345,855	3.69	8,657	2.79
Options vested	(594,618)	3.18	(1,888)	2.40
Options forfeited and cancelled	(380,522)	3.29	(1,250)	2.48
Non-vested, December 31, 2016	2,374,842	3.73	8,867	2.78

The estimated fair value of options granted to officers, directors, employees and consultants is amortized over the vesting period. Compensation expense is recorded in research and development expenses and general and administration expenses as follows:

The following stock-based compensation amounts were recognized for the years ended December 31, 2014, 2015 and 2016. Compensation expense is recorded in research and development expenses and general and administration expenses as follows:

	Year Ended December 31,		
	2014	2015	2016
Research and development	$363	$ 924	$2,615
General and administrative	211	465	1,676
Total	$574	$1,389	$4,291

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For the year ended December 31, 2015, $1,353 of share-based compensation expense was recorded in additional paid-in capital and the remaining balance was recorded in the liability classified stock options account within the other current liabilities.

For the year ended December 31, 2016, $2,797 of share-based compensation expense was recorded in additional paid-in capital and the remaining balance was recorded in liability classified stock options account within the other current liabilities.

The estimated fair value of the stock options granted was determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year ended December 31,		
	2014	2015	2016
Dividend yield	0%	0%	0%
Expected volatility	70.4%	66.3%	70.5%
Risk-free interest rate	2.24%	1.50%	1.08%
Expected average life of options	5.81 years	5.73 years	5.91 years

Expected Volatility—Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. As the Company does not yet have sufficient history of its own volatility, the Company has identified several public entities of similar complexity and stage of development and calculates historical volatility using the volatility of these companies.

Risk-Free Interest Rate—This rate is from the Government of Canada marketable bonds for the month prior to each option grant during the year, having a term that most closely resembles the expected life of the option.

Expected Term—This is the period of time that the options granted are expected to remain unexercised. Options granted have a maximum term of ten years. The Company estimates the expected life of the option term to be six years. The Company uses the simplified method to calculate the average expected term, which represents the average of the vesting period and the contractual term.

Expected Forfeiture Rate—The forfeiture rate is the estimated percentage of options granted that is expected to be forfeited or cancelled on an annual basis before becoming fully vested. The Company estimates the forfeiture rate based on turnover data with further consideration given to the class of the employees to whom the options were granted.

Share Fair Value—The Company grants stock options at exercise prices not less than the fair value of its common shares as determined by the board of directors, with input from management. Management estimates the fair value of its common shares based on a number of objective and subjective factors, including the most recently available valuation of common shares prepared by independent valuation specialists, external market considerations affecting the biotechnology industry and the historic prices at which the Company sold common shares.

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The weighted-average Black-Scholes option pricing assumptions for liability classified stock options outstanding at December 31, 2015 and December 31, 2016 are as follows:

	December 31, 2015	December 31, 2016
Dividend yield	0%	0%
Expected volatility	65.5%	67.5%
Risk-free interest rate	0.99%	0.96%
Expected average option term	5.91 years	5.89 years
Number of liability classified share options outstanding	65,000	758,569

The estimated fair value of the equity instrument issued to non-employees are recorded on the earlier of the performance commitment date or the date the services required are completed. For the year ended December 31, 2016, the Company recorded $ nil (2015—$ nil, 2014—$21) stock-based compensation expense for non-employees.

The total intrinsic value of options exercised during the year ended December 31, 2016, December 31, 2015 and 2014 was C$51, C$328 and C$81, respectively. At December 31, 2016 and 2015, the unamortized compensation expense related to unvested options was $2,870 (C$3,854) and $798 (C$1,108), respectively. The remaining unamortized compensation expense as of December 31, 2016 will be recognized over the a weighted-average period of 2.22 years.

12. Government Grants and Credits

	Year Ended December 31,		
	2014	2015	2016
SR&ED credits, net	2,149	251	1,265
Total	$2,149	$251	$1,265

The Company accrued refundable investment tax credits receivable for the year ended December 31, 2016 of $1,265 (2015—$251 and 2014—$2,149), which have been recorded as a reduction of research and development expenses in the statement of loss and comprehensive loss. The SR&ED receivable of $1,660 as of December 31, 2016, also includes $264 relating to the investment tax credit for 2015 that was not collected yet and $131 relating to the SR&ED credits receivable by Kairos related to the period preceding the acquisition (note 5). Although the Company has used its best judgment and understanding of the related income tax legislation in determining its claims, it is possible the amounts could increase or decrease materially in the future, as the Canada Revenue Agency (“CRA”) reserves the right to review and audit the investment tax credit claims.

During the current year, the Company did not recognize any grants (2015—$ nil and 2014—$ nil) under the National Research Council of Canada’s Industrial Research Assistance Program (“IRAP”). Research grants were recorded as a reduction in research and development expenses and capital asset cost base based on the underlying expenditures. The IRAP funding agreement contains contingency clauses which could require repayment of funding if certain conditions are not met. The Company is in compliance with these conditions.

13. Research Collaboration and Licensing Agreements

The Company has entered into a number of collaboration and licensing agreements including some under which it may receive non-refundable upfront payments for licenses to therapeutic platforms. When the Company

determines that the license and the related therapeutic platform have stand-alone value to the licensee, these items are considered a unit of accounting and consideration allocated to this unit of accounting is recognized upon delivery of the therapeutic platform. When research services related to the transfer of the technical information are required, then the license, applicable research services, and therapeutic platform are considered a unit of accounting and the Company generally recognizes revenue from the applicable upfront payments ratably over the estimated period the research services are provided.

The collaborations may also include other research services and contractual milestone payments, which relate to the achievement of pre-specified research, development, regulatory and commercial milestones. The process of successfully achieving the criteria for the milestone payments is highly uncertain. Consequently, there is a significant risk that the Company may not earn all of the milestone payments from each of its strategic partners.

Research and development milestones in the Company's collaboration agreements may include some, but not necessarily all, of the following types of events:

- completion of preclinical research and development work leading to selection of product candidates;
- initiation of Phase 1, Phase 2 and Phase 3 clinical trials; and
- achievement of certain other technical, scientific or development criteria.

Regulatory milestone payments may include the following types of events:

- filing of regulatory applications for marketing approval in the United States, Europe or Japan, including Investigational New Drug ("IND") applications and Biologics License Application ("BLA"); and
- marketing approval in major markets, such as the United States, Europe or Japan.

Commercial milestone payments in the Company's agreements may include payments triggered by annual product sales that achieve pre-specified thresholds and the achievement of these commercial milestones may solely depend upon performance of the collaborator or licensee. Commercial milestones do not meet the ASC 605-28 definition of a milestone because achievement of the milestone solely depends on performance of the licensee.

Each contingent and milestone payment is evaluated to determine whether it is substantive and at risk to both parties. The Company recognizes any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved assuming collection is reasonably assured. Any revenue from non-substantive milestones and milestones that do not meet the ASC 605-28 definition of a milestone is subject to an allocation of arrangement consideration and is recognized over the remaining period of the performance obligations, if any, relating to the arrangement. If there are no remaining performance obligations under the arrangement at the time the contingent payment is triggered, the contingent payment is recognized as revenue in full upon the triggering event occurring.

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Strategic Partnership Revenue

The following table presents summarized revenue recognized from the Company's strategic partnerships.

	Year ended December 31,		
	2014	2015	2016
Merck:			
Research support payments	$ —	$ 857	$ 832
Lilly:			
Recognition of upfront payments	970	—	—
Milestone revenue	—	1,025	2,000
Research support payments	700	263	46
Celgene:			
Recognition of upfront payments	—	7,515	—
GSK:			
Technology access fee	—	—	6,000
Daiichi:			
Technology access fee	—	—	2,000
Research support payments	—	—	131
	$1,670	$9,660	$11,009

Research and License Agreement with Merck Sharp & Dohme Research Ltd. ("Merck")

On August 22, 2011, the Company entered into a Research and License Agreement with Merck providing Merck a worldwide license to develop and commercialize novel bispecific antibodies generated through use of the Company's Azymetric platform toward certain exclusive therapeutic targets. Both companies will collaborate to advance the therapeutic platforms, with Merck working to progress the bispecific therapeutic antibody candidates through clinical development and commercialization. No joint development activities to advance the therapeutic platforms have occurred since inception and Merck no longer has a right to such joint activities. In 2013, Merck was also provided with a limited, non-exclusive license to EFECT, to be used together with the Azymetric platform for developing products.

On December 3, 2014, the Company and Merck jointly amended the agreement, including amending certain terms and exclusivities contained therein. Under the terms of the amended agreement, the Company receives funding for certain internal and external research costs incurred in the project. Additionally, the amendment removed a $2.0 million research milestone from the total milestones the Company would be eligible to receive over the life of the agreement. The new research funding terms were priced at market rate, and the Company concluded that the original agreement was not materially modified. Accordingly, the amendments did not impact the determination of units of accounting or the allocation of the arrangement consideration.

Over the life of the agreement, the Company is eligible to receive payments up to $190.75 million, comprised of a $1.25 million upfront payment, $3.5 million for research phase successes, up to $6.0 million for completion of IND-enabling studies, up to $66.0 million for development milestones and up to $114.0 million for commercial milestones. In addition, the Company is eligible to receive tiered royalty payments on sales of products. Merck will have exclusive worldwide commercialization rights to products derived from the agreement. The Company determined that the research, development and commercial milestones do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on Merck's performance.

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Upon the execution of the agreement, the Company received a one-time, non-refundable upfront payment of $1.25 million. The Company's substantive performance obligations under the agreement include providing the license and the transfer of relevant technical information and therapeutic platform to Merck. In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the Merck agreement: (1) the research license, (2) the commercial license, (3) the transfer of the Company's platform technology (Azymetric) (4) research services and technical assistance in connection with the transfer of platform technology to Merck, and (5) research activities to be performed on behalf of Merck. The Company determined that the licenses did not have stand-alone value without the Company's platform technology and its technical assistance during the transfer of the technology. Accordingly, the deliverables (1) through (4) were considered as a single unit of accounting and the upfront payment of $1.25 million has been allocated to this unit of accounting. The upfront payment was recorded as deferred revenue and recognized into revenue on a straight-line basis from October 1, 2011 through June 30, 2012, the period over which the Company performed the procedures for transferring the Company's know-how and technology and related technical assistance during the transfer process. The research activities to be performed on behalf of Merck after the transfer of the technology are also determined to have stand-alone value as Merck or another third party could provide these services without the Company's assistance. The revenue from this deliverable is recognized upon performance of such activities at rates consistent with prevailing market rates.

The consideration otherwise allocable to delivered units is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions. Consequently, the arrangement consideration related to the research activities to be performed on behalf of Merck after the transfer of the technology was excluded from the allocation arrangement consideration because the consideration and performance are contingent upon Merck requesting performance of the services and these services are priced at an estimated fair value.

The upfront payment of $1.25 million was allocated to the research license deliverable, commercial license deliverable, technology platform deliverable and research services and technical assistance provided during the technology transfer deliverable using the relative estimated selling price method. The Company estimated the best estimate of selling price of the licenses and technology platform based on comparable license and collaboration arrangements. The best estimate of selling price for the other deliverables was estimated using internal estimates of cost to perform the specific services plus a normal profit margin for providing the services.

The agreement contains customary termination rights for Merck and the Company including the right for Merck to terminate the agreement in its sole discretion with advance notice to the Company. The agreement will terminate on the later of: (a) the expiry of the last patent covering a Merck licensed product excluding methods of making the product; or (b) the expiry of the royalty payment obligations by Merck. During the research term, the agreement will terminate if the antibodies do not achieve all the research milestones or if Merck elects to not further develop the antibodies after the research term.

The Company received and recorded non-refundable milestone payments from Merck in the amounts of $2.0 million and $1.5 million on September 20, 2012 and April 22, 2013, respectively. These milestone payments were received upon the achievement of certain development activities during the course of the research program and were recorded as revenue upon achievement of the milestone as the Company had no remaining performance obligations under the arrangement. No additional milestone payments or royalties have been received to date.

During the year ended December 31, 2016, the Company recorded $832 (2015—$857 and 2014—$nil) in research support payments from Merck, under the terms of the amended agreement.

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Licensing and Collaboration Agreement with Eli Lilly and Company ("Lilly")

On December 17, 2013, the Company entered into a Licensing and Collaboration Agreement with Lilly to develop novel bispecific antibody therapeutics using the Company's proprietary Azymetric platform. The Company will apply its Azymetric platform in combination with Lilly's proprietary targets to create novel bispecific antibodies which Lilly will have the right to develop and commercialize worldwide.

Over the life of the agreement, the Company will receive funding for internal and external research costs incurred on behalf of Lilly on the project, and is eligible to receive potential milestone payments for each product, comprised of $1.0 million for research phase success, $2.0 million for IND submission, $8.0 million for development milestones and up to $40.0 million for commercial milestones. In addition, the Company is eligible to receive tiered royalty payments on the sale of products. Lilly will have exclusive worldwide commercialization rights to products derived from the collaboration. The Company determined that the research milestone is substantive, while development and commercial milestones do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on Lilly's performance.

Upon the execution of the agreement, the Company received a one-time, non-refundable upfront payment of $1.0 million. In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the Lilly agreement: (1) the research license, (2) the commercial license, (3) the transfer of the Company's platform technology (Azymetric), (4) the research services and technical assistance to be provided by the Company in connection with the transfer of intellectual property to Lilly, and (5) research activities to be performed on behalf of Lilly. The Company determined that the licenses did not have stand-alone value without the Company's platform technology and its technical assistance during the transfer of the technology. Accordingly, the deliverables (1) through (4) were considered as a single unit of accounting and the upfront payment of $1.0 million has been allocated to this unit of accounting. The payment was recorded as deferred revenue and recognized into revenue on a straight-line basis from December 31, 2013 to June 30, 2014, the period over which the Company performed the procedures for transferring the Company's know-how and technology and related technical assistance during the transfer process. The research activities to be performed on behalf of Lilly after the transfer of the technology are also determined to have stand-alone value as Lilly or another third party could provide these services without the Company's assistance. The revenue from this deliverable is recognized upon performance of such activities at rates consistent with prevailing market rates.

The consideration otherwise allocable to delivered units is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions. Consequently, the arrangement consideration related to the research activities to be performed on behalf of Lilly after the transfer of the technology was excluded from the allocation arrangement consideration because the consideration and performance are contingent upon Lilly requesting performance of the services and these services are priced at an estimated fair value.

The upfront payment of $1.0 million was allocated to the research license deliverable, commercial license deliverable, technology platform deliverable and research services and technical assistance provided during the technology transfer deliverable using the relative estimated selling price method. The Company estimated the best estimate of selling price of the licenses and technology platform based on comparable license and collaboration arrangements. The best estimate of selling price for the other deliverables was estimated using internal estimates of cost to perform the specific services plus a normal profit margin for providing the services.

The agreement contains customary termination rights for Lilly and the Company including the right for Lilly to terminate the agreement in its sole discretion with advance notice to us. The agreement will terminate on

a product-by-product and country-by-country basis upon the later of the product being no longer covered by certain patents related to the Lilly licensed product, or 10 years after the first commercial sale of the Lilly licensed product in such a country.

On December 11, 2015, the Company recorded non-refundable substantive research milestone revenue from Lilly in the amount of $1.0 million upon the achievement of certain research activities during the course of the research program.

During the year ended December 31, 2016, the Company recorded $46 (2015—$263 and 2014—$700) in research support revenue from Lilly.

Licensing and Collaboration Agreement with Lilly

On October 22, 2014, the Company entered into a second Licensing and Collaboration Agreement with Lilly to develop novel bispecific antibody therapeutics using the Company's proprietary Azymetric platform. This agreement did not alter or amend the initial agreement entered into on December 17, 2013. Under the terms of this agreement, the Company will apply its Azymetric platform in combination with Lilly's proprietary targets to create novel bispecific antibodies which Lilly will develop and commercialize. Each of the two agreements with Lilly were negotiated independently and the deliverables covered by the respective contracts are unrelated to one another as they cover different product candidates. Accordingly, the second Licensing and Collaboration Agreement with Lilly has been accounted for as a new arrangement.

The Company is eligible to receive potential milestone payments totaling up to $375.0 million, comprised of up to $6.0 million for research success milestone, up to $24.0 million for IND submission milestones, up to $60.0 million for development milestones and up to $285.0 million for commercial milestones. In addition, the Company is eligible to receive tiered royalty payments on the sale of products. Lilly will have exclusive worldwide commercialization rights to products derived from the collaboration. No license, research, development and commercial milestones or royalty payments have been received to date. The Company determined that research milestones are substantive while development and commercial milestones do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on Lilly's performance.

The agreement contains customary termination rights for Lilly and the Company with advance notice to the Company, in addition to (i) both Lilly and the Company have certain rights to terminate on a program by program basis due to scientific failure, (ii) Lilly can terminate the agreement on a target pair by target pair basis in its sole discretion after the payment of the initial license fee for such a target pair, (iii) Lilly can terminate the agreement or specific target pairs due to an incurable material breach by the Company, and under specific conditions, Lilly shall have certain rights to continue the research, development and commercialization of products with their license payment, milestone and royalty obligations reduced by 50% and (iv) Lilly shall have the right to terminate the agreement or specific target pairs in the event of the Company undergoing a change of control, while retaining certain rights. If the affected research programs have not completed specific research stages, Lilly's obligations to the license payments, milestones and royalties shall be reduced in a tiered fashion ranging from 25-75%

On December 1, 2016, the Company recorded a non-refundable fee of $2.0 million which was received upon achievement of a critical success criteria point milestone under the research plan.

No other research, development or commercial milestone payments or royalties have been received to date.

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Licensing and Collaboration Agreement with Celgene Corporation & Celgene Alpine Investment Co. LLC ("Celgene")

On December 23, 2014, the Company entered into an agreement with Celgene to develop novel bispecific antibody therapeutics using the Company's proprietary Azymetric platform. The Company will apply its Azymetric platform in combination with Celgene's proprietary targets to create novel bispecific antibodies for which Celgene has an option to develop and commercialize a certain number of products ("Commercial License Option").

Over the life of the agreement, the Company is eligible to receive potential milestone payments totaling up to $164.0 million per each therapeutic candidate, comprised of a payment of $7.5 million upon Celgene exercising a Commercial License Option, up to $101.5 million for development milestones and up to $55.0 million for commercial milestones. In addition, the Company is eligible to receive tiered royalties calculated upon the global net sales of the resulting products. Celgene will have exclusive worldwide commercialization rights to products derived from the agreement if Celgene elects to exercise a Commercial License Option for each product. The Company determined that research, development and commercial milestones do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on Celgene's performance.

Upon the execution of the Agreement, the Company received a one-time, non-refundable payment of $8.0 million. In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the Celgene agreement: (1) the non-exclusive research license, (2) the transfer of the Company's platform technology (Azymetric) and relevant know-how, and (3) technical assistance if required by Celgene in connection with the transfer of technology. The Company determined that the research license did not have stand-alone value without the Company's platform technology and its technical assistance during the transfer of the technology. The Company concluded that, at the inception of the agreement, Celgene's option to obtain a Commercial License did not represent a deliverable because it is a substantive option and does not contain a significant or incremental discount.

The deliverables are considered a single unit of accounting and the upfront payment of $8.0 million has been allocated to this unit of accounting. The upfront payment was recognized as revenue ratably over the six-month period ended June 30, 2015, the period during which the Company transferred its technical know-how and technology to Celgene.

The agreement contains customary termination rights for Celgene and the Company including the right of Celgene to terminate the agreement in its entirety or on a product-by-product basis in its sole discretion with advance notice to the Company. The agreement will terminate on a product-by-product and country-by-country basis upon the later of the expiration of the last-expiring patent related to the Celgene licensed product, or 10 years after the first commercial sale of the Celgene licensed product in such a country. If Celgene does not exercise its option for the commercial license, the agreement will terminate on a product-by-product basis for which the option was not exercised.

No development or commercial milestone payments or royalties have been received to date.

Collaboration and License Agreement with GlaxoSmithKline Intellectual Property Development Ltd. ("GSK")

On December 1, 2015, the Company entered into a Collaboration and License Agreement with GSK for the research, development, and commercialization of novel Fc-engineered monoclonal and bispecific antibody

therapeutics, which have been optimized for specific therapeutic effects. The Company and GSK will collaborate to further develop the Company's Effector Function Enhancement and Control Technology (EFECT) platform through the design, engineering, and testing of novel engineered Fc domains tailored to induce specific antibody-mediated immune responses.

At the conclusion of the research collaboration, both GSK and the Company will have the right to develop and commercialize monoclonal and bispecific antibody candidates that incorporate the Company's optimized immune-modulating Fc domains.

Under the terms of the agreement, GSK will have the right to develop a minimum of four products across multiple disease areas, and the Company will be eligible to receive research, development, and commercial milestones of up to $110.0 million for each product. In addition, the Company is eligible to receive tiered sales royalties. Under the terms of the agreement, each party is liable for their own internal and external research costs incurred in the project. Furthermore, the Company will have the right to develop up to four products with the intellectual property arising from the collaboration without any royalty or milestone payment to GSK. The Company determined that research, development and commercial milestones under the agreement do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on GSK's performance.

The agreement contains customary termination rights for GSK and the Company including the right for GSK to terminate the agreement in its sole discretion with advance notice to us, after the research period has advanced beyond a specified stage, and allowing the parties to terminate the agreement by mutual agreement during the research period. If GSK elects not to advance any product into research and development, the agreement will terminate at the end of the research period. If GSK elects to advance one or more products incorporating intellectual property generated under the research period for further research and development, the agreement will terminate on a product-by-product and country-by-country basis upon the latter of the product being no longer covered by a patent related to the GSK licensed product, or 10 years after the first commercial sale of the GSK licensed product in such a country.

No development or commercial milestone payments or royalties have been received to date.

Platform Technology Transfer and License Agreement with GSK

On April 21, 2016, the Company entered into a Platform Technology Transfer and License Agreement with GSK for the research, development, and commercialization of novel bispecific antibodies enabled using the Company's Azymetric platform. Each of the two agreements with GSK were negotiated independently and the deliverables covered by the respective contracts utilize different therapeutic platforms and are unrelated to one another. Accordingly, the Platform Technology and License Agreement with GSK has been accounted for as a new arrangement.

Upon execution of the agreement, the Company received a technology access fee of $6.0 million on May 3, 2016. In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the GSK agreement: (1) the non-exclusive research license, (2) commercial license (3) transfer of the Company's platform technology (Azymetric) and relevant know-how, (4) technical assistance if required by GSK in connection with the transfer of technology, and (5) the obligation to provide future technology improvement and updates, when and if available. The Company determined that the licenses did not have stand-alone value without the Company's platform technology and its technical assistance during the transfer of the technology. Accordingly, deliverables (1) through (4) were considered as a single unit of accounting and the technology

access fee of $6.0 million has been allocated to this unit of accounting and has been recognized as revenue upon completion of the transfer of the Company's technology and technical know-how to GSK.

The upfront payment of $6.0 million was allocated to the research license deliverable, commercial license deliverable, technology platform deliverable and technical assistance provided during the technology transfer deliverable using the relative estimated selling price method. The Company estimated the best estimate of selling price of the licenses and technology platform based on comparable license and collaboration arrangements. The best estimate of selling price for the other deliverables was estimated using internal estimates of cost to perform the specific services plus a normal profit margin for providing the services. The Company concluded that the best estimate of selling price for the obligation to deliver future technology improvements and updates was a nominal amount, as the Company has no intention of performing and has made no commitment to perform or provide additional update work on the applicable technology platform. Accordingly, no arrangement consideration was allocated to this deliverable.

The Company is also eligible to receive up to $30.0 million in research milestone payments; up to $152.0 million in development milestone payments; and up to $720.0 million in commercial sales milestone payments. In addition, the Company is entitled to receive tiered royalties on potential sales. The Company determined that research, development and commercial milestones for the GSK agreement do not constitute milestones and will not be accounted for under the milestone method of revenue recognition. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on GSK's performance.

The agreement contains customary termination rights for GSK and the Company including the right for GSK to terminate the agreement in its sole discretion with advance notice to the Company. Termination provisions allow for GSK to terminate the agreement or specific antibody sequence pairs due to an incurable material breach by the Company, and under specific conditions, GSK shall have certain rights to continue the research, development, and commercialization of products with their license payment, milestone, and royalty obligations reduced by 50%.

No research, development or commercial milestone payments or royalties have been received to date.

Collaboration and Cross License Agreement with Daiichi Sankyo, Co., Ltd. ("Daiichi")

On September 26, 2016, the Company entered into a Collaboration and Cross License Agreement with Daiichi for the research, development, and commercialization of novel bispecific antibodies enabled using the Company's Azymetric and EFECT platforms. Additionally, the Company will license immuno-oncology antibodies from Daiichi, with the right to research, develop and commercialize multiple products globally in exchange for royalties on product sales. Under the agreement, Daiichi will have the option to develop and commercialize a single bispecific immuno-oncology therapeutic.

Upon execution of the agreement, the Company received a technology access fee of $2.0 million. In accordance with ASC 605-25, the Company identified the following deliverables at the inception of the Daiichi agreement: (1) the research license, (2) the transfer of the Company's platform technologies (Azymetric and EFECT) and relevant know-how, and (3) research activities to be performed on behalf of Daiichi. The Company concluded that the license did not have stand-alone value without the Company's platform technologies. Accordingly, the deliverables (1) and (2) were considered as a single unit of accounting and the technology access fee of $2.0 million was allocated to this unit of accounting and was recognized as revenue upon delivery of the licenses and transfer of the relevant technology. The research activities to be performed on behalf of Daiichi after the transfer of the technology are also determined to have stand-alone value as Daiichi or another

third party could provide these services without the Company's assistance. The revenue to be received from Daiichi from delivery of these services is recognized upon performance of such activities at rates consistent with prevailing market rates. The Company concluded that, at the inception of the agreement, Daiichi's option to obtain a Commercial License did not represent a deliverable because it is a substantive option and did not contain a significant or incremental discount.

The consideration otherwise allocable to delivered units is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions. Consequently, the arrangement consideration related to the research activities to be performed on behalf of Daiichi after the transfer of the technology was excluded from the allocation arrangement consideration because the consideration and performance are contingent upon Daiichi requesting performance of the services and these services are priced at an estimated fair value.

The upfront payment of $2.0 million was allocated to the research license deliverable and technology platform deliverable using the relative estimated selling price method. The Company estimated the best estimate of selling price of the licenses and technology platform based on comparable license and collaboration arrangements.

The Company is also eligible to receive up to $67.9 million in research and development milestone payments and commercial license option; and up to $80.0 million in commercial sales milestone payments. In addition, the Company is eligible to receive tiered royalties on potential product sales. The Company determined that research, development and commercial milestones do not constitute milestones and will not be accounted for under the milestone method of revenue recognition, except a research milestone for $1.0 million which is substantive. The events and conditions resulting in these payments do not meet the definition of a milestone because the achievement of these events solely depends on Daiichi's performance.

The agreement contains customary termination rights for Daiichi and the Company including the right for Daiichi to terminate the rights to the Company's therapeutic platforms in its sole discretion with advance notice to the Company and for the Company to terminate the Company's rights to Daiichi's antibodies with advance notice to Daiichi. The agreement shall terminate, with respect to Daiichi's license, if Daiichi fails to exercise its option or, on a Product-by-Product basis, until expiration of Daiichi's royalty obligations.

During the year ended December 31, 2016, the Company recorded $131 in research support revenue from Daiichi.

14. Financial Instruments

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the fair value hierarchy. The fair market values of the financial instruments included in the financial statements, which include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, approximate their carrying values at December 31, 2016 and December 31, 2015, due to their short-term maturities. See note 10 for a summary of the warrant fair value balances.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and other receivables. Cash and cash

equivalents and short-term investments are invested in accordance with the Company's Treasury Policy with the primary objective being the preservation of capital and maintenance of liquidity. The Treasury Policy includes guidelines on the quality of financial instruments and defines allowable investments that the Company believes minimizes the exposure to concentration of credit risk. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

The Company does not currently maintain a provision for bad debts on accounts receivable. The maximum exposure to credit risk for accounts receivable at the reporting date was $2.7 million (2015 – $1.5 million) and all account receivables are due within a year.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The ability to do this relies on the Company collecting its trade receivables in a timely manner, by maintaining sufficient cash and cash equivalents and securing additional financing as needed.

The Company's financial obligations include accounts payable and accrued liabilities which generally fall due within 45 days and the Company's current portion of capital lease obligations which fall due within the next 12 months.

Foreign Currency Risk

The Company undertakes certain transactions in currencies other than U.S. dollars and as such is subject to risk due to fluctuations in exchange rates. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk due to the low volume of transactions denominated in foreign currencies. Non-U.S. dollar denominated payables are paid at the converted rate as due.

The operating results and financial position of the Company are reported in U.S. dollars in the Company's financial statements. The fluctuation of the U.S. dollar in relation to the Canadian dollar and other foreign currencies will consequently have an impact upon the Company's loss and may also affect the value of the Company's assets and the amount of shareholders' equity.

15. Income Taxes

a. Income tax expense (recovery) varies from the amounts that would be computed by applying the expected income tax rate of 26% to loss before income taxes as shown in the following tables:

	Year Ended December 31,		
	2014	2015	2016
Computed taxes at Canadian tax rate (26%)	$(3,365)	$(4,975)	$(10,070)
Non-deductible expenses	155	368	1,343
Difference between domestic and foreign tax rate	—	11	95
Adjustments to prior year	(17)	(2)	439
Change in valuation allowance	4,927	6,098	3,948
Other	(1,700)	(1,466)	(830)
Income tax expense / (recovery)	$ —	$ 34	$ (5,075)

ZYMEWORKS INC.
Notes to the Consolidated Financial Statements

	Year Ended December 31,		
	2014	2015	2016
Current income tax expense	$—	$ 18	$ 430
Deferred income tax expense / (recovery)	—	16	(5,505)
Income tax expense / (recovery)	$—	$ 34	$ (5,075)

Income tax expense for the year ended December 31, 2016 and 2015 arose from the operations of Zymeworks Biopharmaceuticals Inc., the Company's wholly owned subsidiary in the United States and from the withholding taxes paid by the Company abroad.

b. Deferred income tax assets and liabilities result from the temporary differences between the amounts of assets and liabilities recognized for financial statement and income tax purposes. The significant components of the deferred income tax assets and liabilities are as follows:

	December 31, 2015	December 31, 2016
Deferred tax assets:		
Non-capital losses carried forward	$ 5,279	$ 12,360
Share issue costs	44	580
Property and equipment	158	359
Research and development deductions and credits	9,940	11,929
Other	8	112
	15,429	25,340
Deferred tax liabilities:		
Property and equipment	(24)	(30)
IPR&D	—	(5,019)
Long term debt	—	(699)
	(24)	(5,748)
	15,405	19,592
Less: valuation allowance	(15,421)	(19,511)
Net deferred tax (liabilities) / assets	$ (16)	$ 81

The realization of deferred income tax assets is dependent upon the generation of sufficient taxable income during future periods in which the temporary differences are expected to reverse. The valuation allowance is reviewed on a quarterly basis and if the assessment of the "more likely than not" criteria changes, the valuation allowance is adjusted accordingly.

c. At December 31, 2016, the Company has net operating losses carried forward for tax purposes in Canada, which are available to reduce taxable income of future years of approximately $47.5 million (December 31, 2015—$20.3 million) expiring commencing 2026 through 2036.

At December 31, 2016, the Company also has unclaimed tax deductions for scientific research and experimental development expenditures of approximately $33.0 million (2015—$26.4 million) with no expiry. At December 31, 2015, the Company has approximately $4.3 million (2015—$3.9 million) of investment tax credits available to offset Canadian federal and provincial taxes payable expiring commencing in 2021 through 2036.

ZYMEWORKS INC.
Notes to the Consolidated Financial Statements

d. The investment tax credits and non-capital losses and net operating losses for income tax purposes expire as follows:

Expiry date	Investment tax credits	Non-capital losses
2021	$ 86	$ —
2022	158	—
2023	94	—
2024	1	—
2025	313	—
2026	278	191
2027	30	417
2028	19	636
2029	24	868
2030	14	1,271
2031	133	1,800
2032	489	583
2033	557	1,970
2034	381	5,601
2035	1,068	9,617
2036	701	24,584
	$ 4,346	$ 47,538

The benefit of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority must be recognized at the largest amount that is more likely than not to be sustained. No portion of the benefit of an uncertain tax position may be recognized if the position has less than a 50% likelihood of being sustained. The Company currently do not have any unrecognized tax benefits of uncertain tax positions. The Company does not expect any significant increases to their unrecognized tax benefits within twelve months of the reporting date.

The Company currently files income tax returns in Canada and the United States, the jurisdictions in which the Company believes that it is subject to tax. Further, while the statute of limitations in each jurisdiction where an income tax return has been filed generally limits the examination period, as a result of loss carry-forwards, the limitation period for examination generally does not expire until several years after the loss carry-forwards are utilized. Other than routine audits by tax authorities for tax credits and tax refunds that the Company has claimed, Management is not aware of any other material income tax examination currently in progress by any taxing jurisdiction. Tax years ranging from 2004 to 2016 remain subject to Canadian income tax examinations.

16. Commitments and Contingencies

Lease Commitments

The Company leases office premises in Vancouver, British Columbia and Seattle, Washington that expire in August 2021 and January 2022, respectively. The Company has also entered into a lease for lab space in Vancouver, British Columbia that commenced in September 2016 and will expire in August 2021. The leases contain rent escalation clauses. The Company also leases office equipment under capital lease agreements. Future

minimum lease payments under the non-cancellable operating leases and capital leases at December 31, 2016 are as follows:

	Payments Due By Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Capital lease obligations	$ 5	$ 8	$ 3	$ —	$ 16
Operating lease obligations	1,726	3,766	3,127	44	8,663
Total contractual obligations	1,731	3,774	3,130	44	8,679

Other Commitments

The Company has entered into research collaboration agreements with strategic partners, in the ordinary course of operations, that may include contractual milestone payments related to the achievement of pre-specified research, development, regulatory and commercialization events and indemnification provisions, which are common in such agreements. The maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial and product liability insurance. This insurance limits the Company's liability and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and the Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

In August 2016, the Company entered into a license agreement with Innovative Targeting Solutions Inc., or ITS, to use ITS' protein engineering technology for the development and commercialization of antibody and protein therapeutics. Pursuant to the agreement, the Company agreed to pay an aggregate of $12.0 million in annual licensing fees to ITS over a five-year period. The licensing fee for the first year was $1.0 million, which has been recorded in intangible assets and is being amortized over a twelve-month period. The Company may also be required to make payments to ITS upon the achievement of certain development and commercial milestones, as well as royalty payments on net sales.

In connection with the Kairos acquisition, the Company may be required to make future payments to CVI upon the direct achievement of certain development milestones for products incorporating certain Kairos intellectual property, as well as royalty payments on the net sales of such products. For out-licensed products and technologies incorporating certain Kairos intellectual property, the Company may be required to pay CVI a mid-single digit percentage of the future revenue as a result of a revenue sharing agreement.

Contingencies

From time to time, the Company may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

17. Related Party Transactions

Lilly is a shareholder of the Company and is considered a related party under ASC 850. Total revenue recognized from the two Lilly agreements for the years ended December 31, 2014, 2015 and 2016 are $1,670, $1,288 and $2,046, respectively (note 13). The amount due from Lilly under these agreements was $1,003 and $2,046 as of December 31, 2015 and 2016, respectively.

ZYMEWORKS INC.
Notes to the Consolidated Financial Statements

On October 22, 2014, the Company issued 280,000 common share purchase warrants to CTI in conjunction with a share exchange (note 10 b). CTI is a shareholder of the Company and is considered a related party under ASC 850.

18. Subsequent Events

In addition to events subsequent to December 31, 2016 disclosed elsewhere herein, the Company notes the following:

On January 1, 2017, the Company completed a short-form amalgamation with the Company's former wholly-owned subsidiary, Zymeworks Biochemistry Inc.

On January 6, 2017, the Company granted a total of 22,000 stock options with an exercise price of C$9.49 to certain employees in conjunction with its quarterly option grants.

On February 2, 2017, February 3, 2017 and February 6, 2017 the Company granted a total of 1,086,117 stock options with an exercise price of C$9.47 to its certain employees, directors and officers.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Condensed Consolidated Statement of Loss (Unaudited)

(Expressed in thousands of U.S. dollars except share and per share data)

	Year ended December 31, 2016				
	Historical Zymeworks Inc.	Historical Kairos Therapeutics Inc.	Pro Forma Adjustments	Note	Zymeworks Inc. Pro Forma Consolidated
Revenue					
Research and developmental collaborations	$ 11,009	$ —	$ —		$ 11,009
Operating expenses:					
Research and development	36,816	91	(75)	*3e*	36,832
Government grants and credits	(1,265)	(432)	—		(1,697)
	35,551	(341)	(75)		35,135
General and administrative	12,554	727	(40)	*3e*	13,241
Impairment on acquired IPR&D	768	—	—		768
Total operating expenses	$ 48,873	$ 386	$ (115)		$ 49,144
Loss from operations	$ (37,864)	$ (386)	$ 115		$ (38,135)
Other income and expenses:					
Interest and other expense	(950)	—	—		(950)
Change in fair value of warrant liabilities	(808)	—	—		(808)
Accretion	(576)	—	—		(576)
Interest and other income	308	—	—		308
Foreign exchange gain / (loss)	927	—	—		927
Equity loss on investment	(98)	—	98	*3a*	—
Gain on fair value of equity investment	177	—	(177)	*3b*	—
Loss before income taxes	(38,884)	(386)	36		(39,234)
Income tax expense	(430)	—	—		(430)
Deferred income tax benefit	5,505	—	(5,407)	*3c*	98
Net loss	$ (33,809)	$ (386)	$ (5,371)		$ (39,566)
Basic and diluted loss per common share	(1.11)				(1.26)
Weighted-average number of outstanding shares—basic and diluted	30,397,535		927,053	*3d*	31,324,588

The accompanying notes are an integral part of this unaudited pro forma condensed consolidated statement of loss.

Pro Forma Condensed Consolidated Statement of Loss (Unaudited)

(Expressed in thousands of U.S. dollars except share and per share data)

	Year Ended December 31, 2015				
	Historical Zymeworks Inc.	Historical Kairos Therapeutics Inc.	Pro Forma Adjustments	Note	Zymeworks Inc. Pro Forma Consolidated
Revenue					
Research and developmental collaborations	$ 9,660	$ —	$ —		$ 9,660
Operating expenses:					
Research and development	24,654	349	—		25,003
Government grants and credits	(251)	(189)	—		(440)
	24,403	160	—		24,563
General and administrative	5,217	770	—		5,987
Total operating expenses	$ 29,620	$ 930	$ —		$ 30,550
Loss from operations	$ (19,960)	$ (930)	$ —		$ (20,890)
Other income and expenses:					
Interest and other expense	(18)	—	—		(18)
Interest and other income	324	—	—		324
Foreign exchange gain / (loss)	518	—	—		518
Loss before income taxes	(19,136)	(930)	—		(20,066)
Income tax expense	(34)	—	—		(34)
Net loss	$ (19,170)	$ (930)	$ —		$ (20,100)
Basic and diluted loss per common share	(0.71)				(0.64)
Weighted-average number of outstanding shares—basic and diluted	26,888,906		4,350,017	*3d*	31,238,923

The accompanying notes are an integral part of this unaudited pro forma condensed consolidated statement of loss.

Notes to the Pro Forma Condensed Consolidated Statements of Loss for the years ended December 31, 2016 and 2015
(Expressed in thousands of U.S. dollars except share and per share data) (Unaudited)

1. Basis of presentation

These unaudited pro forma condensed consolidated statements of loss ("pro forma financial statements") have been prepared in connection with the acquisition of Kairos Therapeutics Inc. ("Kairos") by Zymeworks Inc. (the "Company"). The unaudited pro forma financial statements of the Company and its subsidiaries have been prepared, for illustrative purposes only, as if the acquisition described in note 2 had occurred on January 1, 2015. A pro forma consolidated balance sheet has not been provided as the acquisition has been reflected in the Company's December 31, 2016 consolidated balance sheet.

These unaudited pro forma financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") using the accounting policies described in the Company's audited consolidated financial statements as at December 31, 2016. The unaudited pro-forma financial statements should be read together with the audited consolidated financial statements of the Company for the year ended December 31, 2015 and 2016, and notes thereto.

The unaudited pro forma financial statements were prepared in accordance with Article 11 of Regulation S-X. Accordingly, the historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) expected to have a continuing impact on the Company, and (3) factually supportable. The pro forma financial statements present the loss from continuing operations before nonrecurring charges or credits directly attributable to the acquisition.

The historical Kairos results from operations included in the unaudited pro forma financial statements have been prepared from information derived from the following:

(a) Audited financial statements of Kairos for the year ended March 31, 2015 and the nine months ended December 31, 2015, which appear elsewhere in this prospectus; and
(b) The accounting records of Kairos for the period from January 1, 2015 to March 31, 2015 and for the period from January 1, 2016 to the date of acquisition, March 18, 2016.

As Kairos financial statements and accounting records are prepared in Canadian dollars, for the purposes of these unaudited pro forma condensed consolidated statements of loss, its results of operations for the periods presented have been translated into U.S. dollars based on the average exchange rate for the respective periods presented. To comply with the rules and regulations of the SEC, the Kairos amounts included in the unaudited pro forma condensed consolidated statement of loss for the year ended December 31, 2015 have been calculated by combining the amounts included in Kairos' statement of loss and comprehensive loss for the nine months ended December 31, 2015 with its results of operations for the three months ended March 31, 2015, which amounts have been extracted from Kairos' accounting records and are included in Kairos' statement of loss and comprehensive loss for the year ended March 31, 2015.

The unaudited pro-forma financial statements do not necessarily reflect what the combined company's results of operations would have been had the acquisition occurred on January 1, 2015. They may also not be useful in predicting future results of operations for the combined company. The actual results from operations may differ significantly from the pro forma results reflected herein. The combined results of operations do not reflect the realization of any expected cost savings or other synergies from the acquisition of Kairos as a result of planned cost savings or other initiatives following the completion of the acquisition.

2. Description of transaction and preliminary purchase price allocation

On March 18, 2016, the Company completed the acquisition of all remaining issued and outstanding shares of Kairos for $24,778 (C$32,257). This consideration was comprised of $23,043 (C$30,000) in common share equity of the Company, and $1,733 (C$2,257) in cash, pursuant to a net working capital adjustment determined at closing. At the time of acquisition, the Company issued 3,628,572 common shares having a fair value of $19,203 (C$ $25,000). The remaining 725,714 common shares having a fair value of $3,861 (C$ $5,000) were held back for a period of six months under the terms of the agreement for the seller's satisfaction of general representations and warranties and for potential working capital adjustments and were issuable in six months, subject to adjustments for any undisclosed matters that may have arisen during that period. On September 18, 2016, 721,445 common shares were issued after accounting for the finalization of adjustments relating to undisclosed pre-acquisition invoices. Prior to the completion of the acquisition, the Company held a 19.99% ownership interest in Kairos, which was accounted for under the equity method.

The acquisition is accounted for in accordance with ASC—805 Business Combinations using the acquisition method with the Company identified as the acquirer. The fair values of the consideration issued, assets acquired and liabilities assumed in the acquisition at March 18, 2016 are not yet final. The Company is continuing its review of the fair values and allocations during the measurement period, which shall not exceed one year from the acquisition date. The preliminary consideration and purchase price allocation was as follows:

Total Consideration:	
4,350,017 Zymeworks common shares	$22,973
Cash paid	1,733
Total consideration for 80.01% equity	24,706
Fair value of previously held 19.99% equity interest	4,264
Implied purchase price consideration for 100% equity	$28,970
Net assets acquired:	
Cash and cash equivalents	$ 1,811
Receivables and other assets	546
IPR&D	20,700
Goodwill	12,016
Accounts payable and accrued liabilities	(721)
Deferred tax liabilities	(5,382)
	$28,970

The preliminary fair value of each IPR&D is estimated using either the cost approach, market approach or combination of the two. The cost approach estimates the total value of the asset by reference to costs that would have been incurred in order to recreate the asset while the market approach analyses recent transactions involving comparable assets. Within these two approaches the following valuation methods were used: comparable public company cost multiple approach, expected investor return approach, and the guideline technology and collaboration transactions approach. IPR&D are required to be classified as indefinite-lived assets until they become definite lived assets upon the successful completion or the abandonment of the associated research and development effort. Accordingly, all IPR&D acquired is currently classified as indefinite-lived and is not currently being amortized.

Based on the fair values above, an amount of $12,016 has been allocated to goodwill, which represents the excess of the purchase price over the fair values assigned to the net assets acquired. Goodwill is attributable to strategic, synergistic and other benefits expected to arise after the Company's acquisition of Kairos. Kairos' antibody-drug conjugate ("ADC") platform technology has a potential to develop new technologies and therapeutics, and the Company believes that additional platform may emerge from the research synergies

afforded by the business combination. Synergies are expected as both the Company and Kairos are underpinned by complementary antibody technologies and both are experts in designing and developing antibodies as therapeutic drug candidates. There is also future potential value expected to be derived from Kairos' existing collaboration agreements, and the potential to enter into new collaboration agreements. The Company will also benefit from the expertise, knowledge, experience and networks of the Kairos' management team, as well as the depth and breadth of its existing laboratory research team in the fields of chemistry and biologics.

The full amount of the value of goodwill has been assigned to the entire Company, since management has determined that the Company has only one reporting unit. The goodwill is not deductible for tax purposes, and is not amortized, but will be evaluated for impairment on an annual basis or more often if the Company identifies impairment indicators that would require earlier testing.

A deferred tax liability of $5,382 was recorded for the excess of the fair value of the IPR&D over the corresponding tax bases, with a corresponding increase recorded to goodwill. The deferred tax liability relates to an indefinite lived asset. In addition, Zymeworks Inc. has unclaimed tax deductions for scientific research and experimental development expenditures with no expiry, for which the Company previously had provided a valuation allowance. Because of the indefinite life of these tax attributes, the deferred tax liability that arose from the preliminary purchase price allocation has been used as a source of potential income in determining that the realization of certain SR&ED tax credits is now more likely than not. Consequently, the Company reduced its valuation allowance by $5,407 and recognized a corresponding deferred income tax benefit in the statement of operations.

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma financial statements. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation could include changes in the allocations to IPR&D and goodwill, the determination of the deferred tax liability and resulting reduction in the valuation allowance, and other changes to assets and liabilities.

3. Pro forma adjustments

The pro forma adjustments are based on preliminary estimates and assumptions that are subject to change. The unaudited pro forma financial statements reflect the following adjustments as if the acquisition of Kairos had occurred on January 1, 2015.

a) To eliminate the equity in loss of Kairos for the year ended December 31, 2016.

b) To eliminate the gain that was recorded due to remeasurement of the fair value of the Company's original 19.99% interest in Kairos at the acquisition date.

c) To eliminate the deferred income tax benefit related to the reduction in the Company's valuation allowance that is directly attributable to the acquisition and that is not expected to have a continuing impact on the Company.

d) Represents the increase in the weighted average shares in connection with the issuance of 4,350,017 common shares related to the acquisition of Kairos as if the acquisition had taken place on January 1, 2015. For the periods presented, diluted loss per common share does not differ from basic loss per common share since the effect of the Company's stock options and warrants is anti-dilutive.

e) To eliminate non-recurring transaction costs that are directly attributable to the Kairos acquisition.

Financial Statements

Kairos Therapeutics Inc.

(Expressed in Canadian dollars)
Nine months ended December 31, 2015 and year ended March 31, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Kairos Therapeutics Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kairos Therapeutics Inc., which comprise the balance sheets as of December 31, 2015 and March 31, 2015, the related statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the nine months ended December 31, 2015 and for the year ended March 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kairos Therapeutics Inc. as of December 31, 2015 and March 31, 2015, and the results of its operations and its cash flows for the nine months ended December 31, 2015 and for the year ended March 31, 2015 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 in the financial statements which indicates that Kairos Therapeutics Inc. has continued to incur net losses. These conditions, along with other matters as set forth in note 1 in the financial statements, indicate the existence of a material uncertainty that casts significant doubt about Kairos Therapeutics Inc.'s ability to continue as a going concern.

/s/ KPMG LLP
Chartered Professional Accountants
October 11, 2016
Vancouver, Canada

Kairos Therapeutics Inc.
Balance Sheets As Of December 31, 2015 and March 31, 2015
(Expressed in Canadian dollars)

	December 31 2015 $	March 31 2015 $
ASSETS		
Current assets:		
Cash and cash equivalents	2,990,298	20,762
Government grants and other receivables	81,539	61,482
Prepaid expenses	4,255	—
	3,076,092	**82,244**
Equipment (note 7)	3,813	—
	3,079,905	**82,244**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	473,343	74,593
Loan payable (note 5)	—	1,474,364
	473,343	**1,548,957**
Shareholders' equity (deficiency):		
Common shares: 2,009,333 issued and outstanding (note 4)	20,094	16,984
Preferred shares: 438,081 issued (note 4)	5,000,000	—
Deficit	(2,413,532)	(1,483,697)
	2,606,562	**(1,466,713)**
	3,079,905	**82,244**

Nature of business and going concern (note 1)
Related party transactions (note 6)
Commitments and contingencies (note 10)
Subsequent event (note 11)

See accompanying notes to financial statements.

Kairos Therapeutics Inc.
Statements Of Loss and Comprehensive Loss For And The Nine Months Ended December 31, 2015 and for The Year Ended March 31, 2015
(Expressed in Canadian dollars)

	Nine months ended December 31 2015 $	Year ended March 31 2015 $
EXPENSES (note 6)		
General and administrative	851,831	665,830
Project Expenditures	267,392	798,743
Depreciation	762	—
Government grants	(190,150)	(183,040)
Loss and comprehensive loss	**(929,835)**	**(1,281,533)**

See accompanying notes to financial statements.

Kairos Therapeutics Inc.
Statements of Changes in Shareholder's Equity (Deficiency) for the nine months ended December 31, 2015 and for the year ended March 31, 2015
(Expressed in Canadian dollars)

	Common Shares		Preferred shares		Accumulated	
	Number	Amount $	Number	Amount $	Deficit	Total $
Balance at March 31, 2014	**1**	**1**	**—**	**—**	**(202,164)**	**(202,163)**
Issuance of common shares (note 4(a)(i))	1,698,332	16,983	—	—	—	16,983
Loss for the year	—	—	—	—	(1,281,533)	(1,281,533)
Balance at March 31, 2015	**1,698,333**	**16,984**	**—**	**—**	**(1,483,697)**	**(1,466,713)**
Issuance of common shares on exercise of options (note 4(b))	311,000	3,110	—	—	—	3,110
Issuance of preferred shares (note 4(a)(ii))	—	—	438,081	5,000,000	—	5,000,000
Loss for the period	—	—	—	—	(929,835)	(929,835)
Balance at December 31, 2015	**2,009,333**	**20,094**	**438,081**	**5,000,000**	**(2,413,532)**	**2,606,562**

See accompanying notes to financial statements.

Kairos Therapeutics Inc.
Statements Of Cash Flows For The Nine Months Ended December 31, 2015 and for the Year Ended March 31, 2015
(Expressed in Canadian dollars)

	Nine months ended December 31 2015 $	Year ended March 31 2015 $
OPERATING ACTIVITIES		
Loss for the period	(929,835)	(1,281,533)
Items not involving cash:		
Depreciation of property and equipment (note 7)	762	—
Contractor expenses paid by related party	—	1,474,364
Changes in non-cash operating working capital:		
Government grants and other receivables	(20,057)	(61, 482)
Prepared expenses	(4,255)	—
Accounts payable and accrued liabilities	398,750	(127,570)
Net cash used in operating activities	(554,635)	3,779
FINANCING ACTIVITIES		
Loan repaid	(1,474,364)	—
Issuance of share capital	5,003,110	16,983
Net cash provided by financing activities	3,528,746	16,983
INVESTING ACTIVITIES		
Acquisition of equipment (note 7)	(4,575)	—
Increase in cash and cash equivalents	2,969,536	20,762
Cash and cash equivalents, beginning of period	20,762	—
Cash and cash equivalents, end of period	2,990,298	20,762

See accompanying notes to financial statements.

Notes To The Financial Statements

1. NATURE OF BUSINESS AND GOING CONCERN

Kairos Therapeutics Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on December 18, 2013. The Company is developing a pipeline of antibody-drug conjugate ("ADC") therapeutics for the treatment of various forms of cancer. The technology was developed in-house at The Centre for Drug Research and Development ("CDRD") and has been exclusively licensed to the Company from CDRD through its commercialization vehicle, CDRD Ventures Inc. Losses are expected to continue for the foreseeable future as the Company invests in product development.

The Company has incurred losses since inception and as at December 31, 2015, there is significant doubt about the Company's ability to continue as a going concern, which is dependent upon its ability to obtain financing and to ultimately achieve profitable operations. The outcome of these matters cannot be predicted at this time.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business.

Subsequent to period end, the Company was acquired by Zymeworks Inc. (note 11).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with "U.S. GAAP."

Use of estimates

The preparation of the financial statements in accordance with U.S. GAAP requires the Company to make estimates and judgments in certain circumstances that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. On an ongoing basis, the Company evaluates its estimates, including those related to government grants and credits, stock-based compensation, accrual of expenses and other contingencies. Management bases its estimates on historical experience or on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits, with a maturity term of three months or less when acquired.

Government grants and other receivables

Government grants and other receivables are reported in the balance sheet at outstanding amounts. A majority of the receivables are due from a government agency, therefore collection risk is low.

Equipment

Equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following useful lives:

Asset class	Rate
Computer equipment	36 months

Government grants and credits

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Reimbursements of eligible costs pursuant to government assistance programs are recorded as a reduction of research and development costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Grant claims not settled by the balance sheet date are recorded as receivables. The determination of the amount of the claim, and hence the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term dependent on the review and audit by the government agency.

The Company participates in the SR&ED Program, a federal tax incentive program that encourages Canadian businesses to conduct research and development in Canada. The benefits of investment tax credits for scientific research and development expenditures are recognized in the year the qualifying expenditure is made provided there is reasonable assurance of recoverability. This investment tax credit reduces the carrying cost of research and development expenditures. To date, the Company has a limited history of SR&ED claims and has not yet received or accrued amounts for investment tax credits receivable.

Research and development costs

Research and development expenses include costs that the Company incurs for its own and for the Company's strategic partners' research and development activities. Research and development expenditures are expensed as incurred. These costs primarily consist of employee related expenses including salaries and benefits, expenses incurred under agreements with contract research organizations, investigative sites and consultants that conduct the Company's clinical trials, the cost of acquiring and manufacturing clinical trial materials and other allocated expenses, share-based compensation expense, and costs associated with nonclinical activities and regulatory approvals.

Stock-based compensation

The Company recognizes stock-based compensation expense on share awards granted to employees and members of the board of directors based on their estimated grant date fair value using the Black-Scholes option pricing model. This Black-Scholes option pricing model uses various inputs to measure fair value, including estimated fair value of the Company's underlying common share at the grant date, expected term, estimated volatility, risk-free interest rate and expected dividend yields of the Company's common shares. The Company recognizes stock-based compensation expense, net of estimated forfeitures, in the statements of operations and comprehensive loss on a straight-line basis over the requisite service period.

Financial instruments

The Company accounts for fair value measurements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosures about fair value measurements.

The ASC 820 hierarchy ranks the quality of reliability of inputs, or assumptions, used in the determination of fair value, and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1—Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities. Cash and cash equivalents are assessed as a Level 1 financial instrument.
- Level 2—Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models, such as interest rates and yield curves that can be corroborated by observable market data.
- Level 3—Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgments to be made by a reporting entity—e.g., determining an appropriate adjustment to a discount factor for illiquidity associated with a given security.

Income Taxes

The Company accounts for income taxes using the liability method of tax allocation. Deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income when a change in tax rates is enacted. Deferred income tax assets are evaluated periodically and if realization is not considered more likely than not, a valuation allowance is provided. Income tax credits, such as investment tax credits, are included as part of the provision for income taxes.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements—Going Concern”, outlining management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern, along with the required disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016 with early adoption permitted. The Company does not anticipate a material impact to the Company’s financial statements as a result of this change.

4. SHARE CAPITAL

Authorized - unlimited number of common shares with no par value

- unlimited Class A, B, C, D preferred shares with no par value

(a) Share issuances

(i) Common shares

The Company’s President acquired 748,333 shares for cash of $0.01 per share which were placed in escrow, subject to an agreement dated April 1, 2014, to meet certain performance condition milestones for the Company’s research and development program. During December 2015, the performance conditions were met, the shares vested and were released from escrow.

Several Share Option Agreements, totaling 311,000 common shares, were signed and granted with an effective date of November 19, 2014. These options were exercised during the period ended December 31, 2015 and had an exercise price of $0.01 each, payable in cash, and a nominal fair value at the grant date.

On April 1, 2014 the Company issued 949,999 common shares for $9,500.

(ii) Preferred share units

On December 21, 2015, the Company issued 438,081 Class A non-voting preferred share units to Zymeworks Inc. for total cash proceeds of $5,000,000. Each preferred share unit consists of one Class A preferred share and one warrant. The warrants are convertible into 566,583 Class A preferred shares at an exercise price of $0.01 per share with no expiry date.

Dividends on all preferred shares are at the Company's discretion and are non-cumulative. Preferred shares have priority over common shares with respect to dividends.

(b) Share option plan

	Number of optioned common shares	Weighted average exercise price $	Weighted average remaining contractual life (years)
Outstanding, March 31, 2014	—	—	—
Options granted	311,000	0.01	
Outstanding March 31, 2015	311,000	0.01	9.64
Options exercised	(311,000)	0.01	
Outstanding December 31, 2015	—	—	—

As at December 31, 2015, nil (March 31, 2015—54,000) options were vested and exercisable.

5. LOAN PAYABLE RELATED PARTIES

A Loan Agreement was signed on January 2, 2014 for the Company to receive up to $1,700,000 from CDRD Ventures Inc., a shareholder, in the form of expenses paid on behalf of the Company. The loan was repaid on December 23, 2015 with the funds received from Zymeworks Inc. on the sale of preferred shares. The loan was non-interest bearing with a security interest in favor of CDRD Ventures Inc. in all of the present and after-acquired personal property of the Company, and was due on December 18, 2016.

6. RELATED PARTY TRANSACTIONS

As at December 31, 2015, the Company had a balance of $250,979 (March 31, 2015—$74,593) in accounts payable due to CDRD Ventures Inc. for contractor's expenses paid on its behalf.

For the nine months ended December 31, 2015, the Company incurred $245,298 (year ended March 31, 2015—$573,663) for certain project and general and administrative expenses paid by CDRD Ventures Inc. on its behalf.

The Company has also received certain personnel services from CDRD Ventures Inc. at no charge since its inception.

7. EQUIPMENT

	Cost $	Accumulated depreciation $	Net book value $
Computer equipment	4,575	762	3,183

8. FINANCIAL INSTRUMENTS

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination

requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the fair value hierarchy. The fair market values of the financial instruments included in the financial statements, which include cash and cash equivalents, government grants and other receivables, accounts payable and accrued liabilities and loan payable, approximate their carrying values at December 31, 2015 and March 31, 2015, due to their short term maturities.

Credit risk

Financial instruments that potentially subject the Company to a credit risk consist primarily of cash and cash equivalents and government grants and other receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

The maximum exposure to credit risk for government grants and other receivables at December 31, 2015 was $81,539 (March 31, 2015—$61,482) and all receivables are due within a year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The ability to do this relies on the Company collecting its receivables in a timely manner, by maintaining sufficient cash and cash equivalents and securing additional financing as needed.

9. INCOME TAXES

At December 31, 2015 the Company has net operating losses carried forward for tax purposes in Canada, which are available to reduce future taxable income of future years of approximately $2,413,500 (March 31, 2015—$1,279,000) expiring starting in 2024. A full valuation allowance has been provided. The difference between the statutory tax rate of 26% and actual taxes of nil is due to the non-recognition of the net operating losses carried forward.

10. COMMITMENTS AND CONTINGENCIES

The Company is committed to a royalty payments to CDRD Ventures Inc. for licensed technology at a rate of 2.5% and 5% of direct sales for certain products. Further, the Company is committed to a revenue share equal to 15% of all revenue actually received by the Company or its affiliates.

The Company has entered into license and research agreements that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third party claims or damages arising from these transactions.

The maximum amount of potential future indemnification is $25,000. Historically, the Company has not made any indemnification payments under such agreements and the Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

11. SUBSEQUENT EVENTS

On March 18, 2016, the Company was sold to Zymeworks Inc. for $32.26 million, which was settled in cash and shares of Zymeworks Inc. Retention bonuses to key employees are included in the Investment Agreement with Zymeworks Inc. given that certain employees stayed until the closing of the transaction. Total bonuses paid as a result of the closing of transaction were $303,728. Prior to the completion of the sale, Zymeworks Inc. held all of the preferred shares issued by the Company (note 4(a)(ii)).

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Shares

Zymeworks Inc.

Common Shares

PRELIMINARY PROSPECTUS

, 2017

Joint Book-Running Managers

Citigroup
Barclays
Wells Fargo Securities

Lead Manager

Canaccord Genuity

Co-Manager

Cormark Securities (USA) Limited

Through and including , 2017 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers

Under the BCBCA, we may indemnify an individual who:

a) is or was our director or officer;

b) is or was a director or officer (y) at our request, or (z) of another corporation at the time when such corporation is or was an affiliate of ours; or

c) at our request, is or was, or holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity,

against a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, any legal proceeding or investigative action, whether current, threatened, pending or completed, in which such eligible party is involved because of that association with us or other entity.

However, indemnification is prohibited under the BCBCA if:

a) such eligible party did not act honestly and in good faith with a view to our best interests (or the other entity, as the case may be);

b) in the case of a proceeding other than a civil proceeding, such eligible party did not have reasonable grounds for believing that such person's conduct was lawful;

c) the indemnity or payment is made under an ealier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the Company was prohibited from giving the indemnity or paying the expenses by its articles; or

d) the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the Company was prohibited from giving the indemnity or paying the expenses by its articles.

We may not indemnify or pay the expenses of an eligible party in respect of an action brought against an eligible party by or on behalf of us.

The BCBCA allows us to pay, as they are incurred in advance of a final disposition of a proceeding, the expenses actually and reasonably incurred by the eligible party, provided that we receive from such eligible party an undertaking to repay the amounts advanced if it is ultimately determined that such payment is prohibited. Following the final disposition of an eligible proceeding, the BCBCA requires us to pay the expenses actually and reasonably incurred by the eligible party in respect of that proceeding if the eligible party has not been reimbursed for those expenses and is wholly successful, on the merits or otherwise, in the outcome of the proceeding, or is substantially successful on the merits in the outcome of the proceeding.

Despite the foregoing, on application by us or an eligible party, a court may:

a) order us to indemnify an eligible party in respect of an eligible proceeding;

b) order us to pay some or all of the expenses incurred by an eligible party in an eligible proceeding;

c) order enforcement of or any payment under an indemnification agreement;

d) order us to pay some or all of the expenses actually and reasonably incurred by a person in obtaining the order of the court; and

e) make any other order the court considers appropriate.

The BCBCA provides that we may purchase and maintain insurance for the benefit of an eligible party (or their heirs and personal or other legal representatives of the eligible party) against any liability that may be incurred by reason of the eligible party being or having been a director or officer, or in an equivalent position of ours or that of an associated corporation.

Our articles provide that, subject to the BCBCA, we must indemnify our directors, former directors or alternate directors and his or her heirs and legal personal representatives against all judgments, penalties or fines awarded or imposed in, or an amount paid in settlement of, all legal proceedings, investigative actions or other eligible proceedings (whether current, threatened, pending or completed) to which such person is or may be liable, and we must, after the final disposition of a legal proceeding, investigative action or other eligible proceeding, pay the expenses (which includes costs, charges and expenses, including legal and other fees but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding) actually and reasonably incurred by such person in respect of that proceeding.

We have entered into indemnity agreements with our directors and certain officers which provide, among other things, that we will indemnify him or her to the fullest extent permitted by law from and against all liabilities, costs, charges and expenses incurred as a result of his or her actions in the exercise of his or her duties as a director or officer.

Prior to completion of this offering, we intend to enter into new indemnification agreements with each of our current directors and officers. The indemnification agreements will generally require that we indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to us as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal and administrative actions or other non-civil proceedings that are enforced by monetary penalty, if the indemnitee had reasonable grounds to believe that his or her conduct was lawful. The indemnification agreements will also provide for the advancing of defense expenses to the indemnitees by us.

At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification of our officers and directors by the underwriters against certain liabilities.

Item 7. Recent Sales of Unregistered Securities

Set forth below is information regarding all securities issued by us without registration under the Securities Act since December 31, 2013. The information presented below does not give effect to our corporate reorganization as described in the prospectus forming part of this Registration Statement.

Common Share Issuances

- From January 1, 2014 to October 21, 2014, we issued 2,411,496 of our common shares completing multiple tranches of a private placement that began in 2013, at a price of C$4.86 per share. These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.
- On October 22, 2014 and December 18, 2014, we completed private placements in which 4,909,091 and 727,273 of our common shares were issued, respectively, at a price of C$5.50 per share. These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.
- On December 24, 2014, we completed a private placement in which 1,652,893 common shares were issued at a price of C$6.05 per share. These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.

- On February 17, 2015, we completed a private placement issuance of 367,500 common shares at a price of C$6.05 per share. These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.
- On March 18, 2016, we completed our acquisition of Kairos and issued 3,628,572 common shares having a fair market value of $19.2 million (C$25.0 million) or $5.29 per share (C$6.89 per share). These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.
- On September 18, 2016, we issued 721,445 of our common shares having a fair market value of C$6.89 per share for held back shares including adjustments relating to undisclosed Kairos pre-acquisition invoices. These shares were issued in an offshore transaction in reliance on the exemption from registration provided by Regulation S under the Securities Act.
- Since December 31, 2013, we have issued and sold to our employees, consultants and advisors an aggregate of 318,386 common shares in connection with the exercise of options granted under our equity compensation plans, at exercise prices ranging from C$1.50 to C$6.05 per share. The shares were either issued in an offshore transaction pursuant to Regulation S under the Securities Act or pursuant to Rule 701 under the Securities Act as transactions pursuant to written compensatory plans or pursuant to a written contract relating to compensation.

Stock Option Grants

- Since December 31, 2013, we have granted our employees, consultants and advisors options to purchase an aggregate of 4,757,472 common shares under our equity compensation plans at exercise prices ranging from C$4.86 to C$9.49 per share. The options were either issued in an offshore transaction pursuant to Regulation S under the Securities Act or pursuant to Rule 701 under the Securities Act as transactions pursuant to written compensatory plans or pursuant to a written contract relating to compensation.

Preferred Share Issuances

- On January 7, 2016, we issued an aggregate of 12,554,665 Class A preferred shares for $4.90 per preferred share in connection with its Class A financing for an aggregate purchase price of approximately $61.5 million. The preferred shares were issued in reliance on the exemption from registration under Regulation S or Section 4(a)(2) of the Securities Act on the basis that the transaction did not involve a public offering.

Warrants

- On October 22, 2014 we issued warrants to purchase an aggregate of 280,000 common shares for an exercise price of C$4.86 per share. On June 2, 2016, we issued a warrant to purchase 704,081 Class A preferred shares at an exercise price of $4.90 per warrant, respectively. The warrants were issued in reliance on the exemption from registration under Regulation S or Section 4(a)(2) of the Securities Act on the basis that each transaction did not involve a public offering.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 8. Exhibits and Financial Statement Schedules

The exhibits listed in the exhibits index, appearing elsewhere in this Registration Statement, have been filed as part of this Registration Statement.

All schedules have been omitted because they are not required, are not applicable or the information is otherwise set forth in the financial statements and related notes thereto.

Item 9. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 hereof, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes:

- To provide the underwriters specified in the underwriting agreement, at the closing, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.
- That for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- That for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2017.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani
Title: President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of Ali Tehrani and Neil Klompas as his true and lawful attorney-in-fact and agent, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement and to sign any related registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each action alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Ali Tehrani Ali Tehrani	President and Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2017
/s/ Neil Klompas Neil Klompas	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2017
/s/ Nick Bedford Nick Bedford	Director	March 31, 2017
/s/ Kerry Blanchard Kerry Blanchard	Director	March 31, 2017
/s/ Noel Hall Noel Hall	Director	March 31, 2017
/s/ Kenneth Hillan Kenneth Hillan	Director	March 31, 2017
/s/ Dion Madsen Dion Madsen	Director	March 31, 2017

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Signatures	Title	Date
/s/ Hollings Renton Hollings Renton	Director	March 31, 2017
/s/ Shermaine Tilley Shermaine Tilley	Director	March 31, 2017
/s/ Lota Zoth Lota Zoth	Director	March 31, 2017

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned certifies that it is the duly authorized United States representative of the registrant and has duly caused this Registration Statement on Form F-1 to be signed by the undersigned, thereunto duly authorized, on March 31, 2017.

ZYMEWORKS BIOPHARMACEUTICALS INC.
(Authorized Representative in the United States)

By: /s/ Ali Tehrani
Name: Ali Tehrani
Title: President

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EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1*	Form of Notice of Articles of the Registrant to be effective upon the closing of the offering.
3.2*	Form of Articles of the Registrant to be effective upon the closing of the offering.
4.1*	Specimen common share certificate.
4.2	Common Share Purchase Warrant issued to CTI Life Sciences Fund, L.P., dated October 22, 2014.
4.3	Warrant Certificate issued to Perceptive Credit Holdings, L.P.
4.4	Investors' Rights Agreement, dated January 7, 2016, by and among the Registrant and the investors listed on Schedule A-1 and Schedule A-2 thereto.
5.1	Opinion of Blake, Cassels & Graydon LLP.
10.1#	Employment Agreement, dated December 13, 2007, by and between the Registrant and Dr. Ali Tehrani, as amended January 1, 2014.
10.2#	Amended and Restated Employment Agreement, dated January 17, 2017, by and between the Registrant and Dr. Ali Tehrani.
10.3#	Employment Agreement, dated January 25, 2007, by and between the Registrant and Neil Klompas, as amended October 23, 2007 and January 1, 2014.
10.4#	Amended and Restated Employment Agreement, dated January 17, 2017, by and between the Registrant and Neil Klompas.
10.5#	Employment Agreement, dated June 1, 2016, by and between the Registrant and Diana Hausman.
10.6#	Amended and Restated Employment Agreement, dated January 18, 2017, by and between the Registrant and Diana Hausman.
10.7#	Employment Agreement, dated July 1, 2007, by and between the Registrant and Surjit Dixit, as amended October 23, 2007.
10.8#	Amended and Restated Employment Agreement, dated January 17, 2017, by and between the Registrant and Surjit Dixit.
10.9#	Employment Agreement, dated March 18, 2016, by and between the Registrant and John Babcook.
10.10#	Amended and Restated Employment Agreement, dated January 17, 2017, by and between the Registrant and John Babcook.
10.11#	Employment Agreement, dated January 1, 2012, by and between the Registrant and Dr. Gordon Ng.
10.12#	Separation Agreement and Release, dated November 17, 2016, by and between the Registrant and Dr. Gordon Ng.
10.13*#	Form of Indemnity Agreement between the Registrant and its officers and directors.
10.14#	Employee Stock Option Plan and forms of agreements thereunder.
10.15#	Stock Option Plan to be effective upon the closing of the offering.
10.16†	Amended and Restated Research and License Agreement, effective as of December 3, 2014, by and between the Registrant and Merck Sharp & Dohme Research GmbH.

Exhibit No.	Description
10.17†	Licensing and Collaboration Agreement, effective as of December 17, 2013, by and between the Registrant and Eli Lilly and Company.
10.18†	First Amendment to Licensing and Collaboration Agreement, effective as of May 30, 2014, by and between the Registrant and Eli Lilly and Company, as amended February 25, 2014 and June 16, 2014.
10.19†	Licensing and Collaboration Agreement, effective as of October 22, 2014, by and between the Registrant and Eli Lilly and Company.
10.20†	First Amendment to Licensing and Collaboration Agreement, effective as of June 4, 2015, by and between the Registrant and Eli Lilly and Company.
10.21†	Second Amendment to Licensing and Collaboration Agreement, effective as of January 24, 2017, by and between the Registrant and Eli Lilly and Company.
10.22†	Collaboration Agreement, effective as of December 23, 2014, by and among the Registrant, Celgene Corporation and Celgene Alpine Investment Co. LLC.
10.23†	Collaboration and License Agreement, effective as of December 1, 2015, by and between the Registrant and GlaxoSmithKline Intellectual Property Development Limited.
10.24†	Platform Technology Transfer and License Agreement, effective as of April 21, 2016, by and between the Registrant and GlaxoSmithKline Intellectual Property Development Limited.
10.25†	Collaboration and Cross License Agreement, effective as of September 26, 2016, by and between the Registrant and Daiichi Sankyo Co., Ltd.
10.26	Lease of Office Space Agreement dated as of April 6, 2015, by and between Poplar Properties Ltd. and Zymeworks Inc. and the Amendment thereto dated August 28, 2015.
10.27	Credit Agreement and Guaranty, dated June 2, 2016, by and among the Registrant, Perceptive Credit Opportunities Fund, L.P. and PCOF Phoenix II Fund, L.P. and the guarantors from time to time party thereto.
10.28#	Employee Stock Purchase Plan, to be effective upon the closing of the offering.
16.1	Letter from PricewaterhouseCoopers LLP, dated March 31, 2017, regarding the change in independent registered public accounting firm.
21.1	Subsidiaries of the Registrant.
23.1	Consent of KPMG LLP, an Independent Registered Public Accounting Firm.
23.2	Consent of Blake, Cassels & Graydon LLP (included in Exhibit 5.1).
24.1	Powers of Attorney (reference is made to the signature pages of this Registration Statement)

* To be filed by amendment.

† Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act.

# Indicates management contract or compensatory plan.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) OCTOBER 22, 2014 AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

ZYMEWORKS INC.

COMMON SHARE PURCHASE WARRANT

Certificate No: **W-3-2014**

Number of Warrants: **280,000** Date: October 22, 2014

1. **Warrants to Purchase Common Shares.** For value received by the undersigned and in partial consideration of the exchange of Class B Common shares of Zymeworks Inc. (the **"Corporation")** for Class A Common shares of the Corporation, this Warrant certificate attests that **CTI Life Sciences Fund, L.P.** (the **"Holder")** is the registered holder of 280,000 Common share purchase warrants (the **"Warrants").** Each Warrant will entitle the Holder to subscribe for and purchase, subject to the terms hereof, one fully paid and non-assessable Common share (a **"Common Share")** of the Corporation at any time up to 4:00 p.m. Vancouver time, on the October 22, 2017 (the **"Expiry Date"),** subject to accelerated expiry as provided below, at the purchase price of $4.86 per Common Share (the **"Exercise Price")** in lawful money of Canada for each Warrant after which time the Warrants will expire, all subject to adjustment as hereinafter provided in this Warrant certificate.

1. **Accelerated Expiry.** Notwithstanding anything to the contrary contained herein, if the Corporation proposes to:

(a) (i) file a Canadian preliminary prospectus with applicable Canadian regulatory authorities or a United States registration statement with applicable United States regulatory authorities (a **"Proposed Filing"),** or (ii) list any of its securities for trading on the Toronto Stock Exchange, the New York Stock Exchange, the NYSE MKT (formerly known as the American Stock Exchange), the London Stock Exchange, the Alternative Investment Market, or the Frankfurt Stock Exchange or any securities are quoted for trading on NASDAQ or are listed or quoted on such other stock exchange approved in writing by Eli Lilly and Company (a **"Qualified Listing"),** the Corporation shall accelerate the Expiry Date by giving written notice of such Proposed Filing or Qualified Listing to the holder at least 15 business days before the completion of the Proposed Filing or Qualified Listing and in such case, the Warrants will expire thirty 30 calendar days after the Corporation makes the Proposed Filing or Qualified Listing; or

(a) approve a transaction or series of related transactions in which a person, or a group of related persons, acquires from shareholders of the Corporation shares representing more than 50% of the outstanding voting power of the Corporation; enter into an arrangement, amalgamation, merger or other form of reorganization of the Corporation where the holders of the outstanding voting securities or interests of the Corporation immediately prior to the completion of the reorganization will hold 50% or less of the outstanding voting power of the continuing entity upon completion of the arrangement, amalgamation, merger or other form of reorganization; sell all or substantially all of the assets of the Corporation; or liquidate, wind-up, or dissolve the Corporation (each a **"Proposed Liquidation"),** the Corporation shall accelerate the Expiry Date by giving written notice of such Proposed Liquidation to the holder at least 15 business days before the closing of the Proposed Liquidation, and in such case, the Warrants will expire immediately prior to the closing of the Proposed Liquidation.

2. **Partial Exercise.** The Holder may subscribe for and purchase less than the full number of Common Shares of the Corporation entitled to be subscribed for and purchased hereunder. In the

event that the Holder subscribes for and purchases less than the full number of Common Shares entitled to be subscribed for and purchased under this Warrant certificate prior to the Expiry Date, the Corporation will issue a new Warrant certificate to the Holder in the same form as this Warrant certificate with appropriate changes.

3. **Delivery of Common Shares.** Within three business days of receipt of this Warrant certificate together with a subscription form duly completed and executed in the form attached as Exhibit A hereto, and a certified cheque, bank draft or money order in lawful money of Canada payable to or to the order of the Corporation (or a wire transfer of immediately available funds to an account specified by the Corporation), the Corporation will deliver or cause to be delivered to the Holder one or more certificates representing the Common Shares subscribed for and purchased by the Holder hereunder, and a replacement Warrant certificate, if any. The person or persons in whose name or names the Common Shares issuable upon exercise of the Warrants are to be issued shall be deemed for all purposes to be the holder or holders of record of such Common Shares upon delivery to the Corporation of the duly completed subscription form and payment referred to above.

4. **No Rights of Shareholders.** Nothing contained in this Warrant certificate (or in the Warrants evidenced hereby) will be construed as conferring upon the Holder any right or interest whatsoever as a holder of Common Shares of the Corporation or any other right or interest except as herein expressly provided.

5. **Adjustment of Subscription and Purchase Rights.** From and after the date hereof, the Exercise Price and the number of Common Shares deliverable upon the exercise of the Warrants will be subject to adjustment in the following events and in the following manner:

(a) In case of any reclassification of the Common Shares or change of the Common Shares into other shares, or in case of the consolidation, merger, reorganization or amalgamation of the Corporation with or into any other corporation or entity which results in any reclassification of the Common Shares or a change of the Common Shares into other shares, or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another person (any such event being hereinafter referred to as a **"Reclassification of Common Shares"),** at any time prior to the Expiry Date, the Holder will, after the effective date of such Reclassification of Common Shares and upon exercise of the right to purchase Common Shares hereunder, be entitled to receive, and will accept, in lieu of the number of Common Shares to which the Holder was theretofore entitled upon such exercise, the kind and amount of shares and other securities or property which the Holder would have been entitled to receive as a result of such Reclassification of Common Shares if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which the Holder was theretofore entitled upon such exercise. If necessary, appropriate adjustments will be made in the application of the provisions set forth in this Section 5 with respect to the rights and interests thereafter of the Holder of this Warrant certificate to the end that the provisions set forth in this Section 5 will thereafter correspondingly be made applicable as nearly as may be reasonable in relation to any shares or other securities or property thereafter deliverable upon the exercise of the Warrants evidenced hereby.

(a) If and whenever at any time prior to the Expiry Date the Corporation:

(i) subdivides the Common Shares into a greater number of shares;

(i) consolidates the Common Shares into a lesser number of shares; or

(ii) fixes a record date for the issue of, or distribution to, or issues Common Shares, Participating Shares or Convertible Securities (as such terms are defined in Section 14) to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution on the Common Shares payable in Common Shares, Participating Shares or Convertible Securities,

(any such event being hereinafter referred to as **"Capital Reorganization")** and any such event results in an adjustment in the Exercise Price pursuant to Section 5(b), the number of Common Shares purchasable pursuant to the Warrants evidenced hereby will be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares theretofore purchasable on the exercise thereof by a fraction the numerator of which will be the Exercise Price in effect immediately prior to such adjustment and the denominator of which will be the Exercise Price resulting from such adjustment.

(b) If and whenever at any time prior to the Expiry Date, the Corporation engages in a Capital Reorganization, the Exercise Price will, on the effective date, in the case of a subdivision or consolidation, or on the record date, in the case of a stock dividend, be adjusted by multiplying the Exercise Price in effect on such effective date or record date by a fraction: (A) the numerator of which will be the number of Common Shares and Participating Shares outstanding before giving effect to such Capital Reorganization; and (B) the denominator of which is the number of Common Shares and Participating Shares outstanding after giving effect to such Capital Reorganization. The number of Common Shares and Participating Shares outstanding will include the deemed conversion into or exchange for Common Shares or Participating Shares of any Convertible Securities distributed by way of stock dividend or other such distribution. Such adjustment will be made successively whenever any event referred to in this Section 5(b) occurs.

(c) Any issue of Common Shares, Participating Shares or Convertible Securities by way of a stock dividend or other such distribution will be deemed to have been made on the record date thereof for the purpose of calculating the number of outstanding Common Shares under Sections 5(d) and (e).

(d) If and whenever at any time prior to the Expiry Date, the Corporation fixes a record date for the issuance or distribution of rights, options or warrants to all or substantially all the holders of Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, Participating Shares or Convertible Securities at a price per share (or having a conversion or exchange price per share) of less than 95% of the Current Market Price (as such term is defined in Section 14) of the Common Shares on such record date (any such event being hereinafter referred to as a **"Rights Offering"),** the Exercise Price will be adjusted immediately after such record date so that it equals the price determined by multiplying the Exercise Price in effect on such record date by a fraction:

(i) the numerator of which will be the aggregate of: (A) the number of Common Shares outstanding on such record date; and (B) a number determined by dividing whichever of the following is applicable by the Current Market Price of the Common Shares on the record date: (1) the amount obtained by multiplying the number of Common Shares or Participating Shares which the Holders of Common Shares are entitled to subscribe for or purchase by the subscription or purchase price; or (2) the amount obtained by multiplying the maximum number of Common Shares or Participating Shares which the holders of Common Shares are entitled to receive on the conversion or exchange of the Convertible Securities by the conversion or exchange price per share; and

(i) the denominator of which will be the aggregate of: (A) the number of Common Shares outstanding on such record date; and (B) whichever of the following is applicable: (1) the number of Common Shares or Participating Shares which the holders of Common Shares are entitled to subscribe for or purchase; or (2) the

maximum number of Common Shares or Participating Shares which the holders of Common Shares are entitled to receive on the conversion or exchange of the Convertible Securities,

and if any such event results in an adjustment in the Exercise Price, the number of Common Shares purchasable pursuant to the Warrants evidenced hereby will be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares theretofore purchasable on the exercise thereof by a fraction the numerator of which will be the Exercise Price in effect immediately prior to such adjustment and the denominator of which will be the Exercise Price resulting from such adjustment.

Any Common Shares owned by or held for the account of the Corporation will be deemed not to be outstanding for the purpose of any such computation. Such adjustment will be made successively whenever such a record date is fixed.

To the extent that such Rights Offering is not so made or" any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price and the number of Common Shares purchasable pursuant to the Warrants evidenced hereby will then be readjusted to the Exercise Price and number of Common Shares which would then be in effect if such record date had not been fixed or if such expired rights, options or warrants had not been issued.

(e) If and whenever at any time prior to the Expiry Date, the Corporation fixes a record date for the issue or distribution to all or substantially all the holders of Common Shares of:

(i) shares of any-class, whether of the Corporation or any other corporation;

(i) rights, options or warrants;

(ii) evidences of indebtedness; or

(iii) other assets or property;

and if such issue or distribution does not constitute a Capital Reorganization or a Rights Offering or does not consist of rights, options or warrants entitling the holders of Common Shares to subscribe for or purchase Common Shares, Participating Shares or Convertible Securities for a period expiring not more than 45 days after such record date and at a price per share (or having a conversion or exchange price per share) of at least 95% of the Current Market Price of the Common Shares on such record date (any such non-excluded event being hereinafter referred to as a **"Special Distribution")** the Exercise Price will be adjusted immediately after such record date so that it will equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction: (I) the numerator of which will be the amount by which (A) the amount obtained by multiplying the number of Common Shares outstanding on such record date by the Current Market Price of the Common Shares on such record date, exceeds (B) the fair market value (as determined by the directors of the Corporation, which determination will be conclusive) to the holders of such Common Shares of such Special Distribution; and (II) the denominator of which will be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price, and if any such event results in an adjustment in the Exercise Price, the number of Common Shares purchasable pursuant to the Warrants evidenced hereby will be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares theretofore purchasable on the exercise thereof by a fraction the numerator of which will be the Exercise Price in effect immediately prior to such adjustment and the denominator of which will be the Exercise Price resulting from such adjustment.

Any Common Shares owned by or held for the account of the Corporation will be deemed not to be outstanding for the purpose of any such computation. Such adjustment will be made successively whenever such a record date is fixed.

To the extent that such Special Distribution is not so made or any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price and the number of Common Shares purchasable pursuant to the Warrants evidenced hereby will then be readjusted to the Exercise Price and number of Common Shares which would then be in effect if such record date had not been fixed or if such expired rights, options or warrants had not been issued.

(f) No adjustment pursuant to this Section 5 will be made in respect of dividends (payable in cash, Common Shares or Participating Shares) declared payable on the Common Shares in any fiscal year of the Corporation to the extent that such dividends, when aggregated with any dividends previously declared payable on the Common Shares in such fiscal year, do not exceed 50% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year.

(g) In any case in which this Section 5 will require that an adjustment will become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder, upon the exercise of the Warrants evidenced hereby after such record date and before the occurrence of such event, the additional Common Shares issuable upon such exercise by reason of the adjustment required by such event; provided, however, that the Corporation will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares on and after such exercise.

(h) The adjustments provided for in this Section 5 are cumulative, will, in the case of adjustments to the Exercise Price, be computed to the nearest one-tenth of one cent and will apply (without duplication) to successive Reclassifications of Common Shares, Capital Reorganizations, Rights Offerings and Special Distributions; provided that, notwithstanding any other provision of this Section 5, no adjustment of the Exercise Price will be required unless such adjustment would require an increase or decrease of at least 1% of the Exercise Price then in effect (except upon a consolidation of the outstanding Common Shares) (provided, however, that any adjustments which by reason of this Section 5(h) are not required to be made will be carried forward and taken into account in any subsequent adjustment).

(i) If at any time prior to the Expiry Date the Corporation takes any action affecting the Common Shares, other than an action or an event described above in this Section 5 which in the opinion of the directors would have a material adverse effect upon the rights of the Holder under this Warrant certificate, the Exercise Price and/or the number of Common Shares purchasable under this Warrant certificate will be adjusted in such manner and at such time as the directors may determine to be equitable in the circumstances.

(i) In the event of any question arising with respect to the adjustments provided in this Section 5, such question will conclusively be determined by the Corporation's auditors and such determination, absent manifest error, will be binding upon the Corporation and the Holder.

(m) As a condition precedent to the taking of any action which would require an adjustment in the subscription rights pursuant to the Warrants, including the Exercise Price and the number of such classes of shares or other securities or property which are to be received upon the exercise thereof, the Corporation will take all corporate action which may, in the opinion of counsel, be necessary in order that the Corporation has reserved and there will remain unissued out of its authorized capital a sufficient number of Common Shares for issuance upon the exercise of the Warrants evidenced hereby, and that the Corporation may validly and legally issue as fully paid and non-assessable all the shares of such classes or other securities or may validly and legally distribute the property which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof.

(n) At least 21 days prior to the effective date or record date, as the case may be, of any event which requires an adjustment in the subscription rights pursuant to this Warrant certificate, including the Exercise Price and the number and classes of shares or other securities or property which are to be received upon the exercise thereof, the Corporation will give notice to the Holder of the particulars of such event and the required adjustment. If it is not reasonably practicable for the Corporation to give 21 days notice as aforesaid, the Corporation will give as much notice as is reasonably practicable in the circumstances.

(o) Subject to any required approval of any recognized securities exchange upon which the shares of the Corporation may at any time be listed, the Corporation may, at its option, at any time during the term of the Warrants, reduce the then current Exercise Price to any amount deemed appropriate by the board of directors of the Corporation.

6. **Representations and Warranties of the Corporation.** The Corporation hereby represents and warrants that it is authorized to create and issue the Warrants and covenants and agrees that it will cause the Common Shares from time to time subscribed for and purchased in the manner provided in this Warrant certificate and the certificate representing such Common Shares to be issued and that, at all times prior to the Expiry Date, it will have authorized and will reserve and there will remain unissued a sufficient number of Common Shares to satisfy the right of purchase provided for in this Warrant certificate. All Common Shares which are issued upon the exercise of the right of purchase provided in this Warrant certificate, upon payment therefor of the amount at which such Common Shares may be purchased pursuant to the provisions of this Warrant certificate, will be and be deemed to be fully paid and non-assessable shares and free from all taxes, liens and charges with respect to the issue thereof. The Corporation hereby represents and warrants that this Warrant certificate is a valid and enforceable obligation of the Corporation, enforceable in accordance with the provisions of this Warrant certificate.

7. **No Fractional Common Shares.** The Corporation will not be required to issue fractional Common Shares upon the exercise of the Warrants evidenced hereby. If any fractional interest in a Common Share would, except for the provisions of this Section 7, be deliverable upon the exercise of the Warrants evidenced hereby, the Corporation will, in lieu of delivering any certificate for such fractional interest, satisfy such fractional interest by paying to the Holder an amount in lawful money of Canada equal (computed to the nearest cent) to the Current Market Price of the Common Shares multiplied by such fractional interest.

8. **Legending of Common Shares.**

(a) The Holder hereby agrees and consents by acceptance hereof that, unless it is no longer a condition in respect of a trade pursuant to National Instrument 45-102 - *Resale of Securities*, all certificates representing Common Shares acquired upon exercise of the Warrants by Holders will have the following legend:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) [*insert the distribution date*] AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY."

(b) The Holder hereby agrees and consents by acceptance hereof that all certificates representing Common Shares acquired upon exercise of the Warrants by Holders resident in or otherwise subject to the laws of the United States (which the Holder is not at the time of issue hereof) will have the following legend (the **"U.S. Legend"):**

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF ZYMEWORKS INC. (THE "COMPANY"), THAT THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) IN COMPLIANCE WITH (I) RULE 144A OF THE U.S. SECURITIES ACT, IF APPLICABLE, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE OFFER, SALE OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (II) RULE 144 OF THE U.S. SECURITIES ACT, IF APPLICABLE, AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF (C)(II) AND (D), THE SELLER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY TO SUCH EFFECT."

provided, that if, at the time the Corporation is a "foreign issuer" as defined in Regulation S under the U.S. Securities Act, the Common Shares are being sold in accordance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act, as referred to above, and in compliance with local laws and regulations, the U.S. Legend may be removed and replaced with an appropriate Regulation S legend in compliance with applicable securities laws by providing a declaration to the Corporation (and any transfer agent), in the form the Corporation may prescribe from time to time; provided further that, notwithstanding the foregoing, any transfer agent of the Corporation may impose additional requirements for the removal of U.S. Legends from the Common Shares sold in accordance with Rule 904 of Regulation S under the U.S. Securities Act in the future (which may include an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation and any transfer agent); provided further, that, if any of the Common Shares are being sold pursuant to Rule 144 under the U.S. Securities Act, the U.S. Legend may be removed by delivery to the Corporation (and any transfer agent) of an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation (and any transfer agent) to the effect that the U.S. Legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

9. **Change; Waiver.** Subject to any required approval of any recognized securities exchange upon which the shares of the Corporation may at any time be listed, the provisions of these Warrants may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to in writing by the Corporation and the Holder.

10. **Transfer.** Subject to the Holder first providing on request a legal opinion satisfactory to the Corporation that any transfer is in accordance with applicable securities laws (and subject to compliance with such requirements by the Holder and the transferee), the Holder may transfer the Warrants to an Affiliate of the Holder or, if the Holder is a limited partnership (a **"Transferor LP"),** to a limited partner of such Transferor LP or to any limited partnership of which the general partner is also the general partner of the Transferor LP or an Affiliate of the general partner of the Transferor LP.

11. **Replacement Certificate.** Upon receipt of evidence satisfactory to the Corporation of the loss, theft, destruction or mutilation of this Warrant certificate and, if requested by the Corporation, upon delivery of a bond of indemnity satisfactory to the Corporation (or, in the case of mutilation, upon surrender of this Warrant certificate), the Corporation will issue to the Holder a replacement certificate (containing the same terms and conditions as this Warrant certificate).

12. **U.S. Restrictions.** These Warrants and the Common Shares issuable upon the exercise of these Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the **"U.S. Securities Act")** or any state securities laws. These Warrants may not be exercised in the United States (as defined in Regulation S pursuant to the U.S. Securities Act) unless these Warrants and the Common Shares issuable upon exercise hereof have been registered under the U.S. Securities Act and any applicable state securities laws or unless an exemption from such registration is available.

13. **Share Exchange Agreement.** This Warrant certificate is delivered to the Holder pursuant to the terms of the Share Exchange Agreement between the Holder and the Corporation dated October 22, 2014.

14. **Definitions.**

(a) **"Affiliate"** has the meaning given to such term in the *Canada Business Corporations Act.*

(b) "**Convertible Security**" means a security convertible into or exchangeable for a Common Share or a Participating Share or both.

(c) **"Current Market Price"** means, at any date, the price per share of the Common Shares as determined by the directors of the Corporation acting reasonably and in good faith.

(d) **"Participating Share"** means a share (other than a Common Share) that carries the right to participate in the distribution of the remaining property of the Corporation on the liquidation, dissolution or winding up the Corporation, whether voluntary or involuntary.

General.

(a) The headings in this certificate are for reference only and do not constitute terms of the Warrant certificate.

(b) Whenever the singular or masculine is used in this Warrant certificate the same will be deemed to include the plural or the feminine or the body corporate as the context may require.

(c) This Warrant certificate will enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

(d) This Warrant certificate will be subject to, governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of British Columbia, with respect to any dispute related to or arising from this Warrant.

(e) All references herein to monetary amounts are references to lawful money of Canada.

(f) Any notice which the Corporation is required to give to the Holder hereunder will be deemed to be properly given if sent by ordinary prepaid mail to the address for the Holder shown on the Holder's subscription agreement (unless the Holder subsequently notifies the Corporation of a change of such address), and such notice will be deemed to be given at the time of mailing.

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IN WITNESS WHEREOF the Corporation has caused this Warrant certificate to be executed October 22, 2014.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Authorized Signatory

EXHIBIT A

SHARE PURCHASE WARRANT SUBSCRIPTION FORM

Zymeworks Inc.
540-1385 W 8th Ave
Vancouver, British Columbia
V6H 3V9

The undersigned holder (the **"Subscriber")** of the attached Warrant certificate hereby subscribes for _____ Common shares (the **"Shares")** of Zymeworks Inc. pursuant to the terms of the Warrant certificate at the Exercise Price (as defined in the Warrant certificate) on the terms specified in the Warrant certificate and contemporaneously with the execution and delivery hereof makes payment therefor on the terms specified in the Warrant certificate.

The Subscriber irrevocably hereby directs that _____ Shares be issued and delivered as follows:

Name in Full	Address	Number of Shares

DATED this_____ day of _____, _____.

_____
Signature of Subscriber

_____
Name of Subscriber

_____
Print name of signatory (if Subscriber is not an individual)

_____
Title of signatory (if Subscriber is not an individual)

Exhibit 4.3

Execution Copy

WARRANT CERTIFICATE

THIS WARRANT CERTIFICATE AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SHARES IS EFFECTIVE UNDER THE SECURITIES ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE SECURITIES ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW.

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (1) THE ORIGINAL ISSUE DATE AND (II) THE DATE THE COMPANY BECAME A "REPORTING ISSUER" IN ANY PROVINCE OR TERRITORY OF CANADA.

Warrant Shares Issuable:	704,081
Warrant Certificate No.:	A-2
Re-Issue Date:	August 3, 2016
Original Issue Date:	June 2, 2016

FOR VALUE RECEIVED, Zymeworks Inc., a corporation existing under the *Canada Business Corporations Act* (the "***Company***"), hereby certifies that Perceptive Credit Holdings, LP or any of its registered assigns (collectively, the "***Holder***") is entitled to purchase from the Company up to 704,081 duly authorized, validly issued, fully paid and nonassessable shares of the Company's Class A Preferred Shares at the applicable per share Exercise Price (defined below), all subject to the terms, conditions and adjustments set forth below in this Warrant Certificate. Certain capitalized terms used herein are defined in **Section 1**.

This Warrant Certificate has been issued pursuant to the terms of the Credit and Guaranty Agreement, dated as of June 2, 2016 (as amended or otherwise modified from time to time, the "***Credit Agreement***"), among the Company, as the borrower, the guarantors party thereto and Perceptive Credit Opportunities Fund, L.P., as lender.

Section 1. Definitions. The following terms when used herein have the following meanings:

"***Additional Compensation***" has the meaning set forth in **Section 13(a)**.

"***Additional Compensation Shares***" has the meaning set forth in **Section 13(a)**.

"***Aggregate Exercise Price***" means, with respect to any exercise of this Warrant Certificate for Warrant Shares, an amount equal to the product of (i) the number of Warrant Shares in respect of which this Warrant Certificate is then being exercised pursuant to **Section 3** multiplied by (ii) the Exercise Price in effect as of the applicable Exercise Date in accordance with the terms of this Warrant Certificate.

"***Bloomberg***" has the meaning set forth within the definition of VWAP.

"***Board***" means the board of directors of the Company.

"***Business Day***" means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in the city of New York, New York are authorized or obligated by law or executive order to close.

"***Cashless Exercise***" has the meaning set forth in **Section 3(b)**.

"***Class A Preferred Shares***" means the Class A Preferred Shares of the Company, and any capital into which such Class A Preferred Shares shall have been converted, exchanged or reclassified following the date hereof.

"***Common Shares***" means the common shares of the Company, and any capital into which such Common Shares shall have been converted, exchanged or reclassified following the date hereof.

"***Company***" has the meaning set forth in the preamble.

"***Company Articles***" means the Company's Articles of Incorporation, as amended.

"***Credit Agreement***" has the meaning set forth in the preamble.

"***Delivery Deadline***" means (i) in the case of Warrant Shares to be issued upon exercise of this Warrant Certificate, five (5) Business Days after delivery of an Exercise Certificate in respect of such exercise, (ii) in the case Unlegended Shares requested by the Holder to be issued upon satisfaction of the Unrestricted Conditions, ten (10) Business Days after delivery of such requested by the Holder pursuant to **Section 12(a)(iii)**, and (iii) in the case of Additional Compensation Shares, five (5) Business Days following the last day of each calendar month during which an Event of Failure occurred or was continuing, as provided in **Section 13(b)**.

"***Delivery Failure***" means the failure by the Company, for any reason, to deliver Warrant Shares, Unlegended Shares, Additional Compensations Shares, as the case may be, to the Holder or its designee on or prior to the applicable Delivery Deadline for such shares.

"***DTC***" means the Depository Trust Company.

"***DWAC***" has the meaning set forth in **Section 3(i)**.

"***Event of Default***" means the occurrence of any of the following events or circumstances: (i) the occurrence of a Registration Failure that remains uncured for a period of

more than sixty (60) days following written notice thereof to the Company from the Holder; (ii) the occurrence of any Delivery Failure that remains uncured for a period of more than sixty (60) days; (iii) the occurrence of a Transfer Delivery Failure that remains uncured for a period of thirty (30) days or (iv) the breach by the Company of any obligations under Section 3(f) or 3(i) that has not been cured or waived on or before the fifth (5th) Business Day following notification in writing to the Company of such breach.

"***Event of Failure***" means (i) the occurrence of a Delivery Failure or (ii) the occurrence of a Transfer Delivery Failure.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Exercise Certificate***" has the meaning set forth in **Section 3(a)(i)**.

"***Exercise Date***" means, for any given exercise of this Warrant Certificate, whether in whole or in part, the date on which the conditions to such exercise as set forth in **Section 3** shall have been satisfied at or prior to 5:00 p.m., Eastern time, on a Business Day, including, without limitation, the receipt by the Company of the Exercise Certificate and the applicable Aggregate Exercise Price.

"***Exercise Period***" has the meaning set forth in **Section 2**.

"***Exercise Price***" means, initially, USD $4.90 per Warrant Share, as the same may be adjusted as set forth herein.

"***Failure Notice***" has the meaning set forth in **Section 13(a)**.

"***Fair Market Value***" means, if the Company's Shares are listed on a Trading Market, as of any particular Trading Date, the VWAP of the Company's Shares measured over the 10 Business Days immediately prior to such day or, if there have been no sales of such Shares on any Trading Market on any such day, the average of the highest bid and lowest asked prices for such Shares on all applicable Trading Markets at the end of such day. If the Company's Shares are not listed, quoted or otherwise available for trading, the "Fair Market Value" of the Class A Preferred Shares or Common Shares, as applicable, shall be the fair market value per share as determined jointly by the Board and the Holder.

"***FAST***" has the meaning set forth in **Section 3(i)**.

"***Holder***" has the meaning set forth in the preamble.

"***In-the-Money Liquidity Event***" means a Liquidity Event where the aggregate proceeds to be received by the Holder if this Warrant Certificate was exercised in full immediately prior to the consummation of the Liquidity Event is greater than the Aggregate Exercise Price that would have been payable in connection with such exercise.

"***Investors' Rights Agreement***" means that certain Investors' Rights Agreement by and among the Company and certain investors party thereto dated as of January 7, 2016, as amended.

"***Liquidity Event***" means a Liquidation Event or a Deemed Liquidation Event, each as defined in the Company Articles; *provided that* the waiver of a Deemed Liquidation Event by the holders of Class A Shares in accordance with the Company Articles shall not have the effect of waiving the effect of a Liquidity Event under this Warrant Certificate.

"***Nasdaq***" means The Nasdaq Stock Market, Inc.

"***Original Issue Date***" has the meaning set forth in the preamble.

"***Person***" means any individual, sole proprietorship, partnership, limited liability company, corporation, joint venture, trust, incorporated organization or government or department or agency thereof.

"***Preferred Shares*** means the Class A Preferred Shares of the Company and any other class or series of preferred shares issued by the Company after the Original Issue Date, and any class or series of preferred shares into which such Preferred Shares shall have been converted, exchanged or reclassified following the date hereof.

"***Prospectus***" means the prospectus or prospectuses included in any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus or prospectuses.

"***Redemption***" has the meaning set forth in **Section 14**.

"***Redemption Amount***" has the meaning set forth in **Section 14**.

"***Redemption Cap***" has the meaning set forth in **Section 14.**

"***Redemption Notice***" has the meaning set forth in **Section 14**.

"***Registrable Securities***" shall have the meaning set forth in the Investors' Rights Agreement. The parties hereto agree that, as such term is used in this Warrant Certificate and as such term is used in the Investors' Rights Agreement, the Warrant Shares shall be deemed to be Registrable Securities at all times that the Holder has the right to acquire or obtain from the Company the Warrant Shares, whether or not such acquisition has actually been effected.

"***Registration Failure***" means any of the following events or circumstances: (i) the Company fails to file timely with the SEC any Registration Statement required to be filed pursuant to Section 2.1(a) (Form S-1 Demand) or 2.1(b) (Form S-3 Demand)of the Investors' Rights Agreement; (ii) the Company fails to fulfill its obligations to Holder under Section 2.2 (Company Registrations) of the Investors' Rights Agreement; or (iii) the Company fails to satisfy its obligations to Holder pursuant to Section 2.4 (Obligations of the Company) of the Investors' Rights Agreement.

"***Registration Statement***" means any registration statement of the Company which covers any of the Registrable Securities, including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all materials incorporated by reference in such Registration Statement.

"***Re-Issue Date***" has the meaning set forth in the preamble.

"***ROFO and Co-Sale Agreement***" means that certain Right of First Refusal and Co-Sale Agreement by and among the Company, certain investors party thereto and other shareholders party thereto dated as of January 7, 2016, as amended.

"***SEC***" means the Securities and Exchange Commission or any successor thereto.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Shares***" means the Common Shares and/or the Preferred Shares, as applicable.

"***Trading Day***" means a day on which the principal Trading Market is open for trading.

"***Trading Market***" means Nasdaq or, if the Company's Shares are not listed on Nasdaq, such other principal US or foreign exchange or market (including the OTC (Over-The-Counter) Bulletin Board) on which the Shares are quoted or available for trading.

"***Transfer Agent***" has the meaning set forth in **Section 3(c)(ii)**.

"***Transfer Delivery Failure***" means the failure of the Company to effect a transfer of this Warrant Certificate as provided pursuant to **Section 8** within ten (10) Business Days following delivery by the Holder of an Assignment in substantially the form attached hereto as **Exhibit B**.

"***Unlegended Shares***" has the meaning set forth in **Section 12(a)(iii)**.

"***Unrestricted Conditions***" has the meaning set forth in **Section 12(a)(ii)**.

"***Voting Agreement***" means that certain Amended and Restated Voting Agreement by and among the Company and certain investors and other shareholders party thereto dated as of January 7, 2016, as amended.

"***VWAP***" means, for any security as of any day or period of days (as the case may be), the volume weighted average sale price on Nasdaq as reported by, or based upon data reported by Bloomberg Financial Markets or an equivalent, reliable reporting service reasonably acceptable to the Holder and the Company (collectively, "***Bloomberg***") or, if Nasdaq is not the principal trading market for such security, the volume weighted average sale price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg or, if no volume weighted average sale price is reported for such security by Bloomberg, then the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security that are listed in the over the counter market by the Financial Industry Regulatory Authority, Inc. or on the OTC Bulletin

Board (or any successor) or in the "pink sheets" (or any successor) by the OTC Markets Group, Inc.; provided that if VWAP cannot be calculated for such security on such date in the manner provided above, the VWAP shall be the Fair Market Value.

"***Warrant Certificate***" means this Warrant Certificate and all subsequent warrant certificates issued upon division, combination or transfer of, or in substitution for, this Warrant Certificate.

"***Warrant Register***" has the meaning set forth in **Section 7**.

"***Warrant Shares***" means the shares of Class A Preferred Shares or other capital of the Company then purchasable upon exercise of this Warrant Certificate in accordance with the terms of this Warrant Certificate.

Section 2. Term of Warrant Certificate. Subject to the terms and conditions hereof, at any time or from time to time on or after the Original Issue Date and prior to 5:00 p.m., Eastern time, on the fifth anniversary of such date or, if such day is not a Business Day, on the next preceding Business Day (the "***Exercise Period***"), the Holder of this Warrant Certificate may exercise this Warrant Certificate for all or any part of the Warrant Shares purchasable hereunder (subject to adjustment as provided herein).

Section 3. Exercise of Warrant Certificate.

(a) **Exercise Procedure**. This Warrant Certificate may be exercised from time to time on any Business Day during the Exercise Period, for all or any part of the unexercised Warrant Shares, upon:

(i) delivery to the Company at its then principal executive office of an Exercise Certificate in the form attached hereto as **Exhibit A** (each, an "***Exercise Certificate***"), duly completed (including specifying the number of Warrant Shares to be purchased) and executed by the Holder;

(ii) payment to the Company of the Aggregate Exercise Price in accordance with **Section 3(b)**; and

(iii) delivery to the Company at its then principal executive office of joinders to the Investors' Rights Agreement, the ROFR and Co-Sale Agreement, and the Voting Agreement, in each case duly completed and executed by the Holder, if such agreements are still in force and effect at the time that all or any portion of this Warrant Certificate is exercised.

(b) **Payment of the Aggregate Exercise Price**. Payment of the Aggregate Exercise Price shall be made, at the option of the Holder as expressed in the Exercise Certificate, by any of the following methods:

(i) by delivery to the Company of a certified or official bank check payable to the order of the Company or by wire transfer of immediately available funds to an account designated in writing by the Company, in the amount of such Aggregate Exercise Price;

(ii) by instructing the Company to withhold a number of Warrant Shares then issuable upon exercise of this Warrant Certificate with an aggregate Fair Market Value as of the Exercise Date equal to such Aggregate Exercise Price;

(iii) by surrendering to the Company (x) Warrant Shares previously acquired by the Holder with an aggregate Fair Market Value as of the Exercise Date equal to such Aggregate Exercise Price or (y) any other securities or any debt of the Company (including shares of Preferred Stock and/or Common Stock) having a value as of the Exercise Date equal to the Aggregate Exercise Price (which value (A) in the case of debt, shall be the principal amount thereof plus accrued and unpaid interest, and (B) in the case of shares of Preferred Stock or Common Stock, shall be the Fair Market Value thereof); or

(iv) any combination of the foregoing.

In the event of any withholding of Warrant Shares or surrender of other equity securities pursuant to **Section 3(b)(ii)**, **(iii)** or **(iv)** (solely to the extent of such withholding or surrender, a "***Cashless Exercise***") where the number of shares whose value is equal to the Aggregate Exercise Price is not a whole number, the number of shares withheld by or surrendered to the Company shall be rounded up to the nearest whole share and the Company shall make a cash payment to the Holder (by delivery of a certified or official bank check or by wire transfer of immediately available funds) based on the incremental fraction of a share being so withheld by or surrendered to the Company in an amount equal to the product of (x) such incremental fraction of a share being so withheld or surrendered multiplied by (y) the value of a whole share as of the Exercise Date determined in accordance with **Section 3(b)(iii)**.

For purposes of Rule 144, it is acknowledged and agreed that (i) the Warrant Shares issuable upon any exercise of this Warrant Certificate in any Cashless Exercise transaction shall be deemed to have been acquired on the Original Issue Date, and (ii) the holding period for any Warrant Shares issuable upon the exercise of this Warrant Certificate in any Cashless Exercise transaction shall be deemed to have commenced on the Original Issue Date.

(c) **Delivery of Share Certificates**.

(i) With respect to any exercise of this Warrant Certificate by the Holder, upon receipt by the Company of an Exercise Certificate and delivery of the Aggregate Exercise Price (in accordance with **Section 3(b)**), the Company shall, on or before the applicable Delivery Deadline, issue and deliver (or cause its Transfer Agent (as defined below) to issue and deliver) in accordance with the terms hereof to or upon the order of the Holder that number Warrant Shares for the portion of this Warrant Certificate so exercised on such date, together with cash in lieu of any fraction of a share, as provided in **Section 3(d)**. The share certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as the exercising Holder shall reasonably request in the Exercise Certificate and shall be registered in the name of the Holder or, subject to compliance with **Section 8**, such other Person's name as shall be designated in the Exercise Certificate. This Warrant Certificate shall be deemed to have been exercised and such certificate or certificates of Warrant Shares shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be

deemed to have become a holder of record of such Warrant Shares for all purposes, as of the Exercise Date.

(ii) If, at the time of exercise, the Company has a Transfer Agent, then upon the exercise of this Warrant Certificate in whole or in part, the Company shall, at its own cost and expense, take all necessary action, including obtaining and delivering an opinion of counsel, to assure that the Company's transfer agent (the "***Transfer Agent***") shall issue Warrant Shares in the name of the Holder (or its nominee) or such other Persons as designated by the Holder (in compliance with **Section 8**) and in such denominations to be specified in the applicable Exercise Certificate. The Company represents and warrants that no instructions other than the foregoing instructions will be given to the Transfer Agent and that, unless waived by the Holder, this Warrant Certificate and the Warrant Shares will be free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Warrant Shares if the Unrestricted Conditions are met.

(iii) In addition to any other remedies which may be available to the Holder pursuant to **Section 14** or otherwise, in the event of any Delivery Failure relating to the issuance of Warrant Shares upon exercise of this Warrant Certificate, the Holder will be entitled to revoke all or part of the relevant Exercise Certificate by delivery of a notice to such effect to the Company whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the delivery of such Exercise Certificate, except that Additional Compensation shall be payable through the date notice of revocation or rescission is given to the Company as provided in **Section 13**.

(d) **Fractional Shares**. The Company shall not be required to issue a fractional Warrant Share upon exercise of any Warrant Certificate. As to any fraction of a Warrant Share that the Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay to such Holder an amount in cash (by delivery of a certified or official bank check, by wire transfer of immediately available funds, or by offset against the Aggregate Purchase Price to be paid by the Holder in connection with such exercise) equal to the product of (i) such fraction multiplied by (ii) the Fair Market Value of one Warrant Share on the Exercise Date.

(e) **Surrender of this Warrant Certificate; Delivery of New Warrant Certificate**.

(i) The Holder shall not be required to physically surrender this Warrant Certificate to the Company until the Holder has purchased all of the Warrant Shares available hereunder and this Warrant Certificate has been exercised in full, in which case, the Holder shall, at the written request of the Company, surrender this Warrant Certificate to the Company for cancellation within three (3) Business Days after the date the final Exercise Certificate is delivered to the Company. Partial exercises of this Warrant Certificate resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Holder and any assignee, by acceptance of this Warrant Certificate, acknowledge and agree that, by reason of the provisions of this **Section 3(e)**, following the purchase of a

portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

(ii) Notwithstanding the foregoing, the Holder may request that the Company (and the Company shall), at the time of delivery of the certificate or certificates representing the Warrant Shares being issued in accordance with **Section 3(c)**, deliver to the Holder a new Warrant Certificate evidencing the rights of the Holder to purchase the unexpired and unexercised Warrant Shares called for by this Warrant Certificate. Unless otherwise agreed upon by the Holder in its sole discretion, such new Warrant Certificate shall in all other respects be identical to this Warrant Certificate.

(f) **Valid Issuance of Warrant Certificate and Warrant Shares; Payment of Taxes and Expenses**. With respect to the exercise of this Warrant Certificate, the Company hereby represents, covenants and agrees:

(i) This Warrant Certificate is, and any Warrant Certificate issued in substitution for or replacement of this Warrant shall be, upon issuance, duly authorized and validly issued.

(ii) All Warrant Shares issuable upon the exercise of this Warrant Certificate (or any substitute or replacement Warrant Certificate) pursuant to the terms hereof shall be, upon issuance, and the Company shall take all such actions as may be necessary or appropriate in order that such Warrant Shares are, validly issued, fully paid and non-assessable, issued without violation of any preemptive or similar rights of any shareholder of the Company and free and clear of all taxes, liens and charges.

(iii) The Company shall take all such actions as may be necessary to ensure that all such Warrant Shares are issued without violation by the Company of any applicable law or governmental regulation or any requirements of any Trading Market upon which shares of Class A Preferred Shares or other securities constituting Warrant Shares may be listed at the time of such exercise (except for official notice of issuance which shall be immediately delivered by the Company upon each such issuance), and if any of the Company's securities are listed on any Trading Market at the time of exercise, the Company shall cause the Warrant Shares, immediately upon such exercise, to be listed on such Trading Market.

(iv) The Company shall pay all expenses in connection with the issuance and delivery of the Warrant Shares and shall pay all fees taxes and other governmental charges that may be imposed with respect to the issuance or delivery of Warrant Shares upon exercise of this Warrant Certificate, *provided that* (A) the amount of such expenses paid by the Company shall be capped at $20,000 and (B) the Company shall not be obligated to pay any income taxes imposed on the Holder in connection with the exercise of this Warrant Certificate.

(g) **Conditional Exercise**. Notwithstanding any other provision hereof, if an exercise of any portion of this Warrant Certificate is to be made in connection with a public offering or a Liquidity Event, such exercise may, at the election of the Holder, be conditioned upon the consummation of such transaction, in which case such exercise shall not be deemed to be effective until immediately prior to the consummation of such transaction.

(h) **Reservation of Shares**.

(i) During the Exercise Period, the Company shall at all times reserve and keep available out of its authorized but unissued Class A Preferred Shares or other securities constituting Warrant Shares, solely for the purpose of issuance upon the exercise of this Warrant Certificate, the maximum number of Warrant Shares issuable upon the exercise of this Warrant Certificate. The Company shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Class A Preferred Shares upon the exercise of this Warrant Certificate.

(ii) During the Exercise Period and at all times thereafter that Warrant Shares are issued and outstanding, the Company shall reserve and keep available out of its authorized but unissued Common Shares or other securities into which Warrant Shares are convertible, solely for the purpose of issuance upon the conversion of the Warrant Shares, the maximum number of Common Shares issuable upon the conversion of the Warrant Shares. The Company shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Common Shares or other securities upon the conversion of the Warrant Shares.

(i) **Delivery of Electronic Shares**. If the Company has a Transfer Agent and the Transfer Agent is participating in the DTC Fast Automated Securities Transfer ("***FAST***") program, upon written request of the Holder and in lieu of delivering physical certificates representing any Preferred Shares or Common Shares to be delivered under or in connection with this Warrant Certificate, the Company shall use its commercially reasonable best efforts to cause the Transfer Agent to electronically transmit the Preferred Shares or Common Shares to the Holder by crediting the account of the Holder's prime broker with the DTC through its Deposit Withdrawal Agent Commission ("***DWAC***") system. The time periods for delivery and penalties described herein shall apply to the electronic transmittals described herein. Any delivery not effected by electronic transmission shall be effected by delivery of physical certificates.

(j) **Dispute Resolution**. In the case of any dispute as to the determination of Fair Market Value, the VWAP of the Company's Stock, the arithmetic calculation of the Exercise Price or any other computation or valuation required to be made hereunder, in the event the Holder and the Company are unable to settle such dispute within five (5) Business Days, then either party may elect to submit the disputed matter(s) for resolution to an independent investment bank or an independent accountant (depending on the nature of the dispute) (the "**Independent Referee**"), in each case as mutually selected by the Holder and the Company. If the Holder and the Company cannot agree on an Independent Referee, each shall select one investment bank or one accountant and the two banks or two accountants (as applicable) shall select a third bank or third accountant and such third bank or third accountant shall be the Independent Referee. The Independent Referee's shall be a referee and not an arbitrator and its determination of such disputed matter(s) shall be binding upon all parties absent demonstrable error, and the Company and the Holder shall each pay one half of the fees and costs of the Independent Referee.

(k) **Automatic Exercise.** If an In-the-Money Liquidity Event occurs with respect to the Company at any time prior to 5:00 p.m., New York time, on the last day of the Exercise

Period and there remain any Warrant Shares subject to this Warrant Certificate, this Warrant Certificate shall be deemed to be automatically exercised for the full number of remaining Warrant Shares, without the requirement for the delivery of an Exercise Certificate, and the Holder shall receive its pro rata share of the proceeds from such Liquidity Event as if the Warrant Shares were outstanding immediately prior to such Liquidity Event (subject to set-off against the Aggregate Exercise Price); provided that:

(i) unless the giving of notice is not possible due to the circumstances of the Liquidity Event, the Company shall give the Holder notice of an anticipated Liquidity Event as soon as practicable but in any event not less than 10 Business Days prior to the anticipated consummation of such Liquidity Event; and

(ii) if the Holder does not wish to automatically have this Warrant Certificate exercised in connection with such Liquidity Event, the Holder may opt out of such automatic exercise by written notice to the Company in advance of the consummation of the Liquidity Event.

For the avoidance of doubt, if the Holder opts out of having the Warrant Certificate exercised in connection with an In-the-Money Liquidity Event then: (x) if the Liquidity Event involves a merger or consolidation of the Company with or into another entity and the Company is the surviving entity following the consummation of the Liquidity Event, this Warrant Certificate shall continue to remain outstanding following the consummation of the Liquidity Event for the duration of the Exercise Period; and (y) if the Liquidity Event involves a merger or consolidation and the Company is not the surviving entity following the consummation of the Liquidity Event, this Warrant Certificate shall be reissued, in accordance with **Section 4(d)** below, for equity securities in the entity that survives the Liquidity Event and shall remain outstanding for the duration of the Exercise Period.

Section 4. Anti-Dilution Adjustments. The Warrant Shares issuable upon exercise of this Warrant Certificate shall be subject to adjustment from time to time as provided in this **Section 4**.

(a) **Adjustments for Diluting Issuances**. The Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant Certificate or, the number of Common Shares issuable upon conversion of the Warrant Shares, shall be subject to adjustment, from time to time in the manner set forth in the Company Articles as if the Warrant Shares were issued and outstanding on and as of the date of any such required adjustment and as if the Exercise Price was the Conversion Price (as defined in the Company Articles). The provisions set forth in Article B, Section 4.4 (Adjustments to Class A Conversion Price for Diluting Issues) of the Company Articles in effect as of the Original Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Warrant Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Warrant Shares granted to Holder.

(b) **Dividends and Distributions**. If the Company shall, at any time or from time to time after the Original Issue Date, make or declare, or fix a record date for the determination of

holders of Preferred Shares or Common Shares entitled to receive, a dividend or any other distribution payable in securities of the Company, then, and in each such event, the Company shall ensure that provisions are made so that the Holder shall receive upon exercise of this Warrant Certificate, in addition to the number of Warrant Shares receivable thereupon, the kind and amount of securities of the Company which the Holder would have been entitled to receive had this Warrant Certificate been exercised in full into Warrant Shares on the date of such event and had the Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained such securities receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this **Section 4** with respect to the rights of the Holder; provided that no such provision shall be made if the Holder receives, simultaneously with the distribution to the holders of Preferred Shares and/or Common Shares, a dividend or other distribution of such securities, in an amount equal to the amount of such securities as the Holder would have received if this Warrant Certificate had been exercised in full into Warrant Shares on the date of such event.

(c) **Adjustment to Exercise Price and Warrant Shares Upon Subdivision or Combination**. If the Company shall, at any time or from time to time after the Original Issue Date, subdivide (by any share split, recapitalization or otherwise) its outstanding shares of Preferred Shares or Common Shares into a greater number of shares, the Exercise Price in effect immediately prior to any such subdivision shall be proportionately reduced and the number of Warrant Shares issuable upon exercise of this Warrant Certificate shall be proportionately increased. If the Company at any time combines (by combination, reverse share split or otherwise) its outstanding Preferred Shares or Common Shares into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares issuable upon exercise of this Warrant Certificate shall be proportionately decreased. Any adjustment under this **Section 4(c)** shall become effective at the close of business on the date the subdivision or combination becomes effective.

(d) **Adjustment to Exercise Price and Warrant Shares Upon Reorganization, Reclassification, Consolidation or Merger**.

(i) Unless the Holder otherwise consents (in its sole discretion), the event of any (A) capital reorganization of the Company, (B) reclassification of the capital of the Company (other than as a result of any dividend or distribution covered by **Section 4(b**)), including with respect to a public offering, (C) other similar transaction (other than any such transaction covered by **Section 4(c)**) or (D) Liquidity Event in which the Warrant Certificate is not exercised, in each case which entitles the holders of Preferred Shares or Common Shares to receive (either directly or upon subsequent liquidation) shares, securities or assets with respect to or in exchange for Preferred Shares or Common Shares:

(1) this Warrant Certificate shall, immediately after such reorganization, reclassification, consolidation, merger, sale or similar transaction, remain outstanding and shall thereafter, in lieu of or in addition to (as the case may be) the number of Warrant Shares then exercisable under this Warrant Certificate, be exercisable for the kind and number of shares or other securities or assets of the Company or of the successor Person resulting from such transaction to which the Holder would have been entitled upon such reorganization, reclassification, consolidation, merger, sale or similar transaction if the Holder

had exercised this Warrant Certificate in full immediately prior to the time of such reorganization, reclassification, consolidation, merger, sale or similar transaction and acquired the applicable number of Warrant Shares then issuable hereunder as a result of such exercise (without taking into account any limitations or restrictions on the exercisability of this Warrant Certificate); and

(2) appropriate adjustment (in form and substance satisfactory to the Holder) shall be made with respect to the Holder's rights under this Warrant Certificate to insure that the provisions of this **Section 4** shall thereafter be applicable, as nearly as possible, to this Warrant Certificate in relation to any shares, securities or assets thereafter acquirable upon exercise of this Warrant Certificate (including, in the case of any consolidation, merger, sale or similar transaction in which the successor or purchasing Person is other than the Company, an immediate adjustment in the Exercise Price to the value per share for the Class A Preferred Shares reflected by the terms of such consolidation, merger, sale or similar transaction, and a corresponding adjustment immediately shall be made to the number of Warrant Shares acquirable upon exercise of this Warrant Certificate, without regard to any limitations or restrictions on exercise, if the value so reflected is less than the Exercise Price in effect immediately prior to such consolidation, merger, sale or similar transaction).

The provisions of this **Section 4(d)** shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or similar transactions.

(ii) Notwithstanding anything to the contrary contained herein: (x) with respect to any corporate event or other transaction contemplated by this **Section 4(d)**, the Holder shall have the right to elect, prior to the consummation of such event or transaction, to exercise its rights under **Section 2** instead of giving effect to **Section 4(d)(i)**; and (y) if, in connection with a public offering, the Class A Conversion Price (as defined in the Company's Certificate of Incorporation) is adjusted pursuant to Article B, Section 5.1 (Mandatory Conversion: Trigger Events) of the Company Articles, the Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant Certificate shall be similarly adjusted.

(e) **Certain Events**. If any event of the type contemplated by the provisions of this **Section 4** but not expressly provided for by such provisions (including, without limitation, the granting of share appreciation rights, phantom share rights or other rights with equity features) occurs, then the Board shall make an appropriate adjustment in the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant Certificate so as to protect the rights of the Holder in a manner consistent with the provisions of this **Section 4;** provided that in connection with such event this Warrant Certificate and the Warrant Shares shall not be treated in a manner less favorable than the Class A Shares and the Holder shall not be treated in a manner less favorable than the holders of such Class A Shares.

(f) **Certificate as to Adjustment**.

(i) As promptly as reasonably practicable following any adjustment of the Exercise Price, but in any event not later than three Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer setting forth in reasonable detail such adjustment and the facts upon which it is based and certifying the calculation thereof.

(ii) As promptly as reasonably practicable following the receipt by the Company of a written request by the Holder, but in any event not later than three Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer certifying the Exercise Price then in effect and the number of Warrant Shares or the amount, if any, of other shares, securities or assets then issuable upon exercise of this Warrant Certificate.

(g) **Notices**. In the event that the Company shall take a record of the holders of its Class A Preferred Shares (or other capital or securities at the time issuable upon exercise of this Warrant Certificate):

(i) for the purpose of entitling or enabling them to receive any dividend or other distribution, to vote at a meeting (or by written consent), to receive any right to subscribe for or purchase any shares of capital of any class or any other securities, or to receive any other security; or

(ii) approving or enabling any capital reorganization of the Company, any reclassification of the Class A Preferred Shares or Common Shares of the Company or any Liquidity Event;

then, and in each such case, the Company shall send or cause to be sent to the Holder at least ten (10) days prior to the applicable record date or the applicable expected effective date, as the case may be, for the event, a written notice specifying, as the case may be, (A) the record date for such dividend, distribution, meeting or consent or other right or action, and a description of such dividend, distribution or other right or action to be taken at such meeting or by written consent, or (B) the effective date on which such capital reorganization, reclassification or Liquidity Event is proposed to take place, and the date, if any is to be fixed, as of which the books of the Company shall close or a record shall be taken with respect to which the holders of record of Class A Preferred Shares (or such other capital or securities at the time issuable upon exercise of this Warrant Certificate) shall be entitled to exchange their shares of Class A Preferred Shares (or such other capital or securities) for securities or other property deliverable upon such capital reorganization, reclassification or Liquidity Event, and the amount per share and character of such exchange applicable to this Warrant Certificate and the Warrant Shares.

Section 5. [***Reserved***]

Section 6. Registration Rights.

(a) The Company and the Holder agree that, as of the Original Issue Date:

(i) The Warrant Shares shall have certain registration rights pursuant to and as set forth in the Investors' Rights Agreement;

(ii) The Holder shall be deemed to be an "Investor" for all purposes under the Investors' Rights Agreement;

(iii) The Warrant Shares shall be "Registrable Securities" under the Investors' Rights Agreement, and the Holder shall be a "Holder" (as defined in the Investors' Rights Agreement), for all purposes under the Investors' Rights Agreement, including prior to exercise

of this Warrant Certificate, provided that, for the avoidance of doubt, the Holder may not require that the Warrant Shares be registered on a Trading Market unless and until this Warrant Certificate has been validly exercised with respect to the Warrant Shares to be so registered and such Warrant Shares are eligible to be so registered in accordance with applicable law; and

(b) The provisions set forth in the Investors' Rights Agreement, or any similar or replacement agreement relating to the registration rights of Registrable Securities (including the Warrant Shares), may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Warrant Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Warrant Shares.

Section 7. Warrant Register. The Company shall keep and properly maintain at its principal executive offices a register (the "***Warrant Register***") for the registration of this Warrant Certificate and any transfers thereof. The Company may deem and treat the Person in whose name this Warrant Certificate is registered on such register as the Holder thereof for all purposes, and the Company shall not be affected by any notice to the contrary, except any assignment, division, combination or other transfer of this Warrant Certificate effected in accordance with the provisions of this Warrant Certificate.

Section 8. Transfer of Warrant Certificate. Subject to **Section 12** hereof, this Warrant Certificate and all rights hereunder are transferable, in whole or in part, by the Holder without charge to the Holder, upon surrender of this Warrant Certificate to the Company at its then principal executive offices with a properly completed and duly executed Assignment in the form attached hereto as **Exhibit B**, together with funds sufficient to pay any transfer taxes in connection with the making of such transfer. Upon such compliance, surrender and delivery and, if required, such payment of any transfer taxes, the Company shall execute and deliver a new Warrant Certificate or Warrant Certificates in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant Certificate evidencing the portion of this Warrant Certificate, if any, not so assigned and this Warrant Certificate shall promptly be cancelled.

Section 9. The Holder Not Deemed a Shareholder; Limitations on Liability. Except as otherwise specifically provided herein, prior to the issuance to the Holder of the Warrant Shares to which the Holder is then entitled to receive upon the due exercise of this Warrant Certificate, the Holder shall not be entitled to vote or receive dividends or be deemed the holder of shares of capital of the Company for any purpose, nor shall anything contained in this Warrant Certificate be construed to confer upon the Holder, as such, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of shares, reclassification of shares, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise. In addition, nothing contained in this Warrant Certificate shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant Certificate or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this **Section 9**, the Company shall provide the Holder with copies of the same notices and other information and inspection rights given to the Major Investors pursuant to Section 3.1 and 3.2 of the Investors' Rights Agreement.

Section 10. Replacement on Loss; Division and Combination.

(a) **Replacement of Warrant Certificate on Loss**. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant Certificate and upon delivery of an indemnity reasonably satisfactory to it (it being understood that a written indemnification agreement or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant Certificate for cancellation to the Company, the Company at its own expense shall execute and deliver to the Holder, in lieu hereof, a new Warrant Certificate of like tenor and exercisable for an equivalent number of Warrant Shares as this Warrant Certificate so lost, stolen, mutilated or destroyed; provided that, in the case of mutilation, no indemnity shall be required if this Warrant Certificate in identifiable form is surrendered to the Company for cancellation.

(b) **Division and Combination of Warrant Certificate**. Subject to compliance with the applicable provisions of this Warrant Certificate as to any transfer or other assignment which may be involved in such division or combination, this Warrant Certificate may be divided or, following any such division of this Warrant Certificate, subsequently combined with other Warrant Certificates, upon the surrender of this Warrant Certificate or Warrant Certificates to the Company at its then principal executive offices, together with a written notice specifying the names and denominations in which new Warrant Certificates are to be issued, signed by the respective Holders or their agents or attorneys. Subject to compliance with the applicable provisions of this Warrant Certificate as to any transfer or assignment which may be involved in such division or combination, the Company shall at its own expense execute and deliver a new Warrant Certificate or Warrant Certificates in exchange for this Warrant Certificate or Warrant Certificates so surrendered in accordance with such notice. Such new Warrant Certificate or Warrant Certificates shall be of like tenor to the surrendered Warrant Certificate or Warrant Certificates and shall be exercisable in the aggregate for an equivalent number of Warrant Shares as this Warrant Certificate or Warrant Certificates so surrendered in accordance with such notice.

Section 11. No Impairment. The Company shall not, by amendment of the Company Articles or its Bylaws, through any shareholders, voting or similar agreement, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant Certificate and in the taking of all such action as may reasonably be requested by the Holder in order to protect the exercise rights of the Holder against dilution or other impairment, consistent with the tenor and purpose of this Warrant Certificate.

Section 12. Compliance with the Securities Act and Market Stand-Off.

(a) **Agreement to Comply with the Securities Act, etc.**

(i) **Legend**. The Holder, by acceptance of this Warrant Certificate, agrees to comply in all respects with the provisions of this Section 12 and the restrictive legend requirements set forth on the face of this Warrant Certificate and further agrees that such Holder shall not offer, sell or otherwise dispose of this Warrant Certificate or any Warrant Shares to be

issued upon exercise hereof except under circumstances that will not result in a violation of the Securities Act and applicable Canadian securities laws. Subject to **clause (ii)** below, this Warrant Certificate and all Warrant Shares issued upon exercise of this Warrant Certificate (unless registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form:

"*THIS WARRANT CERTIFICATE AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SHARES IS EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.*

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JUNE 2, 2016 AND (II) THE DATE THE COMPANY BECAME A "REPORTING ISSUER" IN ANY PROVINCE OR TERRITORY OF CANADA."

(ii) **Removal of Restrictive Legends**. Neither this Warrant Certificate nor any certificates evidencing Warrant Shares or any other Shares issuable or deliverable under or in connection with this Warrant Certificate shall contain any legend restricting the transfer thereof (including the legend set forth above in **clause (i)**) in any of the following circumstances: (A) following any sale of this Warrant Certificate, any Warrant Shares or any other Shares issued or delivered to the Holder under or in connection here with pursuant to Rule 144 or pursuant to a Registration Statement covering the sale or resale of the Warrant Shares, (B) if this Warrant Certificate, Warrant Shares or any other such Share are eligible for sale under Rule 144(b)(1), or (C) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the SEC) or (D) in respect of the Canadian securities legend set forth above, in accordance with applicable Canadian securities laws (collectively, the "***Unrestricted Conditions***"). The Company shall not require Holder to provide an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c). If the Unrestricted Conditions are met at the time of issuance of this Warrant Certificate, the Warrant Shares or such other Shares, then this Warrant Certificate, Warrant Shares or other Shares, as the case may be, shall be issued free of all legends.

(iii) **Replacement Warrant Certificate**. The Company agrees that at such time as the Unrestricted Conditions have been satisfied it shall promptly (but in any event within three (3) Business Days) following written request from the Holder issue a replacement Warrant Certificate or replacement Warrant Shares or replacement shares in respect of such other Shares, as the case may be, free of all restrictive legends.

(iv) **Sale of Unlegended Shares**. The Holder agrees that the removal of the restrictive legend from this Warrant Certificate and any certificates representing securities as set forth in **Section 12(a)(ii)** above is predicated upon the Company's reliance that the Holder will sell this Warrant Certificate or any such securities (i) pursuant to either an effective Registration Statement or otherwise pursuant to the requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if such securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, or (ii) in accordance with applicable Canadian securities laws.

(b) Representations of the Holder. In connection with the issuance of this Warrant Certificate, the Holder specifically represents, as of the date hereof, to the Company by acceptance of this Warrant Certificate as follows:

(i) The Holder is an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act and CSA National Instrument 45-106 *Exempt Distributions*. The Holder is acquiring this Warrant Certificate and the Warrant Shares to be issued upon exercise hereof for investment for its own account and not with a view towards, or for resale in connection with, the public sale or distribution of this Warrant Certificate or the Warrant Shares, except pursuant to sales registered or exempted under the Securities Act or applicable Canadian securities laws.

(ii) The Holder understands and acknowledges that this Warrant Certificate and the Warrant Shares to be issued upon exercise hereof are "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act or a final prospectus under applicable Canadian securities laws only in certain limited circumstances. In addition, the Holder represents that it is familiar with Rule 144 under the Securities Act and with CSA National Instrument 45-102 *Resale of Securities*, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act and under other applicable Canadian securities laws.

(iii) The Holder acknowledges that it can bear the economic and financial risk of its investment for an indefinite period, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in this Warrant Certificate and the Warrant Shares. The Holder has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant Certificate and the business, properties, prospects and financial condition of the Company.

(c) **Market Standoff**. Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company of shares of its Common Shares or any other equity securities under the Securities Act on a registration statement on Form S-1 or Form F-1, and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days in the case of the Company's initial public offering, or such other period as may be reasonably requested by the Company or an underwriter to accommodate regulatory restrictions on (a) the publication or other distribution of research reports, and (b) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Shares (whether such shares or any such securities are then owned by the Holder or are thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or other securities, in cash, or otherwise. The foregoing provisions of this **Section 12(c)** shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers, directors and all shareholders individually owning more than 2% of the Company's outstanding Common Shares (after giving effect to conversion into Common Shares of all outstanding Class A Preferred Shares) are subject to substantially similar restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this **Section 12(c)** and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this **Section 12(c)** or that are necessary to give further effect thereto.

Section 13. Events of Failure.

(a) **Failure of Payment, etc**. For so long as any Event of Failure continues, the Company hereby agrees to pay additional compensation ("***Additional Compensation***") to the Holder (which, the parties agree, is to be treated as liquidated damages and not as a penalty) in the form of a per annum fee accruing at a rate of 10% per annum on an amount equal to the product of (i) the number of Warrant Shares representing the remaining unexercised portion of this Warrant Certificate multiplied by (ii) the Fair Market Value of one Class A Preferred Share as of immediately prior to the date on which the Holder delivers written notice to the Company of the occurrence of such Event of Failure (a "***Failure Notice***"). Additional Compensation shall continue to accrue until such Event of Failure has been cured or waived. Additional Compensation shall be paid in cash or, at the Company's option in shares of Class A Preferred Stock (or, following a public offering, in unrestricted Common Stock) with a Fair Market Value equal to the Additional Compensation ("***Additional Compensation Shares***"). Additional Compensation, whether payable in cash or in Additional Compensation Shares, is in addition to any Warrant Shares that the Holder is entitled to receive upon exercise of this Warrant Certificate.

(b) **Payment of Accrued Additional Compensation**. Additional Compensation shall be payable, whether in cash or shares, as the case may be, on or before the fifth (5th) Business Day following the last day of each calendar month during which an Event of Failure has occurred or continued. Nothing herein shall limit the Holder's right to pursue a claim for specific performance or injunctive relief. Notwithstanding the above, if a particular Event of Failure results in an Event of Default pursuant to **Section 14** hereof, then the Additional Compensation in respect of such Event of Failure shall be considered to have been satisfied upon payment to the Holder of an amount equal to the greater of (i) the Additional Compensation and (ii) the Default Amount payable in accordance with **Section 14**.

Section 14. Redemption.

(a) Upon the occurrence and during the continuance of any Event of Default, at the option of the Holder exercised by way of delivery of written notice to the Company (a "***Redemption Notice***"), the Holder shall have the right to demand a redemption (a "***Redemption***") of (i) in the event of a Registration Failure, the exercised Warrant Shares to be registered pursuant to the Investors' Rights Agreement, up to the Redemption Cap (as defined below); (ii) in the event of a Delivery Failure, the exercised Warrant Shares which the Company has failed to deliver, up to the Redemption Cap; and (iii) in the event of a Transfer Delivery Failure, the portion of this Warrant Certificate which the Company has failed to transfer, up to the Redemption Cap.

(b) Upon the Holder's election to cause a Redemption, the Company shall be obligated to pay to the Holder an amount (the "***Redemption Amount***"), after deduction of an amount equal to the then-applicable Exercise Price with respect to any unexercised Warrant Shares to be redeemed, equal to:

(i) in the case of a Registration Failure or Delivery Failure, the product of (1) the number of Warrant Shares to be redeemed multiplied by (2) the Fair Market Value of one Class A Preferred Share (or, following the Company's public offering, one Common Share); and

(ii) (ii) in the case of a Transfer Delivery Failure, the product of (1) the number of Warrant Shares issuable upon exercise of the portion of the Warrant Certificate the Company has failed to transfer (up to the Redemption Cap) multiplied by (2) the Fair Market Value of one Class A Preferred Share (or, following the Company's public offering, one Common Share).

(c) The Redemption Amount shall be payable in cash within three (3) Business Days following the date of delivery of the Redemption Notice. To the extent the Redemption Amount is not paid in full when due, the unpaid portion thereof shall accrue interest at a rate of 15% per annum until paid in full. All rights with respect to such redeemed Warrant Shares or Warrant Certificate (or portion thereof) shall terminate following the Redemption.

(d) For purposes of this Section 14, (i) the "***Redemption Cap***" shall be 50% of the Warrant Shares issuable upon exercise of this Warrant Certificate, (ii) for purposes of calculating the Redemption Cap, all Warrant Shares redeemed pursuant to this Section 14 (in a single transaction or in a series of related or unrelated transactions) shall be aggregated, and (iii), for the

avoidance of doubt, in no event shall the Company be required to redeem in excess of 352,041 Warrant Shares or any portion of this Warrant Certificate exercisable for in excess of 352,041 Warrant Shares, in each case, as adjusted for any share dividend or subdivision, split-up or combination of shares or similar transaction.

Section 15. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 15**).

If to the Company: Zymeworks Inc.
1385 West 8th Avenue, Suite 540
Vancouver, BC, Canada V6H 3V9
Attention:
Facsimile:
E-mail:

with a copy to: Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
Attention: Michael Tenta
Email: mtenta@cooley.com

If to the Holder: Perceptive Credit Holdings, LP
c/o Perceptive Advisors LLC
51 Astor Place, 10th Floor
New York, New York, 10003
Attention: Sandeep Dixit
E-mail: Sandeep@perceptivelife.com

with a copy to: Chapman and Cutler LLP
1270 Avenue of the Americas
New York, NY 10020
Attention: Nicholas Whitney
E-mail: whitney@chapman.com

Section 16. Cumulative Remedies. The rights and remedies provided in this Warrant Certificate are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

Section 17. Equitable Relief. Each of the Company and the Holder acknowledges that a breach or threatened breach by such party of any of its obligations under this Warrant Certificate would give rise to irreparable harm to the other party hereto for which monetary damages would not be an adequate remedy and hereby agrees that in the event of a breach or a threatened breach by such party of any such obligations, the other party hereto shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction. The Holder and the Company further acknowledge and agree that (i) sums payable hereunder, including in respect of Additional Compensation or the Redemption Amount, are meant to be treated as liquidated damages and not penalties, (ii) the amount of loss or damages likely to be incurred by the Holder as a result of the Company's breach of any its obligations hereunder is incapable or is difficult to precisely estimate, (iv) the amounts payable hereunder (and calculations in respect thereof) are reasonable and are not plainly or grossly disproportionate to the probable loss likely to be incurred by the Holder, and (v) the parties hereto are sophisticated business parties and have been represented by sophisticated and able legal and financial counsel and negotiated this Agreement at arm's length.

Section 18. Entire Agreement. This Warrant Certificate constitutes the sole and entire agreement of the parties to this Warrant Certificate with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter.

Section 19. Successor and Assigns. This Warrant Certificate and the rights evidenced hereby shall be binding upon and shall inure to the benefit of the parties hereto and the successors of the Company and the successors and permitted assigns of the Holder. Such successors and/or permitted assigns of the Holder shall be deemed to be a "Holder" for all purposes hereunder.

Section 20. No Third-Party Beneficiaries. This Warrant Certificate is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant Certificate.

Section 21. Headings. The headings in this Warrant Certificate are for reference only and shall not affect the interpretation of this Warrant Certificate.

Section 22. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant Certificate may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant Certificate shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 23. Severability. If any term or provision of this Warrant Certificate is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant Certificate or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 24. Governing Law. This Warrant Certificate shall be governed by and construed in accordance with the internal laws of the Province of British Columbia and the laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule (whether of the Province of British Columbia and the laws of Canada applicable therein or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the Province of British Columbia and the laws of Canada applicable therein.

Section 25. Submission to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Warrant Certificate or the transactions contemplated hereby may be instituted in the federal courts of British Columbia and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by certified or registered mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 26. Waiver of Jury Trial. **EACH OF THE COMPANY AND THE HOLDER ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS WARRANT CERTIFICATE IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS WARRANT CERTIFICATE OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

Section 27. Counterparts. This Warrant Certificate may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Warrant Certificate delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Warrant Certificate.

Section 28. No Strict Construction. This Warrant Certificate shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

IN WITNESS WHEREOF, the Company has duly executed this Warrant Certificate on the Re-Issue Date.

ZYMEWORKS INC.

By /s/ Neil Klompas
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By /s/ Ali Tehrani
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Accepted and agreed,

PERCEPTIVE CREDIT HOLDINGS, LP

By _____
Name:
Title:

By _____
Name:
Title:

Exhibit A
to Warrant Certificate

FORM OF EXERCISE CERTIFICATE

(To be signed only upon exercise of Warrant Certificate)

To: _____

The undersigned, as holder of a right to purchase shares of Class A Preferred Shares of Zymeworks Inc., a corporation existing under the *Canada Business Corporations Act* (the "***Company***"), pursuant to that certain Warrant Certificate of the Company, dated as of [RE-ISSUE DATE] and bearing Warrant Certificate No. A-2 (the "***Warrant Certificate***"), hereby irrevocably elects to exercise the purchase right represented by such Warrant Certificate for, and to purchase thereunder, [_____ (_____)] shares of Class A Preferred Shares of the Company and herewith makes payment of [_____ Dollars ($_____)] therefor by the following method:

(Check all that apply):

_____ (check if applicable) The undersigned hereby elects to make payment of the Aggregate Exercise Price of [_____ Dollars ($_____)] for [(_____)] shares of Class A Preferred Shares using the method described in **Section 3(b)(i)**.

_____(check if applicable) The undersigned hereby elects to make payment of the Aggregate Exercise Price of [_____ Dollars ($_____)] for [(_____)] shares of Class A Preferred Shares using the method described in **Section 3(b)(ii)**.

_____ (check if applicable) The undersigned hereby elects to make payment of the Aggregate Exercise Price of [_____ Dollars ($_____)] for [(_____)] shares of Class A Preferred Shares using the method described in **Section 3(b)(iii)**.

Unless otherwise defined herein, capitalized terms have the meanings provided in the Warrant Certificate.

DATED: _____

PERCEPTIVE CREDIT HOLDINGS, LP

By _____
Name:
Title:

By _____
Name:
Title:

Exhibit B
to Warrant Certificate

FORM OF ASSIGNMENT

THE UNDERSIGNED, Perceptive Credit Holdings, LP, is the holder (in such capacity, the "***Holder***") of a warrant certificate issued by Zymeworks Inc., a corporation existing under the *Canada Business Corporations Act* (the "***Company***"), bearing Warrant Certificate No. A-2 (the "***Warrant Certificate***"), entitling the Holder to purchase up to [_____] shares of the Company's Class A Preferred Shares. Unless otherwise defined, capitalized terms used herein have the meanings ascribed thereto in the Warrant Certificate.

FOR VALUE RECEIVED, the Holder hereby sells, assigns and transfers to [NAME OF ASSIGNEE] (the "***Assignee***") the right to acquire [all Warrant Shares entitled to be purchased upon exercise of the Warrant Certificate] [_____ of the Warrant Shares entitled to be purchased upon exercise of the Warrant Certificate]. In furtherance of the foregoing assignment, the Holder hereby irrevocably instructs the Company to (i) memorialize such assignment on the Warrant Register as required pursuant to **Section 7** of the Warrant Certificate, and (ii) pursuant to **Section 8** of the Warrant Certificate, execute and deliver to the Assignee [and the Holder] a new Warrant Certificate [new Warrant Certificates] reflecting the foregoing assignment ([each] a "***Substitute Warrant Certificate***").

The Assignee acknowledges and agrees that its Substitute Warrant Certificate and the Warrant Shares to be issued upon exercise thereof are being acquired for investment and that the Assignee will not offer, sell or otherwise dispose of its Substitute Warrant Certificate or any Warrant Shares to be issued upon exercise or conversion thereof except under circumstances which will not result in a violation of the Securities Act or any applicable state or Canadian securities laws. The Assignee represents and warrants for the benefit of the Company that the Assignee is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended and CSA National Instrument 45-106 *Exempt Distributions*.

To the extent required pursuant to **Section 12** of the Warrant Certificate, the Assignee acknowledges and agrees that restrictive legends shall be applied to the Assignee's Substitute Warrant and the Warrant Shares issuable upon exercise of such certificate substantially consistent with the legends set forth in **Section 12(a)(i)**.

[SIGNATURE PAGE FOLLOWS]

PERCEPTIVE CREDIT HOLDINGS, LP

By _____
Name:
Title:

By _____
Name:
Title:

Accepted and agreed,

[NAME OF ASSIGNEE]

By _____
Name:
Title:

INVESTORS' RIGHTS AGREEMENT

THIS INVESTORS' RIGHTS AGREEMENT (this "**Agreement**"), is made as of January 7, 2016 by and among Zymeworks Inc., a corporation existing under the *Canada Business Corporations Act* (the "**Company**"), and each of the investors listed on Schedule A-1 and Schedule A-2 hereto (each an "**Investor**").

RECITALS

WHEREAS, certain of the Investors (the "**Existing Investors**") possess registration rights, information rights, rights of first offer, and other rights pursuant to the Investor Rights Agreement among the Company, Eli Lilly and Company ("**Eli Lilly**") and CTI Life Sciences Fund, L.P. ("**CTI**"), dated as of October 22, 2014, the Investor Rights Agreement between the Company and Fonds de solidarité des travailleurs du Québec (F.T.Q.) ("**Fonds**"), dated December 18, 2014, the Investor Rights Agreement between the Company and Celgene Alpine Investment Co. LLC ("**Celgene**"), dated December 24, 2014, and the Second Amended and Restated Qualification and Registration Rights Agreement between the Company and CTI, dated June 16, 2011 (collectively, the "**Prior Agreements**");

WHEREAS, each of the Existing Investors desire to terminate the Prior Agreements in their entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under their respective Prior Agreement; and

WHEREAS, certain of the Investors are parties to that certain Class A Preferred Share Purchase Agreement of even date herewith between the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by such Investors, the Existing Investors and the Company.

NOW, THEREFORE, the Existing Investors hereby agree that the Prior Agreements shall be superseded and replaced in their entirety by this Agreement, and the parties to this Agreement further agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person, any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person, if such Person is a partnership, any partner of such Person, or, in the case of Fonds, (i) a regional solidarity fund, a specialized fund or any other Person which Fonds represents to be a member of its network or (ii) any Person to which Fonds assigns all or part of its assets in the event that such assignment covers the Registrable Securities and other assets of Fonds in the context of a reorganization of all or part of the activities or the portfolio of Fonds. A Person will be deemed to "**control**" another Person if such Person possesses, directly or indirectly,

the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities or voting interests, by contract or otherwise; and the term "**controlled**" will have a similar meaning; provided, however, that no party to this Agreement will be considered to be an Affiliate of any other party to this Agreement for purposes of this Agreement.

1.2 "**Articles**" means the articles of the Company within the meaning of the *Canada Business Corporations Act*.

1.3 "**Class A Director**" means any director of the Company that the holders of record of the Class A Preferred Shares are entitled to elect pursuant to the Voting Agreement (as defined in the Purchase Agreement).

1.4 "**Class A Preferred Shares**" means the Class A Preferred Shares in the capital of the Company.

1.5 "**Common Shares**" means the common shares in the capital of the Company.

1.6 "**Competitor**" means a Person engaged, directly or indirectly (including through any partnership, limited liability company, corporation, joint venture or similar arrangement (whether now existing or formed hereafter)), in the development of therapeutics for the treatment of cancer, autoimmune and inflammatory diseases, but shall not include (a) Eli Lilly or any Affiliate of Eli Lilly, (b) Celgene or any Affiliate of Celgene or (c) any financial investment firm or collective investment vehicle that, together with its Affiliates, holds less than 20% of the outstanding equity of such Person and does not, nor do any of its Affiliates, have a right to designate any members of the board of directors of such Person.

1.7 "**Damages**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other Canadian or U.S. federal, provincial or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any Canadian provincial or U.S. state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any Canadian provincial or U.S. state securities law.

1.8 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly)**,** Common Shares, including options and warrants.

1.9 “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.10 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to an option, share purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered.

1.11 “**Form S-1**” means such form or Form F-1 (if the Company qualified as a foreign private issuer, as defined in Rule 405 of Regulation C under the Securities Act), each under the Securities Act as in effect on the date hereof or any successor registration forms under the Securities Act subsequently adopted by the SEC.

1.12 “**Form S-3**” means such form or Form F-3 (if the Company qualified as a foreign private issuer, as defined in Rule 405 of Regulation C under the Securities Act), each under the Securities Act as in effect on the date hereof or any registration forms under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.13 “**GAAP**” means generally accepted accounting principles in the United States.

1.14 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.15 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, registered domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including, adoptive relationships, of a natural person referred to herein.

1.16 “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

1.17 “**IPO**” means the Company’s first firm-commitment underwritten public offering of its Common Shares pursuant to an effective registration statement under the Securities Act that are listed on the Nasdaq National Stock Market or New York Stock Exchange.

1.18 “**Key Employee**” means any executive-level employee (including, division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).

1.19 “**Major Investor**” means (a) any Investor identified on Schedule A-1 to this Agreement; and (b) any Investor (i) identified on Schedule A-2 to this Agreement and (ii) that, individually or together with such Investor’s Affiliates, holds at least 408,163 shares of Registrable Securities (as adjusted for any share split, share dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.20 “**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities. For clarity, New Securities shall include any Class A Preferred Shares sold by the Company at any Additional Closing (as defined in the Purchase Agreement).

1.21 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.22 “**Registrable Securities**” means (a) the Common Shares issuable or issued upon conversion of the Class A Preferred Shares and (b) for the purposes of Subsections 2.2 through 2.13 hereof only (and for the avoidance of doubt such shares shall not be included for purposes of amendments, waivers or otherwise under Subsection 6.6) the Common Shares held as of the date hereof by the Investors listed on Schedule A-1; excluding in each case, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Subsection 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Subsection 2.13 of this Agreement.

1.23 “**Registrable Securities then outstanding**” means the number of shares determined by adding the number of outstanding Common Shares that are Registrable Securities and the number of Common Shares issuable (directly or indirectly) pursuant to then convertible securities that are Registrable Securities.

1.24 “**Restricted Securities**” means the securities of the Company required to be notated with the legend set forth in Subsection 2.12(b)2.12(b) hereof.

1.25 “**SEC**” means the U.S. Securities and Exchange Commission.

1.26 "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act.

1.27 "**SEC Rule 145**" means Rule 145 promulgated by the SEC under the Securities Act.

1.28 "**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.29 "**Selling Expenses**" means all underwriting discounts, selling commissions, and share transfer taxes, if any, applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Subsection 2.6.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) two years after the date of this Agreement or (ii) six months after the effective date of the registration statement for the IPO, the Company receives a request from Holders of at least 51% of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to the Registrable Securities then outstanding with anticipated aggregate offering price, net of Selling Expenses, of at least US$10 million, then the Company shall (x) within 10 days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Holders other than the Initiating Holders; and (y) as soon as practicable after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within 20 days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsections 2.1(c) and 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least US$2 million, then the Company shall (i) within 10 days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within 20 days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsections 2.1(c) and 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Subsection 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Company's Board of Directors (the "**Board of Directors**") it would be materially detrimental to the Company and its shareholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing for a period of not more than 120 days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than twice in any 12 month period; and provided further that the Company shall not register any securities for its own account or that of any other shareholder during such 120 day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Subsection 2.1(a) (i) during the period that is 60 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 180 days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Subsection 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Subsection 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Subsection 2.1(b) (i) during the period that is 30 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 90 days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) if the Company has effected one registration pursuant to Subsection 2.1(b) within the six month period immediately preceding the date of such request; or (iii) if the Company has effected six registrations pursuant to Subsection 2.1(b). A registration shall not be counted as "effected" for purposes of this Subsection 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Subsection 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Subsection 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for shareholders other than the Holders and any registration effected pursuant to Subsection 2.1 of this Agreement)any of its Common Shares under the Securities Act in connection with the public offering of such

securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within 20 days after such notice is given by the Company, the Company shall, subject to the provisions of Subsection 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Subsection 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Subsection 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Subsection 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Subsection 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Subsection 2.4(e) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Subsection 2.3, if the managing underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Holders' Registrable Securities to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(b) In connection with any offering involving an underwriting of shares in the capital of the Company pursuant to Subsection 2.1, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities,

including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) held by persons not contractually entitled to registration are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below 25% of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other shareholder's securities are included in such offering. For purposes of the provision in this Subsection 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, shareholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to 120 days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such 120 day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Shares (or other securities) of the Company, from selling any securities included in such registration;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) if requested by any Selling Holder, (i) if no other statutory exemption is available from the requirement to obtain a receipt for a final prospectus filed in Quebec in order to permit the distribution outside of Quebec of the Registrable Securities held by such Selling Holder, assist such Selling Holder in making the required filings to seek exemptive relief from the Autorité des marchés financiers in respect of such distribution by such Selling Holder and pay for the expenses associated with such effort, not to exceed $5,000, on the condition that such Selling Shareholder agrees to use all reasonable efforts to obtain such exemption and to allow the Company to participate in all relevant discussions and review and comment upon all relevant documentation in connection therewith, and (ii) if such exemptive relief is denied by the Autorité des marchés financiers after having followed the procedures set forth in the preceding clause (i), obtain a receipt for a final prospectus filed in Quebec (which may, at the Company's option, be the same prospectus pursuant to which the IPO is effected) that qualifies the distribution of the Registrable Securities held by such Selling Holder;

(f) notify in writing and on a timely basis the selling Holders, with respect to Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event which comes to the Company's attention if as a result of such event the prospectus included in such registration statement, as then in effect, includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading and at the request of any such Holder, deliver a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities; such prospectus shall not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(g) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(h) cause appropriate officers of the Company to (i) attend any "road shows" and analyst and investor presentations scheduled in connection with such offering and (ii) cooperate as reasonably requested by the underwriters in the marketing of the Registrable Securities;

(i) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on the Nasdaq National Stock Market or New York Stock Exchange, as applicable depending on which such exchange similar securities issued by the Company are then listed;

(j) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(k) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(l) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed and also notify such Holders of any stop order issued or threatened by the SEC of which the Company is aware and use its commercially reasonable efforts to prevent the entry of such stop order or to promptly seek the removal of such stop order if entered and to promptly notify such Holders of the lifting or withdrawal of such order;

(m) without in any way limiting the types of registrations to which this Agreement applies, if the Company effects a "shelf registration" on Form S-1 or Form S-3 under Rule 415 promulgated under the Securities Act, take all necessary action, including the filing of post-effective amendments, to permit the Holders to include their Registrable Securities in such registration in accordance with the terms of this Agreement; and

(n) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses), not to exceed US $50,000, incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that (i) such expenses incurred by the Company pursuant to Section 2.2 shall not be subject to any limit and (ii) the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Subsection 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Subsections 2.1(a) or 2.1(b), as the case may be. All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, employees and shareholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any) who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Subsections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Subsection 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Subsection 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Subsection 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Subsection 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either: (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Subsection 2.8 but

it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Subsection 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Subsection 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Subsection 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Subsection 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Subsection 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies) and (ii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that (i) would allow such holder or prospective holder to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included; or (ii) would allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Subsection 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company of shares of its Common Shares or any other equity securities under the Securities Act on a registration statement on Form S-1, and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days in the case of the IPO, or such other period as may be reasonably requested by the Company or an underwriter to accommodate regulatory restrictions on (a) the publication or other distribution of research reports, and (b) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Shares (whether such shares or any such securities are then owned by the Holder or are thereafter

acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or other securities, in cash, or otherwise. The foregoing provisions of this Subsection 2.11 shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers, directors and all shareholders individually owning more than 2% of the Company's outstanding Common Shares (after giving effect to conversion into Common Shares of all outstanding Class A Preferred Shares) are subject to substantially similar restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Subsection 2.11 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Subsection 2.11 or that are necessary to give further effect thereto.

2.12 Restrictions on Transfer.

(a) The Class A Preferred Shares and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Class A Preferred Shares and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate, instrument, or book entry representing (i) the Class A Preferred Shares, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any share split, share dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Subsection 2.12(c)) be notated with one or all of the following legends substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JANUARY 7, 2016 AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Subsection 2.12.

(c) The holder of such Restricted Securities, by acceptance of ownership thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144; or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Subsection 2.12. Each certificate, instrument, or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Subsection 2.12(b), except that such certificate instrument, or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Subsections 2.1 or 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event (as each such term is defined in the Articles);

(b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares without limitation during a three-month period without registration; and

(c) the fifth anniversary of the IPO.

3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor, provided that the Board of Directors has not reasonably determined that such Major Investor is a Competitor of the Company:

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and (iii) a statement of shareholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, unaudited statements of income and cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments; and (ii) not contain all notes thereto that may be required in accordance with GAAP); and

(c) within sixty (60) days after the end of each fiscal year, the Company shall deliver to each Major Investor and its Affiliates (i) unaudited financial statements of the Company that contain the financial information necessary in order for each Major Investor and its Affiliates to prepare and file IRS Form 5471 with respect to the Company, (ii) a "PFIC Annual Information Statement" for the prior fiscal year containing the information required under Treasury Regulation 1.1295-1(g)(1), and (iii) such other information reasonably requested in writing as is reasonably necessary to allow each Major Investor and its Affiliates to complete its respective tax filings in the United States.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Subsection 3.1 to the contrary, the Company may cease providing the information set forth in this Subsection 3.1 during the period starting with the date 60 days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Subsection 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor (provided that the Board of Directors has not reasonably determined that such Major Investor is a Competitor of the Company), at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Subsection 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. As long as Lumira Capital II, L.P. ("**Lumira**"), along with its Affiliates, owns any Class A Preferred Shares, the Company shall invite a representative of Lumira to attend all meetings of the Board of Directors in a nonvoting observer capacity and, in this respect, shall, subject to such representative signing a confidentiality agreement with the Company in form and tenor acceptable to the Board of Directors, give such representative copies of all notices, minutes, consents and other materials that it provides to its directors at the same time and in the same manner provided to such directors. The Company shall reimburse the Lumira representative for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors. Notwithstanding the foregoing, the Company reserves the right to exclude such representative from access to any material or meeting or portion thereof if the Company believes upon advice of counsel that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential information or for other similar reasons. The decision of the Board of Directors with respect to the privileged or confidential nature of such information shall be final and binding.

3.4 Notification of Certain Events. The Company shall provide notice (the "**Event Notice**") to each of Eli Lilly and Celgene (the "**Major Common Holders**") within three business days of (a) the Company's receipt of a formal offer, as reflected in a term sheet, letter of intent or similar document (whether binding or nonbinding), from or on behalf of a third party to consummate or negotiate a Deemed Liquidation Event, the sale of at least 15% of the issued and outstanding shares in the capital of the Company to any pharmaceutical company, biotechnology company or medical device company (a "**Competitor Sale**"), or the sale of a majority of the Company's assets or business related to a then-effective Collaboration Agreement to which such Major Common Holder is a party (a "**Collaboration Asset Sale**"), in each case with respect to which the Board of Directors elects to enter into formal negotiations; (b) the Board of Directors authorizing management (i) to enter into discussions with a third party specifically contemplating a Deemed Liquidation Event, a Competitor Sale or a Collaboration Asset Sale, or (ii) to engage an investment bank in preparation for a Deemed Liquidation Event,

a Competitor Sale or a Collaboration Asset Sale; or (c) the Board of Directors engaging an investment bank for the purposes of preparing for, or otherwise authorizing the Company's management to prepare for, an IPO. Without the prior written consent of each of the Major Common Holders entitled to notice pursuant to this Subsection 3.3, the Company hereby covenants not to effect any Deemed Liquidation Event, Competitor Sale, Collaboration Asset Sale or IPO during the 30 day period following delivery of the notification of such Event Notice to the applicable Major Common Holders. Nothing herein shall require the Company to disclose in such Event Notice the identity of any offeror or third party or any proposed or contemplated terms if such disclosure would breach any confidentiality or similar obligation. For further clarity, the Company's obligation to provide the Event Notice, subject to and as qualified by the immediately preceding sentence, shall not be limited by any confidentiality or similar obligation owed by the Company to any third party.

3.5 Termination of Covenants. The covenants set forth in Subsection 3.1, Subsection 3.2 and Subsection 3.3 shall terminate and be of no further force or effect upon the earlier of (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Articles, whichever event occurs first. The covenants set forth in Subsection 3.4 shall terminate and be of no further force or effect upon the earlier of (w) February 17, 2020, (x) immediately before the consummation of the IPO, (y) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (z) upon a Deemed Liquidation Event, as such term is defined in the Articles.

3.6 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Subsection 3.6 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Subsection 3.6, provided such prospective purchaser is not a Competitor of the Company, as determined by the Board of Directors in its sole discretion; (iii) to any Affiliate, partner, member, shareholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any

such required disclosure. Notwithstanding the foregoing, no prior notice or other action shall be required by Fonds in respect of any private disclosure made by Fonds to the Autorité des Marchés Financiers of the Province of Québec in the course of its regular inspection of Fonds' internal affairs and activities, provided that such inspection is not specifically related or targeted to the Company or Fonds' investment therein.

4. Rights to Future Equity Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Subsection 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among (i) itself and (ii) its Affiliates; provided that each such Affiliate (x) is not a Competitor, unless such party's purchase of New Securities is otherwise consented to by the Board of Directors, (y) agrees to enter into this Agreement and each of the Voting Agreement and Right of First Refusal and Co-Sale Agreement of even date herewith among the Company, the Investors and the other parties named therein, as an "**Investor**" under each such agreement (provided that any Competitor shall not be entitled to any rights as a Major Investor under Subsections 3.1, 3.2 and 4.1 hereof), and (z) agrees to purchase at least such number of New Securities as are allocable hereunder to the Major Investor holding the fewest number of Class A Preferred Shares and any other Derivative Securities.

(a) The Company shall give notice (the "**Offer Notice**") to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within 20 days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Shares then held by such Major Investor (including all Common Shares then issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Class A Preferred Shares and any other Derivative Securities then held by such Major Investor) bears to the total Common Shares of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Class A Preferred Shares and other Derivative Securities). The closing of any sale pursuant to this Subsection 4.1(b) shall occur within the later of 90 days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Subsection 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Subsection 4.1(b), the Company may, during the 90 day period following the expiration of the periods provided in Subsection 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons (other than a Competitor) at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale

of the New Securities within such period, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Subsection 4.1.

(d) The right of first offer in this Subsection 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Articles), (ii) Common Shares issued in the IPO, or (iii) Equity Securities issued pursuant to the Company's obligations under any collaboration, out-licensing or similar agreement entered into by the Company prior to the date hereof; provided, however, that in the event the Equity Securities issued pursuant to the Company's obligations under any collaboration, out-licensing or similar agreement exceed ten percent (10%) of the Common Shares then issued, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Class A Preferred Shares and any other Derivative Securities, then each Major Investor will have the right, under procedures and timing similar to that set forth in Subsection 4.1 but conducted after closing of the issuance of such Exempted Securities, to purchase a number of Common Shares, at the same price, sufficient to allow such Major Investor and its Affiliates, collectively, to beneficially own, after the issuance of such Exempted Securities, the same percentage of the issued and outstanding shares of the capital of the Company (of all classes and series, whether common, preferred, special or otherwise, together with any other class or classes of shares of the capital of the Company which are hereafter created, including any shares or securities into which such shares may be converted or changed or which result from a consolidation, subdivision, reclassification or redesignation of such shares or securities) as such Major Investor and its Affiliates, collectively, beneficially owned prior to such issuance of Exempted Securities.

4.2 Termination. The covenants set forth in Subsection 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Articles of Incorporation, whichever event occurs first,.

5. Additional Covenants.

5.1 Insurance. The Company shall use its commercially reasonable efforts to obtain, within ninety (90) days of the date hereof, from financially sound and reputable insurers Directors and Officers liability insurance, in the amount and on terms and conditions satisfactory to the Board of Directors (including the Class A Director) to be maintained until such time as the Board of Directors (including the Class A Director) determines that such insurance should be discontinued. Notwithstanding any other provision of this Subsection 5.1 to the contrary, for so long as the Class A Director is serving on the Board of Directors, the Company shall not cease to maintain a Directors and Officers liability insurance policy in an amount of at least five (5) million US dollars unless approved by such Class A Director, and the Company shall annually, within one hundred twenty (120) days after the end of each fiscal year of the Company, deliver to the Investors purchasing Class A Preferred Shares a certification that such a Directors and Officers liability insurance policy remains in effect.

5.2 Indemnification Agreement. The Company shall execute and deliver an Indemnification Agreement (as defined in the Purchase Agreement) in favor of each Designated Director (as defined in the Voting Agreement) elected to the Board of Directors from time to time.

5.3 Employee Agreements. The Company will cause each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a proprietary information and inventions assignment agreement.

5.4 Board Matters. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors. The Company shall cause to be established, as soon as practicable, but in no event later than 90 days from the date of this Agreement as with respect to the formation of the Corporate Governance and Nominating Committee, and will maintain, (a) a Corporate Governance and Nominating Committee, which shall consist of the Class A Director, the then-serving Chief Executive Officer of the Company, one individual mutually acceptable to the other members of such Corporate Governance and Nominating Committee, which individually shall initially be Ken Galbraith, and the director that CTI has the right to designate to be elected to the Board of Directors pursuant to Section 1.2(a) of the Voting Agreement, (b) an Audit Committee, which shall be composed of a majority of non-management, independent directors, and (c) a Compensation Committee, which shall be composed of a majority of non-management, independent directors and the Class A Director. Following the date hereof, the Corporate Governance and Nominating Committee shall recommend to the Board of Directors a reduction of the authorized size of the Board of Directors and the Board of Directors shall recommend to the shareholders of the Company the restructuring of the Board as set forth in the Voting Agreement; *provided*, that the authorized size of the Board of Directors shall be no less than seven (7) directors and no more than nine (9) directors immediately prior to the IPO.

5.5 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, the Articles, or elsewhere, as the case may be.

5.6 No Grant of Right of First Refusal on New Securities. The Company shall not grant to any other investor, individual or entity (i) any rights of first refusal on New Securities or any other securities (or instrument or rights that are exercisable or convertible for securities) of the Company that in any way contradicts, restricts or impedes any Investor from exercising its right of first refusal in full as provided in Section 4 above, or (ii) any over-allotment right that reduces any Investor's right to acquire any shares under this Agreement that other investors have not purchased under their rights of first refusal. Furthermore, each Investor

agrees that any rights he, she or it has with respect to any rights of first refusal or over-allotment rights with respect to any New Securities or any other securities (or instrument or rights that are exercisable or convertible for securities) of the Company shall be of no further force and effect and such rights shall be superseded in their entirety by the rights of first refusal and over-allotment rights set forth in this Agreement.

5.7 Indemnification Matters. The Company hereby acknowledges that one (1) or more of the directors nominated to serve on the Board of Directors by the Investors (each a "**Fund Director**") may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Investors and certain of their affiliates (collectively, the "**Fund Indemnitors**"). The Company hereby agrees (a) that it is the indemnitor of first resort (*i.e.*, its obligations to any such Fund Director are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Fund Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Fund Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Fund Director to the extent legally permitted and as required by the Articles or Bylaws of the Company (or any agreement between the Company and such Fund Director), without regard to any rights such Fund Director may have against the Fund Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any such Fund Director with respect to any claim for which such Fund Director has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Fund Director against the Company.

5.8 Right to Conduct Activities. The Company hereby agrees and acknowledges that certain Holders and their respective Affiliates invest in numerous portfolio companies, some of which may be deemed competitive with the Company's business (as currently conducted or as currently proposed to be conducted). The Company hereby agrees that, to the extent permitted under applicable law, each such Holder and its respective Affiliates shall not be liable to the Company for any claim arising out of, or based upon, (i) the investment by each such Holder or its respective Affiliates in any entity competitive with the Company, or (ii) actions taken by any partner, officer or other representative of each such Holder or its respective Affiliates to assist any such competitive company, whether or not such action was taken as a member of the board of directors of such competitive company or otherwise, and whether or not such action has a detrimental effect on the Company; provided, however, that the foregoing shall not relieve (x) any of the Investors from liability associated with the unauthorized disclosure of the Company's confidential information obtained pursuant to this Agreement, or (y) any director or officer of the Company from any liability associated with his or her fiduciary duties to the Company.

5.9 Termination of Covenants. The covenants set forth in this Section 5 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Articles of Incorporation, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 100,000 shares of Registrable Securities (subject to appropriate adjustment for share splits, share dividends, combinations, and other recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Subsection 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or shareholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement is governed by the laws of the Province of British Columbia and the laws of Canada applicable therein.

6.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature, *e.g.*, www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes**.**

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A-1 or Schedule A-2 (as applicable) hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Subsection 6.5. If notice is given to the Company, a copy shall also be sent to Cooley LLP, Attn: Michael Tenta, 3175 Hanover Street, Palo Alto, CA 94304-1130 and to Blake, Cassels & Graydon LLP, Attn: Joseph Garcia, Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1L3.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of (i) the Company, (ii) the holders of at least 66 2/3% of the Registrable Securities then outstanding; provided that the Company may in its sole discretion waive compliance with Subsection 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Subsection 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, (a) this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion; (b) Section 4 can only be amended, waived or modified with respect to a Major Investor upon the written consent of such Major Investor and (c) Subsections 1.6, 3.4 and 6.6(b) and (c) of this Agreement may not be amended or terminated and the observance of any term thereof may not be waived with respect to (A) Eli Lilly without the written consent of Eli Lilly or (B) Celgene without the written consent of Celgene. The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Subsection 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect,

such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Shares. All Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Company's Class A Preferred Shares after the date hereof, any purchaser of such shares of Class A Preferred Shares may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. Upon the effectiveness of this Agreement, all provisions of, rights granted and covenants made in the Prior Agreements are hereby terminated, waived, released and superseded in their entirety, and the Prior Agreements shall be deemed superseded and replaced in their entirety by this Agreement, and shall be of no further force or effect.

6.11 Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the courts of British Columbia for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the courts of British Columbia, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT

CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

6.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.13 Independent Legal Advice. The Investors acknowledge having been advised to obtain independent legal advice with respect to entering into this Agreement, has obtained such independent legal advice or has expressly determined not to seek such advice, and that the Investors are entering into this Agreement with full knowledge of the contents hereof, of the Investors' own free will and with full capacity and authority to do so.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY:

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Dr. Ali Tehrani, President and CEO

Address: 1385 West 8th Avenue, Suite 540
Vancouver, BC, Canada V6H 3V9

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

BDC Capital Inc.

By: /s/ Dion Madsen

Name and Title: Dion Madsen, Senior Managing Partner

By: /s/ Ela Borenstein

Name and Title: Ela Borenstein, Managing Partner

Address: _____

_____

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Perceptive Life Sciences Master Fund Ltd.

By: /s/ James H Mannix

Name: James H Mannix

Title: C.O.O.

Address: 51 Astor Place 10th Floor
New York, NY 10003
Attn: James H Mannix

Titan-Perc Ltd

By: /s/ Darren Ross

Name: Darren Ross

Title: Director

Address: 750 Washington Blvd 10th floor
Stamford CT 06901
Attn: Darren Ross

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Teralys Capital Innovation Fund L.P.

By: /s/ Cedric Bisson
Cedric Bisson, Partner

By: /s/ Eric Legault
Eric Legault, Partner

Teralys Capital Innovation Fund (International) L.P.

By: /s/ Cedric Bisson
Cedric Bisson, Partner

By: /s/ Eric Legault
Eric Legault, Partner

Address: 999, boul. de Maisonneuve O.
Suite 1700
Montréal (Qc) H3A 3L4, Canada

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

NORTHLEAF VENTURE CATALYST FUND LP, by its manager, NORTHLEAF CAPITAL PARTNERS (CANADA) LTD.

By: /s/ Stuart Waugh

Name: Stuart Waugh

Title: Managing Director & Managing Partner

By: /s/ Michael Flood

Name: Michael Flood

Title: Managing Director

Address: 79 Wellington Street West
6th Floor, Box 120
Toronto, ON M5K 1N9

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

MTS Securities, LLC

By: /s/ Mark Epstein

Name: Mark Epstein

Title: Senior Managing Director

Address: 623 Fifth Avenue
14th Floor
New York, NY 10022

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Merlin Nexus IV, L.P.

By: /s/ Dominique Semon

Name: Dominique Semon

Title: Managing Partner

Address: 424 West 33rd Street
New York NY 10001
USA

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Lumira Capital II, L.P.
By: Lumira Capital GP, L.P., its general partner
By: Lumira GP Inc., its general partner

By: /s/ Vasco Larcina

Name: Vasco Larcina

Title: VP Finance

By: /s/ Peter Van Der Velden

Name: Peter Van Der Velden

Title: President

Lumira Capital II (International), L.P.
By: Lumira Capital GP, L.P., its general partner
By: Lumira GP Inc., its general partner

By: /s/ Vasco Larcina

Name: Vasco Larcina
Title: VP Finance

By: /s/ Peter Van Der Velden

Name: Peter Van Der Velden

Title: President

Address: 141 Adelaide St. West, Suite 770
Toronto, Ontario, M5H 3L5

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Fonds de solidarieté des travailleurs du Québec (F.T.Q.)

By: /s/ Didier Leconte

Name: Didier Leconte

Title: Senior Director, Investments
Life Sciences

Address: 545 Crémazie Blvd. East, Suite 200
Montreal, QC
H2M 2W4
Facsimile: (514) 383-2500

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Celgene Alpine Investment Co. LLC
By: Celgene International Sàrl, its sole member

By: /s/ Tuomo Tapani Patsi
Name: Tuomo Tapani Patsi
Title: President, EMEA

By: /s/ Nakisa Serry
Name: Nakisa Serry
Title:

Address: Route de Perreux 1
2017 Boundry
Switzerland
Facsimile: +41 32 729 83 06

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

CTI Life Sciences Fund, L.P.

By: /s/ Ken Pastor
Name: Ken Pastor
Title: General Partner

CTI Life Sciences Fund, L.P.
By its general partner, CTI Partners, L.P.
By its general partner, CTI General Partner, Inc.

Address: 1 Place Ville Marie, Suite 1050
Montreal, Quebec H3B 4S6

Attention: Shermaine Tilley and Ken Pastor
Facsimile: 514-787-1620

Email: stilley@ctisciences.com

With a copy to (which shall not constitute notice):

BCF LLP
25th Floor
1100 René-Levésque Blvd. West
Montreal, Quebec H3B 5C9

Attention: Gino Martel
Facsimile: 514-397-8515
Email: gino.martel@bcf.ca

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Eli Lilly and Company

By: /s/ Derica W. Rice
Name: Derica W. Rice
Title: EVP, Global Services & CFO

Address: Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: Senior Vice President, Corporate Business Development
Facsimile: (317) 433-5053

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: General Counsel
Facsimile: (317) 433-3000

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: Corporate Financial Reporting
Facsimile: (317) 433-3000

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

INVESTORS:

Brazyme LLC

By: /s/ Vinzenz Ploerer

Name: _____

Title: _____

Address:

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

SCHEDULE A-1

Investors

Name and Address

CTI Life Sciences Fund, LP
1 Place Ville Marie, Suite 1635
Montreal, Quebec H3B 2B6
Attention: Shermaine Tilley and Ken Pastor
Facsimile: 514-787-1620
Email: stilley@ctisciences.com

With a copy to (which shall not constitute notice):
BCF LLP
25th Floor
1100 René-Lévesque Blvd. West
Montreal, Quebec H3B 5C9
Attention: Gino Martel
Facsimile: 514-397-8515
Email: gino.martel@bcf.ca

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: Vice President, Corporate Business Development
Facsimile: (317) 651-3051

and

Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: General Counsel
Facsimile: (317) 433-3000

and

Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: Nicole Higgins, Corporate Financial Reporting
Facsimile: (317) 433-3000
Email:higginsni@lilly.com

Celgene Alpine Investment Co. LLC
Route de Perreux 1
2017 Boundry
Switzerland
Facsimile: +41 32 729 83 06

Fonds de solidarieté des travailleurs du Québec (F.T.Q.)
545 Crémazie Blvd. East, Suite 200
Montreal, QC
H2M 2W4
Facsimile: (514) 383-2500

BDC Capital Inc.
5 Place Ville Marie, Suite 400
Montreal, Quebec H3B 5E7
Attn: Dion Madsen

Lumira Capital II, L.P.
141 Adelaide St. West, Suite 770
Toronto, Ontario, M5H 3L5

Lumira Capital II (International), L.P.
141 Adelaide St. West, Suite 770
Toronto, Ontario, M5H 3L5

SCHEDULE A-2

Investors

Name and Address

Perceptive Life Sciences Master Fund Ltd
51 Astor Place 10th Floor
New York, NY 10003
Attn: James H Mannix

Titan-Perc Ltd
750 Washington Blvd 10th floor
Stamford CT 06901
Attn: Darren Ross

Brazyme LLC
155 Gibbs Street, Suite 406
Rockville, MD 20850

Merlin Nexus IV, L.P.
424 West 33rd Street
New York, New York 10001

Teralys Capital Innovation Fund L.P.
999, boul. de Maisonneuve O.
Suite 1700
Montréal (Qc) H3A 3L4, Canada

Teralys Capital Innovation Fund (International) L.P.
999, boul. de Maisonneuve O.
Suite 1700
Montréal (Qc) H3A 3L4, Canada

Northleaf Venture Catalyst Fund LP
79 Wellington Street West
6th Floor, Box 120
Toronto, ON M5K 1N9

MTS Securities LLC
623 Fifth Avenue
14th Floor
New York, NY 10022

Exhibit 5.1

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
595 Burrard Street, P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver BC V7X 1L3 Canada
Tel: 604-631-3300 Fax: 604-631-3309

, 2017

Zymeworks Inc.
1385 West 8th Avenue, Suite 540
Vancouver, BC V6H 3V9

Reference: 99493/9

Re: Zymeworks Inc.
Registration Statement on Form F-1

Dear Sirs/Mesdames:

We have acted as Canadian counsel to Zymeworks Inc., a corporation continued under the *Canada Business Corporations Act* (the "**Corporation**"), in connection with the registration pursuant to a registration statement, as amended (the "**Registration Statement**"), filed by the Corporation with the Securities and Exchange Commission (the "**Commission**") under the *U.S. Securities Act of 1933*, as amended (the "**Securities Act**"), relating to the initial public offering (the "**Offering**") of up to common shares of the Corporation (the "**Shares**") which will be issued and sold by the Corporation (including up to Shares issuable upon exercise of an over-allotment option granted by the Corporation). We understand that the Shares are to be sold to the underwriters for resale to the public as described in the Registration Statement and pursuant to an underwriting agreement, substantially in the form of which is filed as an exhibit to the Registration Statement, to be entered into by and among the Corporation and the underwriters (the "**Underwriting Agreement**").

This opinion is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K of the Securities Act.

We have examined the Registration Statement and, for the purposes of this opinion, we have also examined originals or copies, certified or otherwise identified to our satisfaction, of and relied upon the following documents (collectively, the "**Corporate Documents**"):

(a) the certificate of incorporation, articles and by-laws of the Corporation;

(b) the form of articles of the Corporation that will be effective immediately prior to the closing of the Offering and following its continuation under the Business Corporations Act (British Columbia) (the "**Public Company Articles**");

(c) certain resolutions of the Corporation's directors;

(d) a certificate of compliance dated , 2017 issued by Industry Canada under the Canada Business Corporations Act with respect to the Corporation; and

(e) a certificate of an officer of the Corporation (the "**Officer's Certificate**").

We also have reviewed such other documents, and have considered such questions of law, as we have deemed relevant and necessary as a basis for our opinion.

With respect to the accuracy of factual matters material to this opinion, we have relied upon the Corporate Documents, without independent investigation of the matters provided for therein for the purpose of providing our opinion.

In examining all documents and in providing our opinion we have assumed that:

1. all individuals had the requisite legal capacity, all signatures are genuine, all documents submitted to us as originals are complete and authentic and all photostatic, certified, telecopied, notarial or other copies conform to the originals;
2. the Underwriting Agreement will have been duly executed and delivered pursuant to the authorizing resolutions of the Board of Directors of the Corporation and any pricing committee thereof;
3. the Public Company Articles will be in full force and effect on closing of the Offering;
4. at or prior to the time of the issuance and delivery of any Shares, the Registration Statement will have been declared effective under the Securities Act, that the Shares will have been registered under the Securities Act pursuant to the Registration Statement and that such Registration Statement will not have been modified or rescinded, and that there will not have occurred any change in law affecting the validity of the issuance of the Shares; and
5. all facts set forth in the certificates supplied by the respective officers and directors, as applicable, of the Corporation including, without limitation, the Officer's Certificate, are complete, true and accurate.

We are qualified to carry on the practice of law in the Province of British Columbia and we express no opinion as to any laws, or matters governed by any laws, other than the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

Based and relying upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that the Shares to be issued and sold by the Corporation have been duly authorized and, when such Shares are issued and paid for in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the prospectus forming a part of the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Yours truly,

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 13th day of December, 2007 (the "Effective Date").

BETWEEN:

Dr. Ali Tehrani, of Suite 309, 1823 West 7th Avenue, Vancouver, British Columbia, V6J 5K5, Canada,

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 201-1401 West Broadway, Vancouver, BC, V6H 1H6

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing biocatalysts (enzymes) for pharmaceutical and industrial applications;

B. The Employee has a knowledge of commercial enzyme engineering, the development and engineering of protein therapeutics, protein biochemistry, strategy and policy development, shareholder and investor relationship management and/or related skills and expertise and wishes to contribute such experience to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee and the Employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing biocatalysts and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, either in the possession of the Company, and owned by the Company which is not generally known to the public, or which has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company operates, or which the Company is obligated to treat as confidential or proprietary, provided that any information will not be Confidential Information if it:

(i) is or becomes publicly available other than as a result of acts done in contravention, violation or breach of this Agreement;

(ii) is in the possession of the Employee prior to disclosure to the Employee of the information or is independently derived without the aid, application or use of the disclosed information;

(iii) is disclosed to the Employee by a third party on a non-confidential basis; or

(iv) is information that the Employee is advised by counsel is required to be disclosed by law;

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services. On the Effective Date, the Employee will commence employment with the Company in the position of President and Chief Executive Officer on the terms and conditions set out in this Agreement.

2.2 Employment Duties. Subject to the direction and control of Board of Directors of the Company (the “Board”), the Employee will perform the duties set out in Appendix “A” to this Agreement and any other duties that may be reasonably assigned to him by the Board from time to time.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company’s interests and in adherence to the Zymeworks Employee Handbook (Appendix B) “Code of Conduct”;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent President and Chief Executive Officer would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.5 herein and as outlined in the Zymeworks Employee Handbook (Appendix B) “Conflict of Interest Guidelines”; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to the Board of Directors all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. The Board of Directors will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that the Board of Directors, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as the Board of Directors agrees. The Employee will immediately certify in writing to the Company that he has discontinued such activity and that he has, as required by the Board of Directors, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in Section 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee's beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.6 For the purposes of Sections 2.3, 2.4 and 2.5 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of CDN$100,000 per annum. The base salary will be paid semi-monthly, in arrears, in twenty-four (24) equal instalments, less statutory and other authorized deductions. The Salary shall not be reduced, except with the written consent of the Employee.

3.2 Stock Options. The Employee in his capacity of President and CEO of the Company shall not participate in the Company's Employee Stock Option Program (the "ESOP"). The Compensation Committee of the Board of Directors shall review the CEO's participation in the program on an annual basis concurrent with the Employee's performance review.

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's executives, (the "Executive Incentive Plan"). Such participation shall be on the terms and conditions of such Executive Incentive Plan as at the date hereof or as may from time to time be amended or implemented by the Compensation Committee of the Board of Directors in its sole discretion.

3.4 Performance and Salary Review. The Compensation Committee of the Board of Directors will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually after the Effective Date.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and licensing fees required to maintain active professional designations or licenses in the province of British Columbia, and reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required for such designations.

3.7 Vacation. The Employee will be eligible for fifteen (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.67 days per completed month of service. Vacation time not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of the Board of Directors. Upon termination, vacation not taken in the calendar year will be paid out according to the Employee's annual salary rate pro rated to the number of days' vacation not taken.

3.8 Benefits. The Employee will be eligible to participate in all benefit plans generally available to executives of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to five (5) days' paid sick leave per calendar year, earned pro rata at a rate of0.834days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement

4.2 Termination.

(a) The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment with the Company; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of six (6) months.

(c) The Employee will volunteer to resign from a position on the Board of Directors upon the termination of employment, subject to review by the remaining members of the Board of Directors.

(d) Payment of severance in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

(e) Payment of severance, in accordance with (d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he may have to claim further payment, compensation or damages from the Company.

(f) The Employee may terminate his employment with the Company by giving prior written notice to the Board of Directors of not less than sixty (60) days or such shorter period as the Employee and the Board of Directors may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

(g) Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause or, he will receive as severance an amount equal to six (6) months base salary and the equivalent compensation for the Company's benefits programs, as at that date, less lawful deductions. For all purposes of this Agreement "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the firsttime in the aggregate 40% or more of the outstanding common shares of the

Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as to above.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and

proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of other members of the executive management team, or the Board, as required; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

5.2 Ownership of Developments.

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(b) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to biocatalyst modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of tie obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of six (6) months from the date any such breach is cured. In the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement, the Employee will pay the Company's reasonable legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part. In the event the Company is unsuccessful, the Company will pay the Employee's reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or

covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 – MEDIATION/ARBITRATION

8.1 Mediation/Arbitration. In the event of a dispute hereunder which does not involve the Company seeking a court injunction or remedy pursuant to Article 7, such dispute shall be mediated and, if necessary, arbitrated pursuant to the terms of this Article (the "Med/Arb Agreement").

8.2 The parties will work in good faith and in confidence to resolve any disputes that arise in connection with this Agreement. The parties agree to conduct in good faith at least two meetings (the "Meetings") to seek resolution to a dispute before delivering a notice to mediate.

8.3 Where a dispute arises out of or in connection with this Agreement that cannot be resolved by the parties through the Meetings, the parties agree to seek a confidential settlement of such dispute by mediation followed, if necessary, by arbitration

8.4 At any time after a dispute has been raised and no resolution has been achieved through the Meetings, either party may give written notice to the other party requesting mediation of the dispute (the "Mediation Notice") by a single mediator. If the parties cannot agree on a mediator within fourteen (14) days after delivery of the Mediation Notice, then either party may make application to the British Columbia Mediator Roster Society to appoint one. The mediation will be held in Vancouver, British Columbia and the costs of mediation will be shared equally between the parties.

8.5 If the parties are unable to reach a mediated settlement within 120 days after delivery of the Mediation Notice, either of the parties may submit the dispute to binding arbitration by giving written notice to the other party and the mediator requesting arbitration of the dispute (the "Arbitration Notice") by a single arbitrator (the "Arbitrator"). Within fourteen (14) days of the delivery of the Arbitration Notice, the parties will select the Arbitrator. In the event the parties do not agree on an arbitrator, either party may apply to the BC Supreme Court to have one appointed. With input from the parties, the Arbitrator will determine and notify the parties of the rules of and timetable for arbitration. The Arbitrator will hear the submissions of the parties in accordance with such procedures as he or she may establish, and shall use reasonable best efforts to render a decision within sixty (60) days after the date of receiving or hearing the parties' final submissions. The decision of the Arbitrator shall be final and binding on the parties involved in the dispute and shall not be subject to appeal. The arbitration will be held in Vancouver, British Columbia, and the costs of arbitration will be shared equally between the parties.

8.6 Nothing in this Med/Arb Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition,

non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

ARTICLE 9 – GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he has been advised to retain his own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Andrew S. Wright
Dr. Andy Wright, Director
Chairman, Compensation Committee of the Board of Directors

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ Neil Klompas
Signature

NEIL KLOMPAS
Print Name

26-11391 7TH, RICHMOND BC, V7E 4J4
Address

CHARTERED ACCOUNTANT
Occupation

/s/ Ali Tehrani
EMPLOYEE

Appendix A

Zymeworks Inc.
Job Description: President & Chief Executive Officer

Summary

The President and CEO provides leadership and assumes responsibility and accountability for implementing the Company's strategic goals and objectives in order to maximize shareholder value. With the Chairman, the CEO enables the Board of Directors to fulfill its governance function through providing timely, factual and accurate information, and ensuring the operations of the Company are consistent with current laws and regulations. The CEO provides direction and leadership toward achieving Zymeworks' philosophy, mission, strategy, and its annual goals and objectives, and is responsible for providing near and long-term strategic guidance to the Company to position it for growth.

Major Functions/ Accountabilities:

1. **Board Administration and Support** — Supports operations and administration of the Board of Directors by advising and informing Board members, interfacing between Board, senior management and staff, and supporting Board's evaluation of strategic options and alternatives
2. **Program, Product and Service Delivery** — Oversees design, marketing, promotion, delivery and quality of programs, products and services to customers in the industrial enzyme and protein therapeutics sectors
3. **Financial, Tax, Risk and Facilities Management** — Recommends yearly budget for Board approval and prudently manages organization's resources within those budget guidelines according to current laws and regulations
4. **Research and Development** — Effectively manages and provides oversight on the Company's research and development activities, including establishing near and long-term research objectives, approving the development timeline, maintaining a market focus inherent in the research and development programs, and communicating such activities to the members of the Board of Directors
5. **Human Resource Management** — Effectively manages direct reports and the overall human resources of the Company according to authorized personnel policies and procedures that fully conform to current laws and regulations
6. **Shareholder, Community and Public Relations** — Assures the Board of Directors that Zymeworks and its mission, programs, products and services are consistently presented in strong, positive image to relevant stakeholders

7. **Fundraising** — Oversees fundraising planning and implementation, including identifying resource requirements, researching investment and alternate funding sources, establishing strategies to approach investors or funding agencies, submitting proposals and administrating corporate records and documentation consistent with current laws and regulations

Reporting Responsibilities

Reports directly to the Chairman of the Board of Directors.

AMENDING AGREEMENT

THIS AMENDING AGREEMENT made as of the 1st day of January, 2014

BETWEEN:

ZYMEWORKS INC.

(the "**Company**")

AND:

DR. ALI TEHRANI

(the "**Employee**")

WHEREAS:

A. The Employee and the Company are parties to an employment agreement dated December 13, 2007 (the "**Employment Agreement**").

B. The Employee and the Company wish to continue the Employment Agreement on the amended terms stated herein as approved by the Board of Directors of the Company on December 18, 2013.

NOW THEREFORE in consideration of the premises and mutual covenants and agreements set out in this Agreement and other good and valuable consideration given by each party hereto to the other, the receipt and sufficiency of which is hereby acknowledged by each of the parties, the parties hereby agree as follows:

Effective Date

1. This Amending Agreement becomes effective as of the date first written above (the "**Effective Date**").

Amendments to Employment Agreement

2. Section 4.2(b) of the Employment Agreement is deleted and replaced with:

   (b) The Company may terminate the employment of the Employee without cause at any time by providing the Employee with twelve months of written notice of termination (the "**Notice Period**") or payment in lieu of such Notice Period equal to the base salary and all such benefits amounts that would be payable to the Employee during the Notice Period.

3. Section 4.2(g) of the Employment Agreement is deleted.

General

4. All terms and conditions in the Employment Agreement and all appendices attached thereto that are not amended by operation of this Amending Agreement shall remain in full force and effect.

5. This Amending Agreement may be executed in counterpart, including counterpart by facsimile, and such counterparts together shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to be executed on date as set out on the first page of this Amending Agreement.

6. As of the Effective Date, this Amending Agreement shall be read together with the Employment Agreement all appendices attached thereto and all documents together shall be construed together and constitute one agreement.

IN WITNESS WHEREOF the parties have duly executed and delivered this Amending Agreement as of the date and year first written above.

ZYMEWORKS INC.

By: **/s/ Nick Bedford**
Nick Bedford
Chair, Board of Directors

SIGNED, SEALED AND DELIVERED)
in the presence of:)
)
/s/ Cheryl Halliday)
Signature)
)
Cheryl Halliday) **/s/ Ali Tehrani**
(Print Name)) **DR. ALI TEHRANI**
)
957 CAITHNESS CR.)
(Address))
)
HUMAN RESOURCES MANAGER)
(Occupation))

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 17th of January, 2017 (the "Effective Date").

BETWEEN:

DR. ALI TEHRANI, having a residence at 1847 West 14th Avenue, Vancouver, BC, V6J 2J8, Canada.

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has worked for the Company since September 8, 2003 (the "Start Date"), and the Employee and the Company are parties to an employment agreement dated December 13, 2007.

C. In consideration of the Employee's continued commitment to the Company and the Company increasing the compensation payable to the Employee on termination of employment as stated in Article 4 herein, the Company and the Employee have agreed to amend and restate the terms and conditions of employment as provided herein and have this Agreement supersede and replace all previous employment agreements and related amendments as of the Effective Date.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

2.2 On the Effective Date, the Employee will continue employment with the Company in the position of President and Chief Executive Officer on the terms and conditions set out in this Agreement. For the purpose of calculating any entitlements pursuant to this Agreement based on length of service, the Company will use the Start Date for all such calculations.

2.3 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of President and Chief Executive Officer, represents a breach of this Agreement.

(b) The Employee acknowledges that knowingly withholding factors, which would reasonably be considered to impair the Employee's ability to perform the duties required of a President and Chief Executive Officer, represents a breach of this Agreement.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties required of a President and Chief Executive Officer, and any other duties that may be reasonably assigned to him/her by Management from time to time."

2.4 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company and not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent President and Chief Executive Officer, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company or put the Employee in an actual or potential conflict of interest as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.5 For the purposes of Article 2 herein, “Employee” includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $400,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be eligible to receive annual grants of options to acquire shares of common stock of the Company (the “Shares”), the timing and amount of such grants to be determined by the Board of Directors of Zymeworks Inc. (the “Board”) in its sole discretion, provided that the Employee is employed by the Company on the grant date (the “Options”). The options shall have an exercise price equivalent to the closing trading price of the Company’s common shares on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix “C”.

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company’s Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the “Incentive Plans”). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion

3.4 Performance and Salary Review. Management will continue to review the Employee’s performance, base salary, and equity participation level under the terms of any Incentive Plans annually. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee’s duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company’s policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee’s status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.7 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.667 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of ten (10) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time not carried forward into the following year will be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate prorated to the number of days' vacation not taken.

3.8 Benefits. The Employee will continue to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) *Termination for Cause*. The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) *Termination Without Cause*. The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary and benefits continuation as at that date, or any combination thereof, if termination of employment occurs during the first three years of employment measured from the Start Date; and

(ii) commencing in the fourth year of employment measured from the Start Date, an additional one (1) month of notice or the equivalent of one (1) month of base salary and benefits continuation as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(c) *Resignation*. The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period in full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(d) *Termination following Change of Control*. Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause, the Employee shall receive as severance twenty-four (24) months of base salary and benefits continuation as at that date, and full vesting acceleration of all unvested stock options or other equity grants made to the Employee as at that date. For all purposes of this Agreement, "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under section 4.2(d) herein will be in lieu of and not in addition payment under section 4.2(b).

4.3 Stock Options on Termination. Except as provided by section 4.2(d), the vesting and exercise of any stock options granted to the Employee in the event the Employee's employment with the Company or this Agreement is terminated, for any reason, shall be governed by the terms of the Stock Option Plan and any applicable stock option agreement in effect between the Company and the Employee at the time of termination.

4.4 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of benefits continuation contemplated by this Article 4 and benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.5 No Additional Payments. Payment of severance, in accordance with 4.2(b) or 4.2(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.6 Condition to Payment. Payment of any amount of severance under this Agreement in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

4.7 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) solicit, influence, entice or induce, attempt to solicit, influence, entice or induce any person, firm or corporation whatsoever, who or which has at any time in the last two (2) years of the Employee's employment with the Company or any predecessor of the Company, been a customer of the Company, any affiliated company, or of any of their respective predecessors, provided that this subsection shall not prohibit the Employee from soliciting business from any such customer if the business is in no way similar to the Business carried on by the Company, an affiliated company, any of their respective predecessors, subsidiaries or associates to cease its relationship with the Company or any affiliated company;

(b) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(c) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, anywhere in Canada, the United States or any country within the European Union, directly or indirectly, advise, manage, carry on, be engaged in, own or lend money to, or permit the Employee's name or any part thereof to be used or employed by any person managing, carrying on or engaged in a business which is in direct competition with the Business of the Company where the Employee would be providing professional services which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully

employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement pursuant to section 7.1 herein, the Employee agrees to pay the Company's actual legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 –ARBITRATION

8.1 Except as permitted by section 7.1, all disputes arising out of or in connection with this Agreement or in respect of any legal relationship associated with or derived from this Agreement, will be finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. The seat of Arbitration will be Vancouver, British Columbia, Canada. The language of the arbitration will be English.

ARTICLE 9– GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement and Release. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement

between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, amendments thereto, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. In consideration of the Company entering into this Agreement and conferring additional compensation and benefits to the Employee, the Employee hereby remises, releases and forever discharges the Company from any and all claims, liability, actions or causes of actions arising or which may arise now or hereafter in connection with any claim by the Employee in respect of any prior written or oral employment contracts or arrangements between the Employee and the Company that pre-date the Effective Date of this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Wajida Leclerc
Wajida Leclerc, *Vice President, Human Resources*

SIGNED, SEALED AND DELIVERED
by **Employee**:

/s/ Ali Tehrani
Signature

17 January, 2017
Date

WITNESSED by:

/s/ Matthew Bassett
Signature

Matthew Bassett
Print Name

2707 - 610 Granville Street, Vancouver BC
Address

HR Associate
Occupation

APPENDIX A

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX B

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 25th day of January, 2007 (the "Effective Date").

BETWEEN:

NEIL AMIR KLOMPAS, of 52 Fair Oaks Court, Newtown, Pennsylvania, 18940-2339, USA,

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 201-1401 West Broadway, Vancouver, BC, V6H 1H6

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing biocatalysts (enzymes) for pharmaceutical and industrial applications;

B. The Employee has financial management, analysis, budgeting, reporting and/or related skills and expertise and wishes to contribute such experience to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee and the Employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing biocatalysts and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, either in the possession of the Company, and owned by the Company which is not generally known to the public, or which has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company operates, or which the Company is obligated to treat as confidential or proprietary, provided that any information will not be Confidential Information if it:

(i) is or becomes publicly available other than as a result of acts done in contravention, violation or breach of this Agreement;

(ii) is in the possession of the Employee prior to disclosure to the Employee of the information or is independently derived without the aid, application or use of the disclosed information;

(iii) is disclosed to the Employee by a third party on a non-confidential basis; or

(iv) is information that the Employee is advised by counsel is required to be disclosed by law;

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services. On the Effective Date, the Employee will commence employment with the Company in the position of Director of Finance & Operations on the terms and conditions set out in this Agreement.

2.2 Employment Duties. Subject to the direction and control of the senior management of the Company (“Management”), the Employee will perform the duties set out in Appendix “A” to this Agreement and any other duties that may be reasonably assigned to him by Management from time to time.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company’s interests and in adherence to the Zymeworks Employee Handbook (Appendix B) “Code of Conduct”;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Director of Finance & Human Recourses would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.5 herein and as outlined in the Zymeworks Employee Handbook (Appendix B) “Conflict of Interest Guidelines”; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of

the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that he has discontinued such activity and that he has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in Section 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee's beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.6 For the purposes of Sections 2.3, 2.4 and 2.5 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of CDN$92,000 per annum. The base salary will be paid semi-monthly, in arrears, in twenty-four (24) equal instalments, less statutory and other authorized deductions. The Salary shall not be reduced, except with the written consent of the Employee.

3.2 Stock Options. On July 1, 2007, the Employee shall be granted 16,000 options to acquire shares of common stock of the Company (the "Shares"), provided the Employee is employed by the Company on the grant date (the "Options"). The Options shall have an exercise price of CDN$1.50 per Share. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's executives, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Performance and Salary Review. Management will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually after the Effective Date.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and licensing fees required to maintain an active Chartered Accountant license in the province of British Columbia, and reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required for licensing.

3.7 Relocation Allowance. The Company will immediately provide the Employee with a one-time lump sum relocation allowance of $11,500.00.

3.8 Housing Loan. In addition, the Company will immediately provide the Employee with an interest-free loan of $8,000.00 (the "Housing Loan"); to cover the extra costs incurred securing accommodation in the Greater Vancouver region. The Housing Loan shall be forgiven by the Company at the rate of $2,666.67 at the end of each employment year, commencing on the Effective Date. If the Employee resigns or is dismissed for just cause, the remaining balance owing on the Housing Loan shall immediately become payable by the Employee to the Company. If the Company terminates the Employee employment without cause, the remaining balance owing on the Housing Loan shall immediately be forgiven.

3.9 Vacation. The Employee will be eligible for fifteen (15) days' paid vacation per calendar year, earned pro rata at a rate of 1.25 days per completed month of service. Vacation time not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Vacation not taken in the calendar year will be paid out according to the Employee's annual salary rate pro rated to the number of days' vacation not taken.

3.10 Benefits. The Employee will be eligible to participate in all benefit plans generally available to executives of the Company, subject to meeting applicable eligibility requirements of such plans.

3.11 Sick Leave. The Employee will be entitled to take up to five (5) days' paid sick leave per calendar year, earned pro rata at a rate of 0.834 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of six (6) months.

(c) Payment of severance in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

(d) Payment of severance, in accordance with (c) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he may have to claim further payment, compensation or damages from the Company.

(e) The Employee may terminate his employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

(f) Notwithstanding any other provision in this Agreement, if within 12 months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause or, he will receive as severance an amount equal to 6 months base salary as at that date, less lawful deductions. For all purposes of this Agreement. "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the first time in the aggregate 40% or more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as to above.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee

for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

5.2 Ownership of Developments.

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(b) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to biocatalyst modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope

of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of six (6) months from the date any such breach is cured. In the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement, the Employee will pay the Company's reasonable legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part. In the event the Company is unsuccessful, the Company will pay the Employee's reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 – MEDIATION/ARBITRATION

8.1 Mediation/Arbitration. In the event of a dispute hereunder which does not involve the Company seeking a court injunction or remedy pursuant to Article 7, such dispute shall be mediated and, if necessary, arbitrated pursuant to the terms of this Article (the "Med/Arb Agreement").

8.2 The parties will work in good faith and in confidence to resolve any disputes that arise in connection with this Agreement. The parties agree to conduct in good faith at least two meetings (the "Meetings") to seek resolution to a dispute before delivering a notice to mediate.

8.3 Where a dispute arises out of or in connection with this Agreement that cannot be resolved by the parties through the Meetings, the parties agree to seek a confidential settlement of such dispute by mediation followed, if necessary, by arbitration.

8.4 At any time after a dispute has been raised and no resolution has been achieved through the Meetings, either party may give written notice to the other party requesting mediation of the dispute (the "Mediation Notice") by a single mediator. If the parties cannot agree on a mediator within fourteen (14) days after delivery of the Mediation Notice, then either party may make application to the British Columbia Mediator Roster Society to appoint one. The mediation will be held in Vancouver, British Columbia and the costs of mediation will be shared equally between the parties.

8.5 If the parties are unable to reach a mediated settlement within 120 days after delivery of the Mediation Notice, either of the parties may submit the dispute to binding arbitration by giving written notice to the other party and the mediator requesting arbitration of the dispute (the "Arbitration Notice") by a single arbitrator (the "Arbitrator"). Within fourteen (14) days of the delivery of the Arbitration Notice, the parties will select the Arbitrator. In the event the parties do not agree on an arbitrator, either party may apply to the BC Supreme Court to have one appointed. With input from the parties, the Arbitrator will determine and notify the parties of the rules of and timetable for arbitration. The Arbitrator will hear the submissions of the parties in accordance with such procedures as he or she may establish, and shall use reasonable best efforts to render a decision within sixty (60) days after the date of receiving or hearing the parties' final submissions. The decision of the Arbitrator shall be final and binding on the parties involved in the dispute and shall not be subject to appeal. The arbitration will be held in Vancouver, British Columbia, and the costs of arbitration will be shared equally between the parties.

8.6 Nothing in this Med/Arb Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

ARTICLE 9 – GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he has been advised to retain his own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Ali Tehrani
Ali Tehrani, Chief Executive Officer and President

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ William J. Reid Jr.
Signature

William J. Reid Jr.
Print Name

4173 Apple St. Phila. PA 19127
Address

Public Accountant
Occupation

/s/ Neil Klompas
EMPLOYEE

APPENDIX A
JOB DESCRIPTION

Zymeworks Inc.
Job Description: Director of Finance & Operations

Summary

In a start-up company, many roles will have to be covered by the few managers available to ensure that all of the needs of the company are met. This presents both opportunities and obligations as all managers must undertake a wide range of additional tasks not directly specified in their primary responsibilities and as set out below.

This position is responsible for managing financial, human resources and administrative functions. This will require the development of an internal control and operations infrastructure necessary to support the Company and the CEO in the effective execution of its day to day operations and long term strategy. In addition, specific responsibilities will include (amongst others):

i) development and implementation an effective system of accounting for management, cash and fiscal accounts,

ii) preparation of financial reports and conducting financial analysis,

iii) development of a comprehensive quarterly reporting package for the Board of Directors and Shareholders,

iv) development of an audit committee charter in conjunction with the board and CEO, and implementation of external year-end financial audits,

v) research, preparation and submission of the annual budget,

vi) participation in the development and implementation of a venture-financing strategy,

vii) collection, compilation and analysis of business intelligence to support the Company's business development strategies,

viii) support CEO in preparation of the budget,

ix) development of a treasury policy and administration of cash balances and oversight of interest bearing instruments,

x) management of the payroll system and human resources, including the maintenance of personnel records and files,

xi) development of a formalized performance review program,

xii) administration of the Company's stock option plan, including reporting under GAAP, and

xiii) other activities and responsibilities which arise in support of the Company's strategic goals.

Reporting Responsibilities

This position reports directly to the Chief Executive Officer.

October 23, 2007

Mr. Neil A. Klompas
Director, Finance & Operations
Zymeworks Inc.
201 – 1401 West Broadway
Vancouver BC, V6H 1H6
Canada

Dear Mr. Klompas,

RE: Amendment to Employment Agreement and increase in holiday entitlement

On behalf of the senior management team and board of Directors of Zymeworks Inc., I'm pleased to present this amendment to your vacation allotment which would increase your annual vacation days in 2008 from fifteen days to twenty. Additionally, one workweek of unused vacation, starting in 2008, may be carried forward to the subsequent calendar year without penalty.

The leadership and vision of our team leads such as yourself are critical to our ongoing success. So again let me thank you for your time and dedication to the Company, and your ongoing commitment to making Zymeworks a world leader in computational biotechnology.

The EMPLOYMENT AGREEMENT (the "Agreement"), made effective as of the 25th day of January 2007, BETWEEN **NEIL AMIR KLOMPAS** (the "Employee") and **ZYMEWORKS INC.** (collectively the "parties") will be amended to read as follows:

3.5 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.66 days per completed month of service. Five (5) days of vacation time not taken during the year in which it is earned may be carried forward into the subsequent year without the written pre-approval of Management. Vacation time exceeding five (5) days not taken during the year in which it is earned may not be carried forward into the subsequent year without written pre-approval of Management. Upon termination, vacation not taken in the calendar year will be paid out according to the Employee's annual salary at the time in which the vacation was earned, pro rated to the number of vacation days' not taken.

IN WITNESS WHEREOF the parties have executed this amendment to the Agreement as of October 23, 2007.

ZYMEWORKKS INC.

By: /s/ Ali Tehrani
Dr. Ali Tehrani, President & CEO

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ Sid Srinivasan
Signature

SID SRINIVASAN.
Print Name

105-2588 ALDER ST.
Address

SENIOR SOFTWARE DVLPR
Occupation

/s/ Neil Klompas
EMPLOYEE

AMENDING AGREEMENT

THIS AMENDING AGREEMENT made as of the 1st day of January, 2014

BETWEEN:

ZYMEWORKS INC.

(the "**Company**")

AND:

MR. NEIL AMIR KLOMPAS

(the "**Employee**")

WHEREAS:

A. The Employee and the Company are parties to an employment agreement dated January 25, 2007 (the "**Employment Agreement**").

B. The Employee and the Company wish to continue the Employment Agreement on the amended terms stated herein, as approved by the Board of Directors of the Company on December 18, 2013.

NOW THEREFORE in consideration of the premises and mutual covenants and agreements set out in this Agreement and other good and valuable consideration given by each party hereto to the other, the receipt and sufficiency of which is hereby acknowledged by each of the parties, the parties hereby agree as follows:

Effective Date

1. This Amending Agreement becomes effective as of the date first written above (the "**Effective Date**").

Amendments to Employment Agreement

2. Section 4.2(b) of the Employment Agreement is deleted and replaced with:

   (b) The Company may terminate the employment of the Employee without cause at any time by providing the Employee with nine months of written notice of termination (the "Notice Period") or payment in lieu of such "Notice Period equal to the base salary and all such benefits amounts that would be payable to the Employee during the Notice Period.

3. Section 4.2(f) of the Employment Agreement is deleted.

General

4. All terms and conditions in the Employment Agreement and all appendices attached thereto that are not amended by operation of this Amending Agreement shall remain in full force and effect.

5. This Amending Agreement may be executed in counterpart, including counterpart by facsimile, and such counterparts together shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to be executed on date as set out on the first page of this Amending Agreement.

6. As of the Effective Date, this Amending Agreement shall be read together with the Employment Agreement all appendices attached thereto and all documents together shall be construed together and constitute one agreement.

IN WITNESS WHEREOF the parties have duly executed and delivered this Amending Agreement as of the date and year first written above.

ZYMEWORKS INC.

By: **/s/ Nick Bedford**
Nick Bedford
Chair, Board of Directors

SIGNED, SEALED AND DELIVERED)
in the presence of:)
)
/s/ Cheryl Halliday)
Signature)
)
Cheryl Halliday)
(Print Name))
)
957 CAITHNESS CR.)
(Address))
)
HR Manager)
(Occupation))

/s/ Neil Klompas
NEIL KLOMPAS

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 17th of January, 2017 (the "Effective Date").

BETWEEN:

Mr. Neil Klompas, having a residence at 42-11291 7th Avenue, Richmond, BC, V7E 4J3, Canada.

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee and the Company are parties to an employment agreement dated January 25, 2007, and the Employee has worked for the Company since March 14, 2007 (the "Start Date").

C. In consideration of the Employee's continued commitment to the Company and the Company increasing the compensation payable to the Employee on termination of employment as stated in Article 4 herein, the Company and the Employee have agreed to amend and restate the terms and conditions of employment as provided herein and have this Agreement supersede and replace all previous employment agreements and related amendments as of the Effective Date.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) “Confidential Information” means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the “Associates”), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company’s business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company’s Associates and the nature of the Company’s relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company’s Associates.

(c) “Developments” means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

2.2 On the Effective Date, the Employee will continue employment with the Company in the position of Chief Financial Officer on the terms and conditions set out in this Agreement. For the purpose of calculating any entitlements pursuant to this Agreement based on length of service, the Company will use the Start Date for all such calculations.

2.3 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Chief Financial Officer, represents a breach of this Agreement.

(b) The Employee acknowledges that knowingly withholding factors, which would reasonably be considered to impair the Employee's ability to perform the duties required of a Chief Financial Officer, represents a breach of this Agreement.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties required of a Chief Financial Officer, and any other duties that may be reasonably assigned to him/her by Management from time to time."

2.4 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company and not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Chief Financial Officer, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company or put the Employee in an actual or potential conflict of interest as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.5 For the purposes of Article 2 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $275,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be eligible to receive annual grants of options to acquire shares of common stock of the Company (the "Shares"), the timing and amount of such grants to be determined by the Board of Directors of Zymeworks Inc. (the "Board") in its sole discretion, provided that the Employee is employed by the Company on the grant date (the "Options"). The options shall have an exercise price equivalent to the closing trading price of the Company's common shares on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion

3.4 Performance and Salary Review. Management will continue to review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.7 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.667 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of ten (10) days not taken during the

year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time not carried forward into the following year will be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate prorated to the number of days' vacation not taken.

3.8 Benefits. The Employee will continue to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) *Termination for Cause*. The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) *Termination Without Cause*. The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary and benefits continuation as at that date, or any combination thereof, if termination of employment occurs during the first three years of employment measured from the Start Date; and

(ii) commencing in the fourth year of employment measured from the Start Date, an additional one (1) month of notice or the equivalent of one (1) month of base salary and benefits continuation as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(c) *Resignation*. The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree.

The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period in full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(d) *Termination following Change of Control*. Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause, the Employee shall receive as severance eighteen (18) months of base salary and benefits continuation as at that date, and full vesting acceleration of all unvested stock options or other equity grants made to the Employee as at that date. For all purposes of this Agreement, "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under section 4.2(d) herein will be in lieu of and not in addition payment under section 4.2(b).

4.3 Stock Options on Termination. Except as provided by section 4.2(d), the vesting and exercise of any stock options granted to the Employee in the event the Employee's employment with the Company or this Agreement is terminated, for any reason, shall be governed by the terms of the Stock Option Plan and any applicable stock option agreement in effect between the Company and the Employee at the time of termination.

4.4 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of benefits continuation contemplated by this Article 4 and benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.5 No Additional Payments. Payment of severance, in accordance with 4.2(b) or 4.2(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.6 Condition to Payment. Payment of any amount of severance under this Agreement in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

4.7 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer,

use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) solicit, influence, entice or induce, attempt to solicit, influence, entice or induce any person, firm or corporation whatsoever, who or which has at any time in the last two (2) years of the Employee's employment with the Company or any predecessor of the Company, been a customer of the Company, any affiliated company, or of any of their respective predecessors, provided that this subsection shall not prohibit the Employee from soliciting business from any such customer if the business is in no way similar to the Business carried on by the Company, an affiliated company, any of their respective predecessors, subsidiaries or associates to cease its relationship with the Company or any affiliated company;

(b) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(c) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, anywhere in Canada, the United States or any country within the European Union, directly or indirectly, advise, manage, carry on, be engaged in, own or lend money to, or permit the Employee's name or any part thereof to be used or employed by any person managing, carrying on or engaged in a business which is in direct competition with the Business of the Company where the Employee would be providing professional services which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement pursuant to section 7.1 herein, the Employee agrees to pay the Company's actual legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 –ARBITRATION

8.1 Except as permitted by section 7.1, all disputes arising out of or in connection with this Agreement or in respect of any legal relationship associated with or derived from this Agreement, will be finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. The seat of Arbitration will be Vancouver, British Columbia, Canada. The language of the arbitration will be English.

ARTICLE 9– GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement and Release. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, amendments thereto, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. In consideration of the Company entering into this Agreement and conferring additional compensation and benefits to the Employee, the Employee hereby remises, releases and forever discharges the Company from any and all claims, liability, actions or causes of actions

arising or which may arise now or hereafter in connection with any claim by the Employee in respect of any prior written or oral employment contracts or arrangements between the Employee and the Company that pre-date the Effective Date of this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Ali Tehrani
Ali Tehrani, *President & Chief Executive Officer*

SIGNED, SEALED AND DELIVERED
by **Employee:**

/s/ Neil Klompas
Signature

Jan. 17, 2017
Date

WITNESSED by:

/s/ Wajida Leclerc
Signature

Wajida Leclerc
Print Name

38-19th Ave East
Address

VP, Human Resources
Occupation

APPENDIX A

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX B

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 1st of June 2016 (the "Effective Date").

BETWEEN:

Dr. Diana Hausman, having a residence at 2339 Federal Ave. E., Seattle, WA, 98102, USA.

(the "Employee")

AND:

ZYMEWORKS BIOPHARMACEUTIALS INC., a corporation registered in the State of Washington and having its principal place of business at 370-18 West Mercer Street, Seattle, WA, 98119, USA

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has experience in clinical research and development, and/or related skills and expertise and wishes to contribute such experiences to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee, and the employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are or have been conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures) at any time;

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed entirely on the Employee's own time;

(ii) was developed without the use of any equipment, supplies, facilities, services or trade secret information of the Company;

(iii) does not relate directly to the Business or affairs of the Company or to the actual or demonstrably anticipated research or development of the Company; and

(iv) does not result from any work performed by the Employee for the Company.

(e) "Prior Developments" means any Development that the Employee establishes was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

On the Effective Date, the Employee will commence employment with the Company in the position of Chief Medical Officer on the terms and conditions set out in this Agreement.

2.2 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Chief Medical Officer, represents a breach of this contract.

(b) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties set out in Appendix "A" to this Agreement and any other duties that may be reasonably assigned to him/her by Management from time to time. Management may alter the duties Employee is expected to perform for the Company at any time with or without notice.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Chief Medical Officer would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.6 herein and as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that he/she has discontinued such activity and that he/she has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee’s beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 The Employee will not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company. By seeking and accepting

employment with the Company, the Employee recognizes that the Employee is employed by the Company for the expressed benefit of advancing the scientific, development and business objectives of the Company and that concurrent employment outside the Company detracts from those objectives.

2.6 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.7 For the purposes of Sections 2.3 2.4 and 2.6 herein, “Employee” includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $400,000 (USD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be granted 50,000 options to acquire shares of common stock of the Zymeworks Inc. (the “Shares”), provided, the Employee is employed by the Company on the grant date (the “Options”). The options shall have an exercise price equivalent to the company’s common share price on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Zymeworks Inc. Employee Stock Option Agreement, a copy of which is attached hereto as Appendix “C”.

3.3 Incentive Plans. The Employee shall be entitled to participate in certain incentive programs for the Company’s Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the “Incentive Plans”). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Bonus. The Employee’s target annual bonus will be 30% of base salary, with bonus eligibility starting June 1, 2016.

3.5 Performance and Salary Review. Management will review the Employee’s performance, base salary, and equity participation level under the terms of any Incentive Plans annually beginning in December 2016. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.6 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee’s duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company’s policies.

3.7 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.8 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.66 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of five (5) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time will not be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate pro rated to the number of days' vacation not taken.

3.9 Benefits. The Employee will be eligible to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.10 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per month of service; however, employees may use Sick Leave on a pro-rata basis following the completion of their first 40 hours of service. Unused sick days will not be paid out or carried forward into the subsequent year. For employees based in Seattle, Sick Leave may be used for any purpose authorized by the Seattle Paid Sick and Safe Time ("PSST") ordinance. This benefit is intended to comply with the PSST ordinance and should be interpreted in accordance with its requirements.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for just cause at law at any time, without notice, damages or compensation of any kind.

(b) Probation Period. The first three (3) consecutive months of the Employee's employment under this Agreement are agreed to constitute a period of probation

during which the Company shall have the opportunity to assess the suitability of the Employee's performance and conduct (the "Probation Period"). At any time during the Probation Period, the Company may terminate the Employee's employment, on the grounds of unsuitability, without providing any working notice or payment in lieu thereof.

(c) The Company may terminate the employment of the Employee without Cause at any time by providing written notice or payment in lieu of notice ("Severance") to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(d) Payment of Severance is conditional upon execution by the Employee of a release of all Employee's claims against the Company, satisfactory to the Company.

(e) Payment of Severance, in accordance with (c) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(f) The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 9.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company except Excluded Developments and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each such Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* and Prior Developments - The Company acknowledges that it will not own any Excluded Developments or Prior Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments or Prior Developments.

Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments and Prior Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments and Prior Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that, unless the Company agrees in writing otherwise, the Employee will not use or incorporate any Excluded Development or Prior Development in its work product, services, or other deliverables the Employee provides to the Company. If the Employee uses or incorporates any Excluded Development or Prior Development with the Company's permission, as provided above, the Employee (i) represents and warrants that he or she owns all proprietary interest in such Excluded Development or Prior Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Excluded Development or Prior Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure, non-compete or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of six (6) months thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's good will, trade secrets and proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. In the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of three (3) months from the date any such breach is cured. In the event it is necessary for the either party to retain legal counsel to enforce any of the terms and conditions of this Agreement, the prevailing party will pay the other parties' reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Consent to Personal Jurisdiction. This Agreement will be governed by the laws of the State of Washington without regards to Washington's conflicts of law rules that may result in the application of the laws of any jurisdiction other than Washington. To the extent that any lawsuit is permitted under this Agreement, Employee expressly consents to the personal and exclusive jurisdiction and venue of the State and Federal Courts located in Washington for any lawsuit filed against me by the Company. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6 of this Agreement, nothing in this Agreement precludes the Company from applying to a court of competent jurisdiction to seek injunctive relief or otherwise protect or enforce its intellectual property rights, or enforce the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations.

ARTICLE 8

8.1 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the State of Washington, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 9 – ARBITRATION

9.1 Arbitration and Equitable Relief. IN CONSIDERATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, ITS PROMISE TO ARBITRATE ALL EMPLOYMENT-RELATED DISPUTES, AND EMPLOYEE'S RECEIPT OF THE COMPENSATION, PAY RAISES, AND OTHER BENEFITS PAID TO EMPLOYEE BY THE COMPANY, AT PRESENT AND IN THE FUTURE, EMPLOYEE AGREES THAT ANY AND ALL CONTROVERSIES, CLAIMS, OR DISPUTES WITH ANYONE (INCLUDING THE COMPANY AND ANY EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER, OR BENEFIT PLAN OF THE COMPANY, IN THEIR CAPACITY AS SUCH OR OTHERWISE), ARISING OUT OF, RELATING TO, OR RESULTING FROMEMPLOYEE'S EMPLOYMENT WITH THE COMPANY OR THE TERMINATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, INCLUDING ANY BREACH OF THIS AGREEMENT, SHALL BE SUBJECT TO BINDING ARBITRATION UNDER THE ARBITRATION PROVISIONS SET FORTH IN THE WASHINGTON UNIFORM ARBITRATION ACT (THE "**ACT**"), AND PURSUANT TO WASHINGTON LAW, AND SHALL BE BROUGHT IN EMPLOYEE'S INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. THE FEDERAL ARBITRATION ACT SHALL CONTINUE TO APPLY WITH FULL FORCE AND EFFECT NOTWITHSTANDING THE APPLICATION OF PROCEDURAL RULES SET FORTH IN THE ACT. DISPUTES THAT EMPLOYEE AGREES TO ARBITRATE, AND THEREBY AGREES TO WAIVE ANY RIGHT TO A TRIAL BY JURY, INCLUDE ANY STATUTORY CLAIMS UNDER LOCAL, STATE, OR FEDERAL LAW, INCLUDING, BUT NOT LIMITED TO, CLAIMS UNDER TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE OLDER WORKERS BENEFIT PROTECTION ACT, THE SARBANES-OXLEY ACT, THE WORKER ADJUSTMENT AND RETRAINING NOTIFICATION ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE FAMILY AND MEDICAL LEAVE ACT, ANY AND ALL CLAIMS UNDER THE REVISED CODE OF WASHINGTON OR ANY OTHER WASHINGTON STATE LABOR LAW, CLAIMS OF HARASSMENT, DISCRIMINATION, AND WRONGFUL TERMINATION, AND ANY STATUTORY OR COMMON LAW CLAIMS. NOTWITHSTANDING THE FOREGOING, EMPLOYEE UNDERSTANDS THAT NOTHING IN THIS AGREEMENT CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHTS UNDER SECTION 7 OF THE NATIONAL LABOR RELATIONS ACT. EMPLOYEE FURTHER UNDERSTAND THAT THIS AGREEMENT TO ARBITRATE ALSO APPLIES TO ANY DISPUTES THAT THE COMPANY MAY HAVE WITH EMPLOYEE.

9.2 Procedure. EMPLOYEE AGREES THAT ANY ARBITRATION WILL BE ADMINISTERED BY JUDICIAL ARBITRATION & MEDIATION SERVICES, INC.

("**JAMS**"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES (THE "**JAMS RULES**"), WHICH ARE AVAILABLE AT http://www.jamsadr.com/rules-employment-arbitration/ AND FROM HUMAN RESOURCES. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO DECIDE ANY MOTIONS BROUGHT BY ANY PARTY TO THE ARBITRATION, INCLUDING MOTIONS FOR SUMMARY JUDGMENT AND/OR ADJUDICATION, AND MOTIONS TO DISMISS AND DEMURRERS, APPLYING THE STANDARDS SET FORTH UNDER THE ACT AND WASHINGTON LAW. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL ISSUE A WRITTEN DECISION ON THE MERITS. EMPLOYEE ALSO AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO AWARD ANY REMEDIES AVAILABLE UNDER APPLICABLE LAW, AND THAT THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, WHERE PROVIDED BY APPLICABLE LAW. EMPLOYEE AGREES THAT THE DECREE OR AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED AS A FINAL AND BINDING JUDGMENT IN ANY COURT HAVING JURISDICTION THEREOF. EMPLOYEE UNDERSTANDS THAT THE COMPANY WILL PAY FOR ANY ADMINISTRATIVE OR HEARING FEES CHARGED BY THE ARBITRATOR OR JAMS EXCEPT THAT EMPLOYEE SHALL PAY ANY FILING FEES ASSOCIATED WITH ANY ARBITRATION THAT EMPLOYEE INITIATES, BUT ONLY SO MUCH OF THE FILING FEES AS EMPLOYEE WOULD HAVE INSTEAD PAID HAD EMPLOYEE FILED A COMPLAINT IN A COURT OF LAW. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH WASHINGTON LAW AND THAT THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL WASHINGTON LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO RULES OF CONFLICT OF LAW. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH WASHINGTON LAW, WASHINGTON LAW SHALL TAKE PRECEDENCE. EMPLOYEE AGREES THAT ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE CONDUCTED IN KING COUNTY, WASHINGTON.

9.3 Remedy. EXCEPT AS PROVIDED BY THE ACT AND THIS AGREEMENT, ARBITRATION SHALL BE THE SOLE, EXCLUSIVE, AND FINAL REMEDY FOR ANY DISPUTE BETWEEN EMPLOYEE AND THE COMPANY. ACCORDINGLY, EXCEPT AS PROVIDED FOR BY THE ACT AND THIS AGREEMENT, NEITHER EMPLOYEE NOR THE COMPANY WILL BE PERMITTED TO PURSUE COURT ACTION REGARDING CLAIMS THAT ARE SUBJECT TO ARBITRATION.

9.4 Administrative Relief. EMPLOYEE UNDERSTANDS THAT THIS AGREEMENT DOES NOT PROHIBIT EMPLOYEE FROM PURSUING AN ADMINISTRATIVE CLAIM WITH A LOCAL, STATE, OR FEDERAL ADMINISTRATIVE BODY OR GOVERNMENT AGENCY THAT IS AUTHORIZED TO ENFORCE OR ADMINISTER LAWS RELATED TO EMPLOYMENT, INCLUDING, BUT NOT LIMITED TO, THE DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, THE NATIONAL LABOR

RELATIONS BOARD, OR THE WORKERS' COMPENSATION BOARD. THIS AGREEMENT DOES, HOWEVER, PRECLUDE EMPLOYEE FROM PURSUING COURT ACTION REGARDING ANY SUCH CLAIM, EXCEPT AS PERMITTED BY LAW.

9.5 Voluntary Nature of Agreement. EMPLOYEE ACKNOWLEDGES AND AGREE THAT EMPLOYEE IS EXECUTING THIS AGREEMENT VOLUNTARILY AND WITHOUT ANY DURESS OR UNDUE INFLUENCE BY THE COMPANY OR ANYONE ELSE. EMPLOYEE FURTHER ACKNOWLEDGE AND AGREES THAT EMPLOYEE HAS CAREFULLY READ THIS AGREEMENT AND THAT EMPLOYEE HAS ASKED ANY QUESTIONS NEEDED FOR EMPLOYEE TO UNDERSTAND THE TERMS, CONSEQUENCES, AND BINDING EFFECT OF THIS AGREEMENT AND FULLY UNDERSTAND IT, INCLUDING THAT ***EMPLOYEE IS WAIVING EMPLOYEE'S RIGHT TO A JURY TRIAL***. FINALLY, EMPLOYEE AGREES THAT EMPLOYEE HAS BEEN PROVIDED AN OPPORTUNITY TO SEEK THE ADVICE OF AN ATTORNEY OF EMPLOYEE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

ARTICLE 10 – GENERAL

10.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

10.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

10.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

10.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

10.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

10.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the

parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

10.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

10.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the State of Washington.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Wajida Leclerc
Wajida Leclerc, *Vice President, Human Resources*

SIGNED, SEALED AND DELIVERED
by **Employee**:

/s/ Diana Hausman
Signature

9 March 2016
Date

WITNESSED by:

/s/ Nick Mullaw
Signature

Nick Mullaw
Print Name

2500 1st Ave SE Seattle, WA 98121
Address

Banker
Occupation

APPENDIX A

JOB DESCRIPTION: Chief Medical Officer

Summary

- Provide the overall strategic clinical direction and medical leadership of oncology programs, serving as the medical expert on all clinical and medical matters.
- Responsible for all areas of clinical affairs including clinical trial strategy and design, the preparation of clinical plan, oversight of studies at clinical CROs and clinical investigators, medical monitoring activities, safety review, DMC and data management, statistical data analysis and medical affairs (medical information and patient services, regulatory review, medical liaison, drug safety functions).
- Stay current with GCP and regulatory requirements in the preparation and review of the clinical module for FDA approval of Phase1-3 studies.
- Manage external relationships (key opinion leaders) and relate clinical strategy to investors and analysts.
- Obtain key stakeholder review and endorsement of clinical and medical matters.
- Complete the ph1b/2a study (currently in planning) for ZW25 and ZW33 and move these to a ph2 trial in combination with first line treatment that could be a registered trial.
- Interface with preclinical research and development leadership in the evaluation and analysis of key translational data.
- Interface with Business Development and Finance to provide subject matter expertise on all clinical strategic initiatives, including competitive and complementary products, technologies and companies.
- Develop clear clinical trial strategies, design study protocols, monitor, document, and interpret clinical study data.
- Participate in the evaluation and selection of clinical vendors and consultants, including direct interface with trial sites and clinical investigators.
- Implement safety strategy across studies, including regular review of safety data and response to safety issues.
- Lead clinical sections of regulatory documents (INDs); prepare for meetings with FDA.
- Organize and prepare for Scientific and Clinical Advisory Board meetings and contribute clinical perspectives to the Board of Directors.
- Interface directly with internal and external intellectual property personnel to ensure the incorporation of clinical perspectives into the Company’s patent portfolio.
- Develop annual goals and plans for the Clinical Development department, and in conjunction with project management, develop and manage the clinical budget and resources.
- Work under Zymeworks corporate compliance and GCP.
- Other related duties as required

Reporting Responsibilities

Reports directly to Dr. Ali Tehrani, President and Chief Executive Officer

APPENDIX B

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX C

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 18th of January, 2017 (the "Effective Date").

BETWEEN:

Dr. Diana Hausman, having a residence at 2339 Federal Ave. E., Seattle, WA, 98102, USA.

(the "Employee")

AND:

ZYMEWORKS BIOPHARMACEUTIALS INC., a corporation registered in the State of Washington and having its principal place of business at 370-18 West Mercer Street, Seattle, WA, 98119, USA

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has experience in clinical research and development, and/or related skills and expertise and wishes to contribute such experiences to the development and growth of the Company's business; and

C. The Employee has worked for the Company since June 1, 2016 (the "Start Date").

D. In consideration of the Employee's continued commitment to the Company and the Company increasing the compensation payable to the Employee on termination of employment following a Change of Control as stated in Article 4 herein, the Company and the Employee have agreed to amend and restate the terms and conditions of employment as provided herein and have this Agreement supersede and replace all previous employment agreements and related amendments as of the Effective Date.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are or have been conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures) at any time;

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed entirely on the Employee's own time;

(ii) was developed without the use of any equipment, supplies, facilities, services or trade secret information of the Company;

(iii) does not relate directly to the Business or affairs of the Company or to the actual or demonstrably anticipated research or development of the Company; and

(iv) does not result from any work performed by the Employee for the Company.

(e) "Prior Developments" means any Development that the Employee establishes was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

On the Effective Date, the Employee will continue employment with the Company in the position of Chief Medical Officer on the terms and conditions set out in this Agreement. For the purpose of calculating any entitlements pursuant to this Agreement based on length of service, the Company will use the Start Date for all such calculations.

2.2 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Chief Medical Officer, represents a breach of this contract.

(b) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties set out in Appendix "A" to this Agreement and any other duties that may be reasonably assigned to him/her by Management from time to time. Management may alter the duties Employee is expected to perform for the Company at any time with or without notice.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Chief Medical Officer would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.6 herein and as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that

he/she has discontinued such activity and that he/she has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee's beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 The Employee will not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company. By seeking and accepting employment with the Company, the Employee recognizes that the Employee is employed by the Company for the expressed benefit of advancing the scientific, development and business objectives of the Company and that concurrent employment outside the Company detracts from those objectives.

2.6 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.7 For the purposes of Sections 2.3 2.4 and 2.6 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $400,000 (USD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be eligible to receive annual grants of options to acquire shares of common stock of the Company (the "Shares"), the timing and amount of such grants to be determined by the Board of Directors of Zymeworks Inc. (the "Board") in its sole discretion, provided that the Employee is employed by the Company on the grant date (the "Options"). The options shall have an exercise price equivalent to the closing trading price of the Company's common shares on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in certain incentive programs for the Company's Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Bonus. The Employee's target annual bonus will be 30% of base salary, with bonus eligibility starting June 1, 2016.

3.5 Performance and Salary Review. Management will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.6 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.7 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.8 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.667 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of ten (10) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time not carried forward into the following year will be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate pro rated to the number of days' vacation not taken.

3.9 Benefits. The Employee will be eligible to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.10 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per month of service; however, employees may use Sick Leave on a pro-rata basis following the completion of their first 40 hours of service. Unused sick days will not be paid out or carried forward into the subsequent year. For employees based in Seattle, Sick Leave may be used for any purpose authorized by the Seattle Paid Sick and Safe Time ("PSST") ordinance. This benefit is intended to comply with the PSST ordinance and should be interpreted in accordance with its requirements.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for just cause at law at any time, without notice, damages or compensation of any kind.

(b) The Company may terminate the employment of the Employee without Cause at any time by providing written notice or payment in lieu of notice ("Severance") to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(c) The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

(d) Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause, the Employee shall receive as severance eighteen (18) months of base salary and benefits continuation as at that date, and full vesting acceleration of all unvested stock options or other equity grants made to the Employee as at that date. For all purposes of this Agreement, "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in

concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under Section 4.2(d) herein will be in lieu of and not in addition to payment under Section 4.2(b).

4.3 Stock Options on Termination. Except as provided by Section 4.2(d), the vesting and exercise of any stock options granted to the Employee in the event the Employee's employment with the Company or this Agreement is terminated, for any reason, shall be governed by the terms of the Stock Option Plan and any applicable stock option agreement in effect between the Company and the Employee at the time of termination.

4.4 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this Section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of benefits continuation contemplated by this Article 4 and benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.5 No Additional Payments. Payment in accordance with 4.2(b) or 4.2(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.6 Condition to Payment. Payment in accordance with 4.2(b) or 4.2(d) above is conditional upon execution by the Employee of a release of all Employee's claims against the Company, satisfactory to the Company.

4.7 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 9.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

is, or becomes, readily available to the public other than through a breach of this Agreement;

is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company except Excluded Developments and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each such Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* and Prior Developments - The Company acknowledges that it will not own any Excluded Developments or Prior Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments or Prior Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments and Prior Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments and Prior Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that, unless the Company agrees in writing otherwise, the Employee will not use or incorporate any Excluded Development or Prior Development in its work product, services, or other deliverables the Employee provides to the Company. If the Employee uses or incorporates any Excluded Development or Prior Development with the Company's permission, as provided above, the Employee (i) represents and warrants that he or she owns all proprietary interest in such Excluded Development or Prior Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Excluded Development or Prior Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure, non-compete or proprietary rights agreement the Employee has

signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of six (6) months thereafter, the Employee will not, without the prior written consent of the Company, anywhere in Canada, the United States or any country within the European Union, directly or indirectly, advise, manage, carry on, be engaged in, own or lend money to, or permit the Employee's name or any part thereof to be used or employed by any person managing, carrying on or engaged in a business which is in direct competition with the Business of the Company where the Employee would be providing professional services which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's good will, trade secrets and proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the

Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. In the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of three (3) months from the date any such breach is cured. In the event it is necessary for the either party to retain legal counsel to enforce any of the terms and conditions of this Agreement, the prevailing party will pay the other parties' reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Consent to Personal Jurisdiction. This Agreement will be governed by the laws of the State of Washington without regards to Washington's conflicts of law rules that may result in the application of the laws of any jurisdiction other than Washington. To the extent that any lawsuit is permitted under this Agreement, Employee expressly consents to the personal and exclusive jurisdiction and venue of the State and Federal Courts located in Washington for any lawsuit filed against me by the Company. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6 of this Agreement, nothing in this Agreement precludes the Company from applying to a court of competent jurisdiction to seek injunctive relief or otherwise protect or enforce its intellectual property rights, or enforce the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations.

ARTICLE 8

8.1 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained

herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the State of Washington, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 9 – ARBITRATION

9.1 Arbitration and Equitable Relief. IN CONSIDERATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, ITS PROMISE TO ARBITRATE ALL EMPLOYMENT-RELATED DISPUTES, AND EMPLOYEE'S RECEIPT OF THE COMPENSATION, PAY RAISES, AND OTHER BENEFITS PAID TO EMPLOYEE BY THE COMPANY, AT PRESENT AND IN THE FUTURE, EMPLOYEE AGREES THAT ANY AND ALL CONTROVERSIES, CLAIMS, OR DISPUTES WITH ANYONE (INCLUDING THE COMPANY AND ANY EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER, OR BENEFIT PLAN OF THE COMPANY, IN THEIR CAPACITY AS SUCH OR OTHERWISE), ARISING OUT OF, RELATING TO, OR RESULTING FROMEMPLOYEE'S EMPLOYMENT WITH THE COMPANY OR THE TERMINATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, INCLUDING ANY BREACH OF THIS AGREEMENT, SHALL BE SUBJECT TO BINDING ARBITRATION UNDER THE ARBITRATION PROVISIONS SET FORTH IN THE WASHINGTON UNIFORM ARBITRATION ACT (THE "**ACT**"), AND PURSUANT TO WASHINGTON LAW, AND SHALL BE BROUGHT IN EMPLOYEE'S INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. THE FEDERAL ARBITRATION ACT SHALL CONTINUE TO APPLY WITH FULL FORCE AND EFFECT NOTWITHSTANDING THE APPLICATION OF PROCEDURAL RULES SET FORTH IN THE ACT. DISPUTES THAT EMPLOYEE AGREES TO ARBITRATE, AND THEREBY AGREES TO WAIVE ANY RIGHT TO A TRIAL BY JURY, INCLUDE ANY STATUTORY CLAIMS UNDER LOCAL, STATE, OR FEDERAL LAW, INCLUDING, BUT NOT LIMITED TO, CLAIMS UNDER TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE OLDER WORKERS BENEFIT PROTECTION ACT, THE SARBANES-OXLEY ACT, THE WORKER ADJUSTMENT AND RETRAINING NOTIFICATION ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE FAMILY AND MEDICAL LEAVE ACT, ANY AND ALL CLAIMS UNDER THE REVISED CODE OF WASHINGTON OR ANY OTHER WASHINGTON STATE LABOR LAW, CLAIMS OF HARASSMENT, DISCRIMINATION, AND WRONGFUL TERMINATION, AND ANY STATUTORY OR COMMON LAW CLAIMS. NOTWITHSTANDING THE FOREGOING, EMPLOYEE UNDERSTANDS THAT NOTHING IN THIS AGREEMENT CONSTITUTES A WAIVER OF EMPLOYEE'S RIGHTS UNDER SECTION 7 OF THE NATIONAL LABOR

RELATIONS ACT. EMPLOYEE FURTHER UNDERSTAND THAT THIS AGREEMENT TO ARBITRATE ALSO APPLIES TO ANY DISPUTES THAT THE COMPANY MAY HAVE WITH EMPLOYEE.

9.2 Procedure. EMPLOYEE AGREES THAT ANY ARBITRATION WILL BE ADMINISTERED BY JUDICIAL ARBITRATION & MEDIATION SERVICES, INC. ("**JAMS**"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES (THE "**JAMS RULES**"), WHICH ARE AVAILABLE AT http://www.jamsadr.com/rules-employment-arbitration/ AND FROM HUMAN RESOURCES. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO DECIDE ANY MOTIONS BROUGHT BY ANY PARTY TO THE ARBITRATION, INCLUDING MOTIONS FOR SUMMARY JUDGMENT AND/OR ADJUDICATION, AND MOTIONS TO DISMISS AND DEMURRERS, APPLYING THE STANDARDS SET FORTH UNDER THE ACT AND WASHINGTON LAW. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL ISSUE A WRITTEN DECISION ON THE MERITS. EMPLOYEE ALSO AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO AWARD ANY REMEDIES AVAILABLE UNDER APPLICABLE LAW, AND THAT THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, WHERE PROVIDED BY APPLICABLE LAW. EMPLOYEE AGREES THAT THE DECREE OR AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED AS A FINAL AND BINDING JUDGMENT IN ANY COURT HAVING JURISDICTION THEREOF. EMPLOYEE UNDERSTANDS THAT THE COMPANY WILL PAY FOR ANY ADMINISTRATIVE OR HEARING FEES CHARGED BY THE ARBITRATOR OR JAMS EXCEPT THAT EMPLOYEE SHALL PAY ANY FILING FEES ASSOCIATED WITH ANY ARBITRATION THAT EMPLOYEE INITIATES, BUT ONLY SO MUCH OF THE FILING FEES AS EMPLOYEE WOULD HAVE INSTEAD PAID HAD EMPLOYEE FILED A COMPLAINT IN A COURT OF LAW. EMPLOYEE AGREES THAT THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH WASHINGTON LAW AND THAT THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL WASHINGTON LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO RULES OF CONFLICT OF LAW. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH WASHINGTON LAW, WASHINGTON LAW SHALL TAKE PRECEDENCE. EMPLOYEE AGREES THAT ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE CONDUCTED IN KING COUNTY, WASHINGTON.

9.3 Remedy. EXCEPT AS PROVIDED BY THE ACT AND THIS AGREEMENT, ARBITRATION SHALL BE THE SOLE, EXCLUSIVE, AND FINAL REMEDY FOR ANY DISPUTE BETWEEN EMPLOYEE AND THE COMPANY. ACCORDINGLY, EXCEPT AS PROVIDED FOR BY THE ACT AND THIS AGREEMENT, NEITHER EMPLOYEE NOR THE COMPANY WILL BE PERMITTED TO PURSUE COURT ACTION REGARDING CLAIMS THAT ARE SUBJECT TO ARBITRATION.

9.4 Administrative Relief. EMPLOYEE UNDERSTANDS THAT THIS AGREEMENT DOES NOT PROHIBIT EMPLOYEE FROM PURSUING AN ADMINISTRATIVE CLAIM WITH A LOCAL, STATE, OR FEDERAL ADMINISTRATIVE BODY OR GOVERNMENT AGENCY THAT IS AUTHORIZED TO ENFORCE OR ADMINISTER LAWS RELATED TO EMPLOYMENT, INCLUDING, BUT NOT LIMITED TO, THE DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, THE NATIONAL LABOR RELATIONS BOARD, OR THE WORKERS' COMPENSATION BOARD. THIS AGREEMENT DOES, HOWEVER, PRECLUDE EMPLOYEE FROM PURSUING COURT ACTION REGARDING ANY SUCH CLAIM, EXCEPT AS PERMITTED BY LAW.

9.5 Voluntary Nature of Agreement. EMPLOYEE ACKNOWLEDGES AND AGREE THAT EMPLOYEE IS EXECUTING THIS AGREEMENT VOLUNTARILY AND WITHOUT ANY DURESS OR UNDUE INFLUENCE BY THE COMPANY OR ANYONE ELSE. EMPLOYEE FURTHER ACKNOWLEDGE AND AGREES THAT EMPLOYEE HAS CAREFULLY READ THIS AGREEMENT AND THAT EMPLOYEE HAS ASKED ANY QUESTIONS NEEDED FOR EMPLOYEE TO UNDERSTAND THE TERMS, CONSEQUENCES, AND BINDING EFFECT OF THIS AGREEMENT AND FULLY UNDERSTAND IT, INCLUDING THAT ***EMPLOYEE IS WAIVING EMPLOYEE'S RIGHT TO A JURY TRIAL***. FINALLY, EMPLOYEE AGREES THAT EMPLOYEE HAS BEEN PROVIDED AN OPPORTUNITY TO SEEK THE ADVICE OF AN ATTORNEY OF EMPLOYEE'S CHOICE BEFORE SIGNING THIS AGREEMENT.

ARTICLE 10 – GENERAL

10.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

10.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

10.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

10.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

10.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

10.6 Entire Agreement and Release. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, amendments thereto, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. In consideration of the Company entering into this Agreement and conferring additional compensation and benefits to the Employee, the Employee hereby remises, releases and forever discharges the Company from any and all claims, liability, actions or causes of actions arising or which may arise now or hereafter in connection with any claim by the Employee in respect of any prior written or oral employment contracts or arrangements between the Employee and the Company that pre-date the Effective Date of this Agreement.

10.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

10.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the State of Washington.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Wajida Leclerc
Wajida Leclerc, *Vice President, Human Resources*

SIGNED, SEALED AND DELIVERED
by **Employee**:

/s/ Diana Hausman
Signature

2017.01.19
Date

WITNESSED by:

Signature

Print Name

Address

Occupation

APPENDIX A

JOB DESCRIPTION: Chief Medical Officer

Summary

- Provide the overall strategic clinical direction and medical leadership of oncology programs, serving as the medical expert on all clinical and medical matters.
- Responsible for all areas of clinical affairs including clinical trial strategy and design, the preparation of clinical plan, oversight of studies at clinical CROs and clinical investigators, medical monitoring activities, safety review, DMC and data management, statistical data analysis and medical affairs (medical information and patient services, regulatory review, medical liaison, drug safety functions).
- Stay current with GCP and regulatory requirements in the preparation and review of the clinical module for FDA approval of Phase1-3 studies.
- Manage external relationships (key opinion leaders) and relate clinical strategy to investors and analysts.
- Obtain key stakeholder review and endorsement of clinical and medical matters.
- Complete the ph1b/2a study (currently in planning) for ZW25 and ZW33 and move these to a ph2 trial in combination with first line treatment that could be a registered trial.
- Interface with preclinical research and development leadership in the evaluation and analysis of key translational data.
- Interface with Business Development and Finance to provide subject matter expertise on all clinical strategic initiatives, including competitive and complementary products, technologies and companies.
- Develop clear clinical trial strategies, design study protocols, monitor, document, and interpret clinical study data.
- Participate in the evaluation and selection of clinical vendors and consultants, including direct interface with trial sites and clinical investigators.
- Implement safety strategy across studies, including regular review of safety data and response to safety issues.
- Lead clinical sections of regulatory documents (INDs); prepare for meetings with FDA.
- Organize and prepare for Scientific and Clinical Advisory Board meetings and contribute clinical perspectives to the Board of Directors.
- Interface directly with internal and external intellectual property personnel to ensure the incorporation of clinical perspectives into the Company’s patent portfolio.
- Develop annual goals and plans for the Clinical Development department, and in conjunction with project management, develop and manage the clinical budget and resources.
- Work under Zymeworks corporate compliance and GCP.
- Other related duties as required

Reporting Responsibilities

Reports directly to Dr. Ali Tehrani, President and Chief Executive Officer

APPENDIX B

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX C

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 1st day of July, 2007 (the "Effective Date").

BETWEEN:

Surjit B. Dixit, of 11 Brainard Avenue, Middletown, CT, 06457, USA,

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 201-1401 West Broadway, Vancouver, BC, V6H 1H6

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing biocatalysts (enzymes) for pharmaceutical and industrial applications;

B. The Employee has postdoctoral experience in molecular simulations, proficiency with the Linux operating system, knowledge of good software development practices, and experience with scripting languages, working on a clustered computing environment, and molecular modeling packages and/or related skills and expertise and wishes to contribute such experience to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee and the Employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing biocatalysts and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services. On the Effective Date, the Employee will commence employment with the Company in the position of Molecular Simulation Scientist on the terms and conditions set out in this Agreement.

2.2 Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties set out in Appendix "A" to this Agreement and any other duties that may be reasonably assigned to him by Management from time to time.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Zymeworks Employee Handbook (Appendix B) "Code of Conduct";

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Molecular Simulation Scientist would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.5 herein and as outlined in the Zymeworks Employee Handbook (Appendix B) “Conflict of Interest Guidelines”; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that he has discontinued such activity and that he has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in Section 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee’s beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.6 For the purposes of Sections 2.3, 2.4 and 2.5 herein, “Employee” includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $105,000 (CAD) per annum with a minimum increase of fifteen percent (15%) at the anniversary of the first year or employment. The base salary will be paid semi-monthly, in arrears, in twenty-four (24) equal instalments, less statutory and other authorized deductions. The Salary shall not be reduced, except with the written consent of the Employee.

3.2 Stock Options. On July 1, 2007, the Employee shall be granted 16,000 options to acquire shares of common stock of the Company (the "Shares"), provided the Employee is employed by the Company on the grant date (the "Options"). The Options shall have an exercise price of $1.50 per Share. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's executives, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Performance and Salary Review. Management will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually after the Effective Date.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment as a Molecular Simulation Scientist, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such licensing.

3.7 Relocation Allowance. The Company will reimburse the Employee for moving and relocation costs of $ 10,000 (CAD) based on actual receipts submitted to Management. Additionally, the Company will reimburse the Employee for rent and/or housing costs for the first month of accommodation in Vancouver up to $1,500 (CAD), based on actual receipts submitted to Management.

3.8 Vacation. The Employee will be eligible for fifteen (15) days' paid vacation per calendar year, earned pro rata at a rate of 1.25 days per completed month of service. Vacation time not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Upon termination, vacation not taken in the calendar year will be paid out according to the Employee's annual salary rate pro rated to the number of days' vacation not taken.

3.9 Benefits. The Employee will be eligible to participate in all benefit plans generally available to executives of the Company, subject to meeting applicable eligibility requirements of such plans.

3.10 Sick Leave. The Employee will be entitled to take up to five (5) days' paid sick leave per calendar year, earned pro rata at a rate of 0.834 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of six (6) months.

(c) Payment of severance in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

(d) Payment of severance, in accordance with (c) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he may have to claim further payment, compensation or damages from the Company.

(e) The Employee may terminate his employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee

will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to

make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(b) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to biocatalyst modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of six (6) months from the date any such breach is cured. In the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement, the Employee will pay the Company's reasonable legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part. In the event the Company is unsuccessful, the Company will pay the Employee's reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 – MEDIATION/ARBITRATION

8.1 Mediation/Arbitration. In the event of a dispute hereunder which does not involve the Company seeking a court injunction or remedy pursuant to Article 7, such dispute shall be mediated and, if necessary, arbitrated pursuant to the terms of this Article (the "Med/Arb Agreement").

8.2 The parties will work in good faith and in confidence to resolve any disputes that arise in connection with this Agreement. The parties agree to conduct in good faith at least two meetings (the "Meetings") to seek resolution to a dispute before delivering a notice to mediate.

8.3 Where a dispute arises out of or in connection with this Agreement that cannot be resolved by the parties through the Meetings, the parties agree to seek a confidential settlement of such dispute by mediation followed, if necessary, by arbitration.

8.4 At any time after a dispute has been raised and no resolution has been achieved through the Meetings, either party may give written notice to the other party requesting mediation of the dispute (the "Mediation Notice") by a single mediator. If the parties cannot agree on a mediator within fourteen (14) days after delivery of the Mediation Notice, then either party may make application to the British Columbia Mediator Roster Society to appoint one. The mediation will be held in Vancouver, British Columbia and the costs of mediation will be shared equally between the parties.

8.5 If the parties are unable to reach a mediated settlement within 120 days after delivery of the Mediation Notice, either of the parties may submit the dispute to binding arbitration by giving written notice to the other party and the mediator requesting arbitration of the dispute (the "Arbitration Notice") by a single arbitrator (the "Arbitrator"). Within fourteen (14) days of the delivery of the Arbitration Notice, the parties will select the Arbitrator. In the event the parties do not agree on an arbitrator, either party may apply to the BC Supreme Court to have one appointed. With input from the parties, the Arbitrator will determine and notify the parties of the rules of and timetable for arbitration. The Arbitrator will hear the submissions of the parties in accordance with such procedures as he or she may establish, and shall use reasonable best efforts to render a decision within sixty (60) days after the date of receiving or hearing the parties' final submissions. The decision of the Arbitrator shall be final and binding on the parties involved in the dispute and shall not be subject to appeal. The arbitration will be held in Vancouver, British Columbia, and the costs of arbitration will be shared equally between the parties.

8.6 Nothing in this Med/Arb Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

ARTICLE 9 – GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he has been advised to retain his own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Ali Tehrani
Ali Tehrani, Chief Executive Officer & President

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ Neil Klompas
Signature

Neil Klompas
Print Name

26-11391 Seventh Ave, Vancouver, BC, Canada
Address

Chartered Accountant
Occupation

/s/ Surjit Dixit
EMPLOYEE

Appendix A

Zymeworks Inc.
Job Description:

Duties and Responsibilities

- Develop new algorithms and approaches for computational modeling of biological molecules
- Participate in the overall development and maintenance of Zymeworks' technology platform in accord with the company's R&D goals
- Liaise and collaborate with Zymeworks' software engineers, enzyme engineers and quantum chemists to develop the Zymeworks' technology platform
- Assist in purchasing hardware and software for molecular simulations
- Prepare patents and research publications
- Attend conferences in the field of molecular simulations of biological systems
- Train new R&D employees in the use of Zymeworks' technology platform
- Mentor junior scientific employees to aid in their development

Reporting Responsibilities

Reports directly to the Chief Executive Officer and Director of Finance and Operations.

October 23, 2007

Dr. Surjit Dixit
Senior Molecular Simulations Scientist
Zymeworks Inc.
201 – 1401 West Broadway
Vancouver BC, V6H 1H6
Canada

Dear Dr. Dixit,

RE: Amendment to Employment Agreement and increase in holiday entitlement

On behalf of the senior management team and board of Directors of Zymeworks Inc., I'm pleased to present this amendment to your vacation allotment which would increase your annual vacation days in 2008 from fifteen days to twenty. Additionally, one workweek of unused vacation, starting in 2008, may be carried forward to the subsequent calendar year without penalty.

The leadership and vision of our team leads such as yourself are critical to our ongoing success. So again let me thank you for your time and dedication to the Company, and your ongoing commitment to making Zymeworks a world leader in computational biotechnology.

The EMPLOYMENT AGREEMENT (the "Agreement")**,** made effective as of the 1st day of July 2007, BETWEEN **SURJIT B. DIXIT** (the "Employee") and **ZYMEWORKS INC.** (collectively the "parties") will be amended to read as follows:

3.8 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.66 days per completed month of service. Five (5) days of vacation time not taken during the year in which it is earned may be carried forward into the subsequent year without the written pre-approval of Management. Vacation time exceeding five (5) days not taken during the year in which it is earned may not be carried forward into the subsequent year without written pre-approval of Management. Upon termination, vacation not taken in the calendar year will be paid out according to the Employee's annual salary at the time in which the vacation was earned, pro rated to the number of vacation days' not taken.

IN WITNESS WHEREOF the parties have executed this amendment to the Agreement as of October 23, 2007.

ZYMEWORKS INC.

By: /s/ Neil Klompas
Neil Klompas, Director, Finance & Operations

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ Ali Tehrani
Signature

Ali Tehrani
Print Name

309-1823 W 7th Vancouver
Address

President
Occupation

/s/ Surjit Dixit
EMPLOYEE

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 17th of January, 2017 (the "Effective Date").

BETWEEN:

Dr. Surjit Dixit, having a residence at 11251 Clipper Court, Richmond, BC, V7E 4M3, Canada.

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has worked for the Company since July 1, 2007 (the "Start Date").

C. In consideration of the Employee's continued commitment to the Company and the Company increasing the compensation payable to the Employee on termination of employment as stated in Article 4 herein, the Company and the Employee have agreed to amend and restate the terms and conditions of employment as provided herein and have this Agreement supersede and replace all previous employment agreements and related amendments as of the Effective Date.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

2.2 On the Effective Date, the Employee will continue employment with the Company in the position of Vice President, Technology on the terms and conditions set out in this Agreement. For the purpose of calculating any entitlements pursuant to this Agreement based on length of service, the Company will use the Start Date for all such calculations.

2.3 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Vice President, Technology, represents a breach of this Agreement.

(b) The Employee acknowledges that knowingly withholding factors, which would reasonably be considered to impair the Employee's ability to perform the duties required of a Vice President, Technology, represents a breach of this Agreement.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties required of a Vice President, Technology, and any other duties that may be reasonably assigned to him/her by Management from time to time.

2.4 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company and not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Vice President, Technology, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company or put the Employee in an actual or potential conflict of interest as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.5 For the purposes of Article 2 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $265,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be eligible to receive annual grants of options to acquire shares of common stock of the Company (the "Shares"), the timing and amount of such grants to be determined by the Board of Directors of Zymeworks Inc. (the "Board") in its sole discretion, provided that the Employee is employed by the Company on the grant date (the "Options"). The options shall have an exercise price equivalent to the closing trading price of the Company's common shares on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Performance and Salary Review. Management will continue to review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.7 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.667 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of ten (10) days not taken during the

year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time not carried forward into the following year will be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate prorated to the number of days' vacation not taken.

3.8 Benefits. The Employee will continue to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) *Termination for Cause*. The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) *Termination Without Cause*. The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary and benefits continuation as at that date, or any combination thereof, if termination of employment occurs during the first three years of employment measured from the Start Date; and

(ii) commencing in the fourth year of employment measured from the Start Date, an additional one (1) month of notice or the equivalent of one (1) month of base salary and benefits continuation as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(c) *Resignation*. The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree.

The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period in full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(d) *Termination following Change of Control*. Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause, the Employee shall receive as severance eighteen (18) months of base salary and benefits continuation as at that date, and full vesting acceleration of all unvested stock options or other equity grants made to the Employee as at that date. For all purposes of this Agreement, "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under section 4.2(d) herein will be in lieu of and not in addition payment under section 4.2(b).

4.3 Stock Options on Termination. Except as provided by section 4.2(d), the vesting and exercise of any stock options granted to the Employee in the event the Employee's employment with the Company or this Agreement is terminated, for any reason, shall be governed by the terms of the Stock Option Plan and any applicable stock option agreement in effect between the Company and the Employee at the time of termination.

4.4 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of benefits continuation contemplated by this Article 4 and benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.5 No Additional Payments. Payment of severance, in accordance with 4.2(b) or 4.2(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.6 Condition to Payment. Payment of any amount of severance under this Agreement in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

4.7 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer,

use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) solicit, influence, entice or induce, attempt to solicit, influence, entice or induce any person, firm or corporation whatsoever, who or which has at any time in the last two (2) years of the Employee's employment with the Company or any predecessor of the Company, been a customer of the Company, any affiliated company, or of any of their respective predecessors, provided that this subsection shall not prohibit the Employee from soliciting business from any such customer if the business is in no way similar to the Business carried on by the Company, an affiliated company, any of their respective predecessors, subsidiaries or associates to cease its relationship with the Company or any affiliated company;

(b) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(c) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, anywhere in Canada, the United States or any country within the European Union, directly or indirectly, advise, manage, carry on, be engaged in, own or lend money to, or permit the Employee's name or any part thereof to be used or employed by any person managing, carrying on or engaged in a business which is in direct competition with the Business of the Company where the Employee would be providing professional services which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement pursuant to section 7.1 herein, the Employee agrees to pay the Company's actual legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 –ARBITRATION

8.1 Except as permitted by section 7.1, all disputes arising out of or in connection with this Agreement or in respect of any legal relationship associated with or derived from this Agreement, will be finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. The seat of Arbitration will be Vancouver, British Columbia, Canada. The language of the arbitration will be English.

ARTICLE 9– GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement and Release. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, amendments thereto, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. In consideration of the Company entering into this Agreement and conferring additional compensation and benefits to the Employee, the Employee hereby remises, releases and forever discharges the Company from any and all claims, liability, actions or causes of actions

arising or which may arise now or hereafter in connection with any claim by the Employee in respect of any prior written or oral employment contracts or arrangements between the Employee and the Company that pre-date the Effective Date of this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Ali Tehrani
Ali Tehrani, *President & Chief Executive Officer*

SIGNED, SEALED AND DELIVERED
by **Employee**:

/s/ Surjit Dixit
Signature

Jan. 20, 2017
Date

WITNESSED by:

/s/ Wajida Leclerc
Signature

Wajida Leclerc
Print Name

38-19th Ave. Vancouver
Address

VP, Human Resources
Occupation

APPENDIX A

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX B

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 18th of March, 2016 (the "Effective Date").

BETWEEN:

Dr. John Babcook, having a residence at 4480 West 12th Avenue, Vancouver, BC, V6R 2R2, Canada.

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has experience in biomedical research and biologics, therapeutic antibodies, and/or related skills and expertise and wishes to contribute such experiences to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee, and the employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

On the Effective Date, the Employee will commence employment with the Company in the position of Senior Vice President, Discovery Research on the terms and conditions set out in this Agreement.

2.2 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Senior Vice President, Discovery Research, represents a breach of this contract.

(b) The Employee acknowledges that knowingly withholding factors, which would reasonably be considered to impair the Employee's ability to perform the duties required of a Senior Vice President, Discovery Research, set out in **Appendix "A"** to this Agreement, represents a breach of this contract.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties set out in Appendix "A" to this Agreement and any other duties that may be reasonably assigned to him/her by Management from time to time.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Senior Vice President, Discovery Research, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.6 herein and as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that

he/she has discontinued such activity and that he/she has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5% threshold described in 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee's beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 The Employee will not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company. By seeking and accepting employment with the Company, the Employee recognizes that they are employed by the Company for the expressed benefit of advancing the scientific, development and business objectives of the Company and that concurrent employment outside the Company detracts from those objectives.

2.6 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.7 For the purposes of Sections 2.3 2.4 and 2.6 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $260,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions. The Salary shall not be reduced, except with the written consent of the Employee.

3.2 Stock Options. The Employee shall be granted 50,000 options to acquire shares of common stock of the Company (the "Shares"), provided, the Employee is employed by the Company on the grant date (the "Options"). The options shall have an exercise price equivalent to the company's common share price on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Target bonus. The Employee's target variable incentive (bonus) will be set at 25% of base annual salary.

3.5 Performance and Salary Review. Management will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually beginning in December, 2016. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.6 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

3.7 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.8 Vacation. The Employee will be eligible for Twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.66 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of five (5) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time will not be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate pro rated to the number of days' vacation not taken.

3.9 Benefits. The Employee will be eligible to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.10 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

3.11 Length of Service. The Company will honour the Employee's length of service with Kairos Therapeutics Inc. The Employee's length of service with the Company will be considered from the date at which the Employee was first employed at Kairos Therapeutics Inc. This length of service will apply in areas such as the Employee's probation period, waiting periods for benefits eligibility, and required period of written notice or payment in lieu of notice for termination without cause.

3.12 Termination Clause Review. Should the Company undergo a review of the termination clauses of the members of its senior management then this review will apply to the Employee as well.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) Probation Period. The first three (3) consecutive months of the Employee's employment under this Agreement are agreed to constitute a period of probation during which the Company shall have the opportunity to assess the suitability of the Employee's performance and conduct (the "Probation Period"). At any time during the Probation Period, the Company may terminate the Employee's employment, on the grounds of unsuitability, without providing any working notice or payment in lieu thereof.

(c) The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of six (6) months.

(d) Payment of severance in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

(e) Payment of severance, in accordance with (c) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(f) The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a

Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(b) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period

of six (6) months from the date any such breach is cured. In the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement, the Employee will pay the Company's reasonable legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part. In the event the Company is unsuccessful, the Company will pay the Employee's reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 – MEDIATION/ARBITRATION

8.1 Mediation/Arbitration. In the event of a dispute hereunder which does not involve the Company seeking a court injunction or remedy pursuant to Article 7, such dispute shall be mediated and, if necessary, arbitrated pursuant to the terms of this Article (the "Med/Arb Agreement").

8.2 The parties will work in good faith and in confidence to resolve any disputes that arise in connection with this Agreement. The parties agree to conduct in good faith at least two meetings (the "Meetings") to seek resolution to a dispute before delivering a notice to mediate.

8.3 Where a dispute arises out of or in connection with this Agreement that cannot be resolved by the parties through the Meetings, the parties agree to seek a confidential settlement of such dispute by mediation followed, if necessary, by arbitration.

8.4 At any time after a dispute has been raised and no resolution has been achieved through the Meetings, either party may give written notice to the other party requesting mediation of the dispute (the "Mediation Notice") by a single mediator. If the parties cannot agree on a mediator within fourteen (14) days after delivery of the Mediation Notice, then either party may make application to the British Columbia Mediator Roster Society to appoint one. The mediation will be held in Vancouver, British Columbia and the costs of mediation will be shared equally between the parties.

8.5 If the parties are unable to reach a mediated settlement within 120 days after delivery of the Mediation Notice, either of the parties may submit the dispute to binding arbitration by giving written notice to the other party and the mediator requesting arbitration of the dispute (the "Arbitration Notice") by a single arbitrator (the "Arbitrator"). Within fourteen (14) days of the delivery of the Arbitration Notice, the parties will select the Arbitrator. In the event the parties do not agree on an arbitrator, either party may apply to the BC Supreme Court to have one appointed. With input from the parties, the Arbitrator will determine and notify the parties of the rules of and timetable for arbitration. The Arbitrator will hear the submissions of the parties in accordance with such procedures as he or she may establish, and shall use reasonable best efforts to render a decision within sixty (60) days after the date of receiving or hearing the parties' final submissions. The decision of the Arbitrator shall be final and binding on the parties involved in the dispute and shall not be subject to appeal. The arbitration will be held in Vancouver, British Columbia, and the costs of arbitration will be shared equally between the parties.

8.6 Nothing in this Med/Arb Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

ARTICLE 9 – GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Wajida Leclerc
Wajida Leclerc, *Vice President, Human Resources*

SIGNED, SEALED AND DELIVERED by **Employee**:

/s/ John Babcook
Signature

March 14, 2016
Date

WITNESSED by:

/s/ Matthew Bassett
Signature

Matthew Bassett
Print Name

2707 - SW Granville St
Address

HR Associate
Occupation

APPENDIX A

JOB DESCRIPTION: Senior Vice President, Discovery Research

Summary

- [Summary of duties to be confirmed]

Reporting Responsibilities

Reports directly to Dr. Ali Tehrani, President & CEO

APPENDIX B

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX C

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 17th of January, 2017 (the "Effective Date").

BETWEEN:

Mr. John Babcook, having a residence at 4480 West 12th Avenue, Vancouver, BC, V6R 2R2, Canada.

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has worked for the Company since March 18, 2016 (the "Start Date").

C. In consideration of the Employee's continued commitment to the Company and the Company increasing the compensation payable to the Employee on termination of employment as stated in Article 4 herein, the Company and the Employee have agreed to amend and restate the terms and conditions of employment as provided herein and have this Agreement supersede and replace all previous employment agreements and related amendments as of the Effective Date.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) “Confidential Information” means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the “Associates”), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company’s business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company’s Associates and the nature of the Company’s relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company’s Associates.

(c) “Developments” means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services.

2.2 On the Effective Date, the Employee will continue employment with the Company in the position of Senior Vice President, Discovery Research on the terms and conditions set out in this Agreement. For the purpose of calculating any entitlements pursuant to this Agreement based on length of service, the Company will use the Employee's Start Date with Zymeworks Inc. (March 18, 2016) for all such calculations.

2.3 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Senior Vice President, Discovery Research, represents a breach of this Agreement.

(b) The Employee acknowledges that knowingly withholding factors, which would reasonably be considered to impair the Employee's ability to perform the duties required of a Senior Vice President, Discovery Research, represents a breach of this Agreement.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties required of a Senior Vice President, Discovery Research, and any other duties that may be reasonably assigned to him/her by Management from time to time

2.4 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company and not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the expressed written permission of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Senior Vice President, Discovery Research, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company or put the Employee in an actual or potential conflict of interest as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.5 For the purposes of Article 2 herein, “Employee” includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $260,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in equal instalments, less statutory and other authorized deductions.

3.2 Stock Options. The Employee shall be eligible to receive annual grants of options to acquire shares of common stock of the Company (the “Shares”), the timing and amount of such grants to be determined by the Board of Directors of Zymeworks Inc. (the “Board”) in its sole discretion, provided that the Employee is employed by the Company on the grant date (the “Options”). The options shall have an exercise price equivalent to the closing trading price of the Company’s common shares on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix “C”.

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company’s Employees, including, without limiting the generality of the foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the “Incentive Plans”). Such Participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion

3.4 Performance and Salary Review. Management will continue to review the Employee’s performance, base salary, and equity participation level under the terms of any Incentive Plans annually. The timing of performance and salary reviews as at the date hereof, or as may from time to time be amended by the Company in its sole discretion.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee’s duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company’s policies.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee’s status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.7 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.667 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial three-month probationary period, without the express permission of Management. Vacation time in excess of ten (10) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time not carried forward into the following year will be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employees' annual salary rate prorated to the number of days' vacation not taken.

3.8 Benefits. The Employee will continue to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) *Termination for Cause*. The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) *Termination Without Cause*. The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) twelve (12) months of notice or the equivalent of twelve (12) months of base salary and benefits continuation as at that date, or any combination thereof, if termination of employment occurs during the first three years of employment measured from the Start Date; and

(ii) commencing in the fourth year of employment measured from the Start Date, an additional one (1) month of notice or the equivalent of one (1) month of base salary and benefits continuation as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months.

(c) *Resignation*. The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period in full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(d) *Termination following Change of Control*. Notwithstanding any other provision in this Agreement, if within twelve (12) months following a Change of Control of the Company (as defined below), the Employee's employment is terminated by the Company without cause, the Employee shall receive as severance eighteen (18) months of base salary and benefits continuation as at that date, and full vesting acceleration of all unvested stock options or other equity grants made to the Employee as at that date. For all purposes of this Agreement, "Change of Control" means:

(i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, British Columbia, of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of the then incumbent Board of the Company, or the election of a majority of Board members to the Company's board who were not nominees of the Company's incumbent board at the time immediately preceding such election; or

(iii) consummation of a sale of all or substantially all of the assets of the Company; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under section 4.2(d) herein will be in lieu of and not in addition payment under section 4.2(b).

4.3 Stock Options on Termination. Except as provided by section 4.2(d), the vesting and exercise of any stock options granted to the Employee in the event the Employee's employment with the Company or this Agreement is terminated, for any reason, shall be governed by the terms of the Stock Option Plan and any applicable stock option agreement in effect between the Company and the Employee at the time of termination.

4.4 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of benefits continuation contemplated by this Article 4 and benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.5 No Additional Payments. Payment of severance, in accordance with 4.2(b) or 4.2(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.6 Condition to Payment. Payment of any amount of severance under this Agreement in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

4.7 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) solicit, influence, entice or induce, attempt to solicit, influence, entice or induce any person, firm or corporation whatsoever, who or which has at any time in the last two (2) years of the Employee's employment with the Company or any predecessor of the Company, been a customer of the Company, any affiliated company, or of any of their respective predecessors, provided that this subsection shall not prohibit the Employee from soliciting business from any such customer if the business is in no way similar to the Business carried on by the Company, an affiliated company, any of their respective predecessors, subsidiaries or associates to cease its relationship with the Company or any affiliated company;

(b) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(c) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, anywhere in Canada, the United States or any country within the European Union, directly or indirectly, advise, manage, carry on, be engaged in, own or lend money to, or permit the Employee's name or any part thereof to be used or employed by any person managing, carrying on or engaged in a business which is in direct competition with the Business of the Company where the Employee would be providing professional services which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully

employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement pursuant to section 7.1 herein, the Employee agrees to pay the Company's actual legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 –ARBITRATION

8.1 Except as permitted by section 7.1, all disputes arising out of or in connection with this Agreement or in respect of any legal relationship associated with or derived from this Agreement, will be finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. The seat of Arbitration will be Vancouver, British Columbia, Canada. The language of the arbitration will be English.

ARTICLE 9– GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement and Release. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement

between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, amendments thereto, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. In consideration of the Company entering into this Agreement and conferring additional compensation and benefits to the Employee, the Employee hereby remises, releases and forever discharges the Company from any and all claims, liability, actions or causes of actions arising or which may arise now or hereafter in connection with any claim by the Employee in respect of any prior written or oral employment contracts or arrangements between the Employee and the Company that pre-date the Effective Date of this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ Ali Tehrani
Ali Tehrani, *President & Chief Executive Officer*

SIGNED, SEALED AND DELIVERED
by **Employee**:

/s/ John Babcook
Signature

Jan. 23, 2017
Date

WITNESSED by:

/s/ Wajida Leclerc
Signature

Wajida Leclerc
Print Name

38-19th Avenue East
Address

VP, Human Resources
Occupation

APPENDIX A

POLICIES AND PROCEDURES MANUAL

The “Policies and Procedures Manual”, “Information Technology Systems and Security Policy” and other valuable information are available on the Zymeworks intranet at:

https://wiki.zymeworks.com/display/ZG/Policies+and+Procedures+Manual

https://wiki.zymeworks.com/display/ZG/Information+Technology+Systems+and+Security+Policies

APPENDIX B

EMPLOYEE STOCK OPTION AGREEMENT

Available upon request from Human Resources.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and effective as of the 1st Day of January, 2012 (the "Effective Date").

BETWEEN:

Mr. Gordon Ng, having a residence at 326 West 1st Avenue, Vancouver, BC, V5Y 3T7, Canada

(the "Employee")

AND:

ZYMEWORKS INC., a corporation registered in the Province of British Columbia and having its principal place of business at 540-1385 West 8th Avenue, Vancouver, BC, V6H 3V9, Canada

(the "Company")

WHEREAS

A. The Company is a protein engineering company engaged in the business of researching, developing and commercializing proteins for pharmaceutical applications;

B. The Employee has experience in preclinical research & development, and/or related skills and expertise and wishes to contribute such experiences to the development and growth of the Company's business; and

C. The Company has agreed to offer employment to the Employee, and the employee has agreed to accept employment with the Company on the terms and conditions set out in this Agreement and Appendices hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE 1 – GENERAL

1.1 Definitions. Unless otherwise defined, all capitalized terms used in this Agreement will have the meanings given below:

(a) "Business" means the business of researching, developing and commercializing therapeutic proteins, antibodies, and any other research, development and manufacturing work considered, planned or undertaken by the Company during the Employee's employment;

(b) "Confidential Information" means trade secrets and other information, in whatever form or media, in the possession or control of the Company, which is owned by the Company or by one of its clients or suppliers or a third party with whom the Company has a business relationship (collectively, the "Associates"), and which is not generally known to the public and has been specifically identified as confidential or proprietary by the Company, or its nature is such that it would generally be considered confidential in the industry in which the Company or its Associates operate, or which the Company is obligated to treat as confidential or proprietary. Confidential Information includes, without limitation, the following:

(i) the products and confidential or proprietary facts, data, techniques, materials and other information related to the business of the Company, including all related development or experimental work or research, related documentation owned or marketed by the Company and related formulas, algorithms, patent applications, concepts, designs, flowcharts, ideas, programming techniques, specifications and software programs (including source code listings), methods, processes, inventions, sources, drawings, computer models, prototypes and patterns;

(ii) information regarding the Company's business operations, methods and practices, including market strategies, product pricing, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company;

(iii) the names of the Company's Associates and the nature of the Company's relationships with such Associates; and

(iv) technical and business information of, or regarding, the Company's Associates.

(c) "Developments" means all inventions, ideas, concepts, designs, improvements, discoveries, modifications, computer software, and other results which are conceived of, developed by, written, or reduced to practice by the Employee, alone or jointly with others (including, where applicable, all modifications, derivatives, progeny, models, specifications, source code, design documents, creations, scripts, artwork, text, graphics, photos and pictures);

(d) "Excluded Developments" means any Development that the Employee establishes:

(i) was developed prior to the Employee performing such services for the Company and precedes the Employee's initial engagement with the Company;

(ii) was developed entirely on the Employee's own time;

(iii) was developed without the use of any equipment, supplies, facilities, services or Confidential Information of the Company;

(iv) does not relate directly to the Business or affairs of the Company during the term of the Employee's employment with the Company or to the actual or demonstrably anticipated research or development of the Company during this period; and

(v) does not result from any work performed by the Employee for the Company.

1.2 Sections and Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

ARTICLE 2 – EMPLOYMENT

2.1 Services. On the Effective Date, the Employee will commence employment with the Company in the position of Vice President, Preclinical Research & Development in the Research & Development group on the terms and conditions set out in this Agreement.

2.2 Qualifications.

(a) The Employee acknowledges that the falsification or misrepresentation of qualifications, including but not limited to education, skills, prior experience, depth and/or breadth of knowledge, references or similar matters, used to secure the position of Vice President, Preclinical Research & Development, represents a breach of this contract.

(b) The Employee acknowledges that knowingly withholding factors which would reasonably be considered to impair the Employee's ability to perform the duties required of a Vice President, Preclinical Research & Development , set out in **Appendix "A"** to this Agreement, represents a breach of this contract.

(c) Employment Duties. Subject to the direction and control of the senior management of the Company ("Management"), the Employee will perform the duties set out in Appendix "A" to this Agreement and any other duties that may be reasonably assigned to him/her by Management from time to time.

2.3 Throughout the term of this Agreement, the Employee will:

(a) diligently, honestly and faithfully serve the Company and will use all reasonable efforts to promote and advance the interests and goodwill of the Company;

(b) conduct him/herself at all times in a manner which is not prejudicial to the Company's interests and in adherence to the Code of Conduct in the Zymeworks Employee Handbook;

(c) devote him/herself in a full-time capacity to the business and affairs of the Company;

(d) adhere to all applicable policies of the Company as in effect and as amended from time to time;

(e) exercise the degree, diligence and skill that a reasonably prudent Vice President, Preclinical Research & Development, would exercise in comparable circumstances;

(f) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company except in accordance with Sections 2.4 and 2.6 herein and as outlined under the Conflict of Interest guidelines in the Zymeworks Employee Handbook; and

(g) not acquire, directly or indirectly, any interest that constitutes 5% or more of the voting rights attached to the outstanding shares of any corporation or 5% or more of the equity or assets in any firm, partnership or association, the business and operations of which in any manner, directly or indirectly, compete with the trade or business of the Company.

2.4 The Employee will disclose to Management all potential conflicts of interest and activities which could reasonably be seen to compete, indirectly or directly, with the trade or business of the Company. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company. To the extent that Management, acting reasonably, determines a conflict of interest or competition exists, the Employee will discontinue such activity forthwith or within such longer period as Management agrees. The Employee will immediately certify in writing to the Company that he/she has discontinued such activity and that he/she has, as required by Management, cancelled any contracts or sold or otherwise disposed of any interest or assets over the 5%

threshold described in Section 2.3(g) herein acquired by the Employee by virtue of engaging in the impugned activity, or where no market exists to enable such sale or disposition, by transfer of the Employee's beneficial interest into blind trust or other fiduciary arrangements over which the Employee has no control or direction, or other action that is acceptable to the Board.

2.5 The Employee will not be employed by another company or provide consulting or other services to other companies or commercial entities while employed by the Company, without the express written permission of the Company. By seeking and accepting employment with the Company, the Employee recognizes that they are employed by the Company for the expressed benefit of advancing the scientific, development and business objectives of the Company and that concurrent employment outside the Company detracts from those objectives.

2.6 Notwithstanding Sections 2.3, 2.4 and 6.2, the Employee is not restricted from nor is required to obtain the consent of the Company to make investments in any company which is involved in pharmaceuticals or biotechnology with securities listed for trading on any Canadian or U.S. stock exchange, quotation system or the over-the-counter market.

2.7 For the purposes of Sections 2.3, 2.4 and 2.6 herein, "Employee" includes any entity or company owned or controlled by the Employee.

ARTICLE 3 – COMPENSATION

3.1 Base Salary. As compensation for all services rendered under this Agreement, the Company will pay to the Employee and the Employee will accept from the Company a base salary of $170,000 (CAD) per annum. The base salary will be paid semi-monthly, in arrears, in twenty-four (24) equal instalments, less statutory and other authorized deductions. The Salary shall not be reduced, except with the written consent of the Employee.

(a) Incentive Compensation. Participation in incentive programs for the Company's Managers, on the terms and conditions of such incentive programs as at the date hereof or as amended or implemented by the Company and approved by the Board of Directors.

3.2 Stock Options. The Employee shall be granted 39,000 options to acquire shares of common stock of the Company (the "Shares"), provided the Employee is employed by the Company on the grant date (the "Options"). The Options shall have an exercise price equivalent to the company's common share price on the day of granting. The Options will vest and become exercisable in accordance with the terms of the Company Employee Stock Option Agreement, a copy of which is attached hereto as Appendix "C".

3.3 Incentive Plans. The Employee shall be entitled to participate in any incentive programs for the Company's Employees, including, without limiting the generality of the

foregoing, share option plans, share purchase plans, profit-sharing or bonus plans (collectively, the "Incentive Plans"). Such participation shall be on the terms and conditions of such Incentive Plans as at the date hereof or as may from time to time be amended or implemented by the Company in its sole discretion.

3.4 Performance and Salary Review. Management will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually beginning in December, 2012. The timing of performance and salary reviews as at the date hereof or as may from time to time be amended by the Company in its sole discretion.

3.5 Expenses. The Company will reimburse the Employee for all ordinary and necessary expenses incurred by the Employee in the performance of the Employee's duties under this Agreement. Reimbursement of such expenses will be made in accordance with the Company's policies.

(a) Relocation Costs. The Company will reimburse the Employee to a maximum of $40,000 (CAD) for relocation costs, as follows:

(i) $10,000 (CAD) paid within the first month of employment upon the submission of valid receipts. This relocation allowance includes no conditions of repayment to Zymeworks.

(ii) $30,000 (CAD) paid upon the submission of valid receipts. This relocation allowance may be repayable to Zymeworks if your employment is terminated within a three-year basis, subject to amortization on a straight-line basis.

(iii) Suitable accommodation for your initial month in Vancouver to be secured by Zymeworks.

3.6 Professional Fees. The Company will reimburse the Employee for annual registration and/or licensing fees required to maintain the Employee's status as a member in good standing with the appropriate professional bodies required to continue effective employment, and which were held by the Employee as of the effective date. The Company will reimburse reasonable costs incurred by the Employee to complete the minimum annual continuing professional development requirements required to maintain such status.

3.7 Vacation. The Employee will be eligible for twenty (20) days' paid vacation per calendar year, earned pro rata at a rate of 1.67 days per completed month of service. In accordance with the Company's human resources policies, new employees are not permitted to take vacation during the initial six-month probationary period, without the express permission of Management. Vacation time not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time will not be paid out at the end of the fiscal year. Upon termination, vacation not taken in the calendar year will be paid out according to the Employee's annual salary rate pro rated to the number of days' vacation not taken.

3.8 Benefits. The Employee will be eligible to participate in all benefit plans generally available to Employees of the Company, subject to meeting applicable eligibility requirements of such plans.

3.9 Sick Leave. The Employee will be entitled to take up to five (5) days paid sick leave per calendar year, earned pro rata at a rate of 0.42 days per completed month of service. Unused sick days will not be paid out or carried forward into the subsequent year.

ARTICLE 4 – TERM AND TERMINATION

4.1 Term. This Agreement will commence on the Effective Date and will terminate on the effective date of termination by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Termination.

(a) The Company may terminate the employment of the Employee for cause at any time, without notice, damages or compensation of any kind.

(b) Probation Period. The first three (3) consecutive months of the Employee's employment under this Agreement are agreed to constitute a period of probation during which the Company shall have the opportunity to assess the suitability of the Employee's performance and conduct (the "Probation Period"). At any time during the Probation Period, the Company may terminate the Employee's employment, on the grounds of unsuitability, without providing any working notice or payment in lieu thereof.

(c) The Company may terminate the employment of the Employee without cause at any time by providing written notice or payment in lieu of notice to the Employee as follows:

(i) one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, if termination of employment occurs during the first year of employment; and

(ii) an additional one (1) month of notice or the equivalent of one (1) month of base salary as at that date, or any combination thereof, for each additional completed year of service, up to a total maximum of six (6) months.

(d) Payment of severance in excess of any minimum required by the *Employment Standards Act* is conditional upon execution by the Employee of a release of all claims, satisfactory to the Company.

(e) Payment of severance, in accordance with (c) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

(f) The Employee may terminate his/her employment with the Company by giving prior written notice to Management of not less than thirty (30) days or such shorter period as the Employee and Management may agree. The Company may choose to waive all or part of the notice period and pay to the Employee the base salary to be earned during the balance of the notice period.

4.3 No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise.

4.4 Survival. Upon a termination of this Agreement for any reason, the Employee will continue to be bound by the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8.

ARTICLE 5 – CONFIDENTIALITY

5.1 Confidential Information.

(a) *Ownership of Confidential Information* - The Employee acknowledges that the Confidential Information is and will be the sole and exclusive property of the Company. The Employee acknowledges that the Employee has not, and will not, acquire any right, title or interest in or to any of the Confidential Information.

(b) *Non Disclosure, Use and Reproduction of Confidential Information* - The Employee will keep all the Confidential Information strictly confidential, and will not, either directly or indirectly, either during or subsequent to employment with the Company, disclose, allow access to, transmit, transfer, use or reproduce any of the Confidential Information in any manner except as required to perform the duties of the Employee for the Company and in accordance with all procedures established by the Company for the protection

of the Confidential Information. Without limiting the foregoing, the Employee:

(i) will ensure that all the Confidential Information and all copies thereof, are clearly marked, or otherwise identified as confidential to the Company and proprietary to the person or entity that first provided the Confidential Information, and are stored in a secure place while in the Employee's possession, custody, charge or control;

(ii) will not, either directly or indirectly, disclose, allow access to, transmit or transfer any of the Confidential Information to any person other than to an employee, officer, or director of the Company but only upon a "need to know" basis, without the prior written authorization of Management; and

(iii) will not, except as required by the Employee's position, use any of the Confidential Information to create, maintain or market any product or service which is competitive with any product or service produced, marketed, licensed, sold or otherwise dealt in by the Company, or assist any other person to do so.

(c) *Legally Required Disclosure* - Notwithstanding the foregoing, to the extent the Employee is required by law to disclose any Confidential Information, the Employee will be permitted to do so, provided that notice of this requirement is delivered to the Company in a timely manner, so that the Company may contest such potential disclosure.

(d) *Return of Materials, Equipment and Confidential Information* - Upon request by the Company, and in any event when the Employee leaves the employ of the Company, the Employee will immediately return to the Company all the Confidential Information and all other materials, computer programs, documents, memoranda, notes, papers, reports, lists, manuals, specifications, designs, devices, drawings, notebooks, correspondence, equipment, keys, pass cards, and property, and all copies thereof, in any medium, in the Employee's possession, charge, control or custody, which are owned by, or relate in any way to the Business or affairs of the Company.

(e) *Exceptions* - The non-disclosure obligations of Employee under this Agreement shall not apply to Confidential Information which the Employee can establish:

(i) is, or becomes, readily available to the public other than through a breach of this Agreement;

(ii) is disclosed, lawfully and not in breach of any contractual or other legal obligation, to Employee by a third party; or

(iii) through written records, was known to Employee, prior to the date of first disclosure of the Confidential Information to Employee by the Company

5.2 Ownership of Developments

(a) *Acknowledgment of Company Ownership* - The Employee acknowledges that the Company will be the exclusive owner of all the Developments made during the term of the Employee's employment by the Company and to all intellectual property rights in and to such Developments. The Employee hereby assigns all right, title and interest in and to such Developments and their associated intellectual property rights throughout the world and universe to the Company, including without limitation, all trade secrets, patent rights, copyrights, mask works, industrial designs and any other intellectual property rights in and to each Development, effective at the time each is created. Further, the Employee irrevocably waives all moral rights the Employee may have in such Developments.

(b) *Excluded Developments* - The Company acknowledges that it will not own any Excluded Developments.

(c) *Disclosure of Developments* - To avoid any disputes over the ownership of Developments, the Employee will provide the Company with a general written description of any of the Developments the Employee believes the Company does not own because they are Excluded Developments. Thereafter, the Employee agrees to make full and prompt disclosure to the Company of all Developments, including, without limitation, Excluded Developments, made during the term of the Employee's employment with the Company. The Company will hold any information it receives regarding Excluded Developments in confidence.

(d) *Further Acts* - The Employee agrees to cooperate fully with the Company both during and after the Employee's employment by the Company, with respect to (i) signing further documents and doing such acts and other things reasonably requested by the Company to confirm the Company's ownership of the Developments other than Excluded Developments, the transfer of ownership of such Developments to the Company, and the waiver of the Employee's moral rights therein, and (ii) obtaining or enforcing patent, copyright, trade secret or other protection for such Developments; provided that the Company pays all the Employee's expenses in doing so, and reasonable compensation if such acts are required after the Employee leaves the employment by the Company.

(e) *Employee-owned Inventions* - The Employee hereby covenants and agrees with the Company that unless the Company agrees in writing otherwise, the Employee will only use or incorporate any Excluded Development into a Development, if the Employee (i) owns all proprietary interest in such Excluded Development and (ii) grants to the Company, at no charge, a non-exclusive, irrevocable, perpetual, worldwide license to use, distribute, transmit, broadcast, sub-license, produce, reproduce, perform, publish, practice, make, and modify such Development.

(f) *Prior Employer Information* - The Employee hereby covenants and agrees with the Company that during the Employee's employment by the Company, the Employee will not improperly use or disclose any confidential or proprietary information of any former employer, partner, principal, co-venturer, customer, or independent contractor of the Employee and that the Employee will not bring onto the Company's premises any unpublished documents or any property belonging to any such persons or entities unless such persons or entities have given their consent. In addition, the Employee will not violate any non-disclosure or proprietary rights agreement the Employee has signed with any person or entity prior to the Employee's execution of this Agreement, or knowingly infringe the intellectual property rights of any third party while employed by the Company.

(g) *Protection of Computer Systems and Software* - The Employee agrees to take all necessary precautions to protect the computer systems and software of the Company, including, without limitation, complying with the obligations set out in the Company's policies.

ARTICLE 6 – RESTRICTIVE COVENANTS

6.1 Non-solicitation by the Employee. The Employee agrees that at any time, and from time to time, while employed by the Company and for a period of one (1) year thereafter the Employee will not, without the prior written consent of the Company, either:

(a) induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company; or

(b) recruit, employ, or carry on Business with, directly or indirectly, an employee of the Company that has left the employ of the Company within the period of one (1) year preceding the time of such action.

6.2 Non-competition. The Employee agrees that while employed by the Company and for a period of one (1) year thereafter, the Employee will not, without the prior written consent of the Company, directly or indirectly, anywhere in Canada, the United States or any country within the European Union, provide any professional services to any person or entity

that can be reasonably viewed as a competitor to the Business of the Company, while the Employee was employed by the Company, which relate to therapeutic antibody modeling, design, modification and commercialization for industrial and pharmaceutical applications.

6.3 Reasonableness of Non-competition and Non-solicitation Obligations. The Employee confirms that the obligations in Sections 6.1 and 6.2 are fair and reasonable given that, among other reasons:

(a) the sustained contact the Employee will have with the clients of the Company will expose the Employee to the Confidential Information regarding the particular requirements of these clients and the Company's unique methods of satisfying the needs of these clients, all of which the Employee agrees not to act upon to the detriment of the Company; and/or

(b) the Employee will be performing important development work on the products or services owned, developed or marketed by the Company;

and the Employee agrees that the obligations in Sections 6.1 and 6.2, together with the Employee's other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests and that given the Employee's general knowledge and experience they would not prevent the Employee from being gainfully employed if the employment relationship between the Employee and the Company were to end. The Employee further confirms that the geographic scope of the obligation in Section 6.2 is reasonable given the nature of the market for the products and business of the Company. The Employee also agrees that the obligations in Sections 6.1 and 6.2 are in addition to the confidentiality and non-disclosure obligations provided for in this Agreement and acknowledges that the Company would not have entered into this Agreement but for the protections provided to the Company by all of the aforementioned obligations.

6.4 Conflict of Interest. The Employee recognizes that the Employee is employed by the Company in a position of responsibility and trust and agrees that during the Employee's employment with the Company, the Employee will not engage in any activity or otherwise put the Employee in a position which conflicts with the Company's interests. Without limiting this general statement, the Employee agrees that during the Employee's employment with the Company, the Employee will not knowingly lend money to, guarantee the debts or obligations of or permit the name of the Employee or any part thereof to be used or employed by any corporation or firm which directly or indirectly is engaged in or concerned with or interested in any Business in competition with the Business of the Company unless the Employee receives prior written authorization from the Company.

6.5 Acknowledgments. The Employee acknowledges that as of the date of this Agreement:

(a) a breach of this Agreement would cause the Company irreparable harm and as a result the Employee consents to the issuance of an injunction or other appropriate remedy required to enforce the covenants contained herein; and

(b) in the event the Employee breaches any covenant contained herein, the one (1) year periods provided for in Sections 6.1 and 6.2 will be extended for a period of six (6) months from the date any such breach is cured. In the event it is necessary for the Company to retain legal counsel to enforce any of the terms and conditions of this Agreement, the Employee will pay the Company's reasonable legal fees, court costs and other related expenses so long as the Company prevails in substantial and material part. In the event the Company is unsuccessful, the Company will pay the Employee's reasonable legal fees, court costs and other related expenses.

ARTICLE 7 – ENFORCEMENT

7.1 Application to the British Columbia Supreme Court or the Federal Court of Canada. In the event of a breach or threatened breach by the Employee of any of the provisions of Article 5 or Article 6, the Company will be entitled to injunctive relief restraining the Employee from breaching such provisions, as set forth in this Agreement. Nothing in this Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee's fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

7.2 Severability and Limitation. All agreements and covenants contained herein are severable and, in the event any of them will be held to be invalid by any competent court, this Agreement will be interpreted as if such invalid agreements or covenants were not contained herein. Should any court or other legally constituted authority determine that for any such agreement or covenant to be effective that it must be modified to limit its duration or scope, the parties hereto will consider such agreement or covenant to be amended or modified with respect to duration and scope so as to comply with the orders of any such court or other legally constituted authority or to be enforceable under the laws of the Province of British Columbia, and as to all other portions of such agreement or covenants they will remain in full force and effect as originally written.

ARTICLE 8 – MEDIATION/ARBITRATION

8.1 Mediation/Arbitration. In the event of a dispute hereunder which does not involve the Company seeking a court injunction or remedy pursuant to Article 7, such dispute shall be mediated and, if necessary, arbitrated pursuant to the terms of this Article (the "Med/Arb Agreement").

8.2 The parties will work in good faith and in confidence to resolve any disputes that arise in connection with this Agreement. The parties agree to conduct in good faith at least two meetings (the “Meetings”) to seek resolution to a dispute before delivering a notice to mediate.

8.3 Where a dispute arises out of or in connection with this Agreement that cannot be resolved by the parties through the Meetings, the parties agree to seek a confidential settlement of such dispute by mediation followed, if necessary, by arbitration.

8.4 At any time after a dispute has been raised and no resolution has been achieved through the Meetings, either party may give written notice to the other party requesting mediation of the dispute (the “Mediation Notice”) by a single mediator. If the parties cannot agree on a mediator within fourteen (14) days after delivery of the Mediation Notice, then either party may make application to the British Columbia Mediator Roster Society to appoint one. The mediation will be held in Vancouver, British Columbia and the costs of mediation will be shared equally between the parties.

8.5 If the parties are unable to reach a mediated settlement within 120 days after delivery of the Mediation Notice, either of the parties may submit the dispute to binding arbitration by giving written notice to the other party and the mediator requesting arbitration of the dispute (the “Arbitration Notice”) by a single arbitrator (the “Arbitrator”). Within fourteen (14) days of the delivery of the Arbitration Notice, the parties will select the Arbitrator. In the event the parties do not agree on an arbitrator, either party may apply to the BC Supreme Court to have one appointed. With input from the parties, the Arbitrator will determine and notify the parties of the rules of and timetable for arbitration. The Arbitrator will hear the submissions of the parties in accordance with such procedures as he or she may establish, and shall use reasonable best efforts to render a decision within sixty (60) days after the date of receiving or hearing the parties’ final submissions. The decision of the Arbitrator shall be final and binding on the parties involved in the dispute and shall not be subject to appeal. The arbitration will be held in Vancouver, British Columbia, and the costs of arbitration will be shared equally between the parties.

8.6 Nothing in this Med/Arb Agreement precludes the Company from obtaining, protecting or enforcing its intellectual property rights, or enforcing the Employee’s fiduciary, non-competition, non-solicitation, confidentiality or any other post-employment obligations in a court of competent jurisdiction, or from pursuing any other remedy available to it for such breach or threatened breach, including the recovery of damages from the Employee.

ARTICLE 9 – GENERAL

9.1 Notices. Any notices to be given hereunder by either party to the other party may be effected in writing, either by personal delivery or by mail if sent certified, postage prepaid, with return receipt requested. Mailed notices will be addressed to the parties at the address set out on the first page of this Agreement, or as otherwise specified from time to time. Notice will be effective upon delivery.

9.2 Independent Legal Advice. The Employee specifically confirms that he/she has been advised to retain his/her own independent legal advice prior to entering into this Agreement.

9.3 Construction. The parties acknowledge that each party and its respective counsel have had the opportunity to independently review and negotiate the terms and conditions of this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be construed against the drafting party will not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

9.4 Assignment. The Employee cannot assign his/her interest in this Agreement.

9.5 Benefit of Agreement. This Agreement will ensure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.6 Entire Agreement. The Appendices to this Agreement, together with the terms and conditions contained within this Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior employment agreements, understandings and arrangements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

9.7 Amendments and Waivers. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

9.8 Governing Law. This Agreement will be governed by and construed, enforced and interpreted exclusively in accordance with the laws of the Province of British Columbia and the applicable laws of Canada therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

ZYMEWORKS, INC.

By: /s/ David Tucker
David Tucker, *Chief Operating Officer*

SIGNED, SEALED AND DELIVERED by **EMPLOYEE** in the presence of:

/s/ Donna Cole
Signature

Donna Cole
Print Name

540-1385. W. 8th Ave, Van, BC
Address

HR Manager
Occupation

/s/ Gordon Ng
EMPLOYEE

APPENDIX A

JOB DESCRIPTION: Vice President, Preclinical Research & Development

Summary

- Experimental assay design & execution in collaboration with project scientists and CROs
- Experimental data analysis & presentation
- Management of experimental projects and CROs – prioritizing, budgeting, scheduling, monitoring
- Sourcing, evaluating, and selecting CROs
- Designing, sourcing, evaluating, and selecting Zymeworks' laboratory facilities & equipment
- Recruitment and management of laboratory personnel
- Attending conferences in the related field
- Participating in activities related to the Scientific Advisory Board
- Working with partners and potential partners to develop partnered research plans and responsibilities
- Providing input on pre-clinical opportunities that align with the strengths of Zymeworks' protein-engineering capabilities
- Providing input into the evaluation and selection of lead biologics candidates
- Other related duties as required

Reporting Responsibilities

Reports directly to Dr. Ali Tehrani, President & Chief Executive Officer.

SEPARATION AGREEMENT AND RELEASE

THIS AGREEMENT made on the 17th day of November, 2016

BETWEEN:

ZYMEWORKS INC.

(the "**Company**")

AND:

Dr. Gordon Ng

("**Gordon**")

WHEREAS:

A. The Company employed Gordon pursuant to the terms of a written employment agreement dated January 1, 2012 (the "**Employment Agreement**").

B. The Company and the Employee have mutually agreed to terminate the employment relationship in accordance with the terms and conditions contained herein.

C. The Board of Directors of the Company has considered that it is in the best interests of the Company to enter into this Agreement on the terms and conditions set forth below.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants, representations and warranties contained herein, the parties hereto hereby agree as follows:

1. Termination of Employment. The parties acknowledge and agree that effective November 17, 2016 (the "**Effective Date**") Gordon's employment with the Company and the Employment Agreement are terminated without cause.

2. Accrued Vacation and Final Wages. Gordon's final wages and accrued vacation pay as of the Effective Date will be paid out to Gordon as soon as possible as part of the next payroll following the execution of this Agreement.

3. Salary and Benefits Continuance. Subject to section 9 of this Agreement, the Company will continue Gordon's base salary and regular group benefits (excluding Life, Accidental Death and Dismemberment, Critical Illness and Long Term disability coverage which will terminate on the Effective Date) for a period of 14 months from the Effective Date until January 17, 2018 (the **"Compensation**

Continuance Period"). If Gordon obtains new employment during the Compensation Continuance Period, Gordon will advise the Company immediately as to his start date and whether he will be receiving replacement group benefits pursuant as part of such new employment. To the extent Gordon has such replacement coverage all group benefits continued pursuant to this section will cease effective the date the replacement coverage commences.

4. Variable Incentive. The Company agrees to pay Gordon the year-end bonus (the "Variable Incentive") that Gordon would have received for the year ending December 31, 2016. The magnitude and timing of the Variable Incentive payment will be in the same manner as to all other executive officers at Zymeworks at the discretion of the compensation committee of the Company's Board of Directors (the "**Compensation Committee**").

5. Stock Options. Amendment to Gordon's stock option vesting and exercise schedule have been agreed between the parties (and form part of this agreement) and are set out in a separate letter entitled 'Status of Stock Awards' dated November 10, 2016.

6. No Other Payments; Other Benefits and Perquisites. Gordon acknowledges and agrees that except as provided for this Agreement, the Company has no further obligations to provide any other payments or benefits to Gordon pursuant to the Employment Agreement or otherwise and all other benefits, perquisites or entitlements to compensation of any kind provided to Gordon during his employment shall terminate as of the Effective Date.

7. Resignations. Gordon agrees to provide such written resignations as the Company deems necessary to revoke any authority Gordon had during his employment including, as applicable, as an officer of the Company or any of its affiliates or subsidiaries.

8. Return of Company Property. Gordon agrees to return all property owned by the Company including computer equipment, any documents, passwords or records Gordon has in his possession, with the exception of his MacBook and Nexus phone, or control relating to the Company's business within 5 business days of execution of this Agreement.

9. Ongoing Obligations and Forfeiture of Payments. Gordon acknowledges and agrees that he continues to owe duties pursuant to the terms of the Employment Agreement as stated in Article 5 and Article 6 of the Employment Agreement. In the event Gordon may be in breach of any of the provisions of Articles 5 and 6, Gordon agrees that the Employer, subject only to the Company's obligations pursuant to the Employment Standards Act (British Columbia) if found to be

applicable to Gordon, may suspend its obligations to the Employee under section 3 herein and Gordon forfeits his right to receive further amounts under section 3, such amounts to be set off against the Company's damages for the Employee's breach of any of the provisions of Article 5 and Article 6. For the purposes of compliance with Article 5 and Article 6 of the Employment Agreement, the Company acknowledges and agrees that any employment with Newco will not constitute a violation of the Employment Agreement or trigger the forfeiture provisions of this section 9.

10. Dispute Resolution. The parties hereby agree and acknowledge that the dispute resolution protocol stated in Article 8 of the Employment Agreement will apply to any dispute arising from this Agreement.

11. Release of Claims by Gordon. Gordon, on his own behalf and on behalf of his legal representatives, administrators, executors, heirs, successors and assigns, hereby releases and forever discharges the Company, the Company's applicable subsidiaries and affiliated entities and all of their respective officers, directors, shareholders, employees, agents, predecessors, successors, administrators, executors, heirs and assigns (collectively, the "**Releasees**") of and from any and all actions, causes of action, suits, debts, dues, accounts, costs, legal costs, contracts, claims and demands of every nature or kind, statutory or otherwise, including any claims made, pursuant to the *Employment Standards Act* (British Columbia) and the *Human Rights Code* (British Columbia) or any comparable provincial, federal or state laws that may apply to Gordon, which now or at any time hereafter can, shall or may have in any way arising or resulting from any cause, matter, or anything whatsoever, whether known or unknown, suspected or unsuspected existing as to the present time that Gordon can, shall or may have against the Releasees, including, without restricting the generality of the foregoing but for greater certainty, any claims that are based on, relate to, or arise in connection with:

(a) the employment of Gordon by the Company;

(b) the termination of that employment and the Employment Agreement howsoever arising, including without limitation, any rights to compensation arising for notice, severance pay or pay in lieu of notice of termination, constructive dismissal, wrongful dismissal or vacation pay or other accrued amounts;

(c) any entitlement Gordon may have to bonuses, stock options, or other incentive or equity compensation made available to Gordon during his employment;

(d) any loss of office; and

(e) the termination of any other of Gordon's allowances, perquisites or benefits including termination of Gordon's participation the Company's long term disability or other insurance plans.

12. Covenant not to Sue; Estoppel. Gordon agrees not to make any claim or demand, or commence, maintain or prosecute any action, cause or proceeding for damages, compensation, loss or any relief against any party released herein in respect of any cause, matter or thing arising out of, or relating to the matters released herein or against any other person who might claim contribution or indemnity from any of the Releasees. Gordon further acknowledges and agrees that this Agreement shall operate conclusively as an estoppel in the event of any such claim, action or proceeding and may be pleaded accordingly.

13. Confidentiality. The Company and Gordon agree to keep the terms of this Agreement confidential and will not, except as may be required by law, reveal the terms of this Agreement to any third parties except to their respective legal or financial advisors, or, in the case of the Company, applicable human resources and and financial employees charged with executing the terms of this agreement and, in the case of Gordon, his spouse, provided each of the Company and Gordon take reasonable steps to prevent such third parties from revealing any information pertaining to the terms of this Agreement.

14. Non-Disparagement. The Company and Gordon shall not in any way disparage each other or, in the case of Gordon, any of the Releasees or make or solicit for the media or any others any comments, statements or the like that may be considered to be harmful or derogatory or detrimental to the good name or business reputation or standing in the business community of, as applicable, the Company, the Releasees or Gordon.

15. Tax Indemnity. Gordon acknowledges and agrees that the Company shall withhold and remit statutory deductions on amounts payable to Gordon under this Agreement. Gordon agrees to indemnify and hold harmless the Company and its directors and officers from any and all liability for tax, penalties, interest or any other amount of any kind whatsoever arising under one or more of the *Income Tax Act* (Canada), the *Employment Insurance Act* (Canada), the *Canada Pension Plan Act*, the *Income Tax Act* (BC), or any other similar statute of Canada or a province or territory thereof, that arises out of or with respect to any payments made to Gordon pursuant to this Agreement.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable therein, which shall be deemed to be the proper law hereof.

17. Severability. If any provision of this Agreement for any reason is declared invalid, such declaration shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated and

it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

18. Amendments and Waivers. This Agreement may not be amended or waived except in a writing signed by each party. No failure or delay by any party in exercising any right, power or privilege in this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege.

19. Successors; Binding Agreement. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors, assigns, legal representatives, executors, administrators and heirs.

20. No Admission. Nothing in this Agreement is intended to be, or shall be construed as, an admission by the Company or Gordon that it violated any law, interfered with any right, breached any obligation or otherwise engaged in any improper or illegal conduct.

21. Independent Legal Advice. Gordon acknowledges that he has read and understands the terms of this Agreement and that he has received independent legal advice concerning the interpretation and effect of this Agreement prior to its execution.

22. Counterparts. This Agreement may be executed and delivered (including by facsimile or other electronic transmission) in counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

23. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any and all prior and/or contemporaneous agreements and understandings, oral or written, between the parties with respect to Gordon's employment by the Company and the termination of that employment.

[Execution page follows.]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement and Release as of the Effective Date.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Authorized Signatory

SIGNED, SEALED AND DELIVERED in the presence of:)
)
/s/ Wajida Leclerc)
Witness)
)
)
)
/s/ Gordon Ng
Wajida Leclerc) **Dr. Gordon Ng**
Name)
)
38-19th Avenue East)
Address)

ZYMEWORKS INC.

EMPLOYEE STOCK OPTION PLAN

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STOCK OPTION PLAN

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the meanings set forth below:

(a) "**Administrator**" means, initially, the Chief Financial Officer of the Corporation and thereafter will mean such director or other senior officer or employee of the Corporation as may be designated as Administrator by the Board from time to time.

(b) "**Award Date**" means the date on which the Board awards a particular Option or such other effective award date determined by the Board.

(c) "**Board**" means the board of directors of the Corporation, or any committee thereof to which the board of directors of the Corporation has delegated the power to administer and grant Options under the Plan.

(d) "**Cause**" means:

(i) Cause as such term is defined in either the written employment agreement between the Corporation and the Option Holder or the applicable Option Certificate; or

(ii) in the event there is no written employment agreement between the Corporation and the Option Holder or Cause is not defined therein, the usual meaning of just cause under the common law or the laws of the jurisdiction in which the Option Holder is employed.

(e) "**Code**" has the meaning given to that term under section 3.11.

(f) "**Common Share**" or "**Common Shares**" means, as the case may be, one or more common shares without par value in the capital of the Corporation.

(g) "**Corporation**" means Zymeworks Inc.

(h) "**Compensation Committee**" means the compensation committee of the Corporation, if and as constituted from time to time;

(i) "**Convertible Shares**" has the meaning given to that term under section 3.4(f).

(j) "**Director**" means any individual holding the office of director of the Corporation.

(k) "**Employee**" means any individual regularly employed on a full-time basis by the Corporation or any of its subsidiaries and such other individuals, such as service providers and consultants, as may, from time to time, be permitted or not precluded by the rules and policies of the applicable Regulatory Authorities to be granted Options.

(l) "**Equity Securities**" means:

(i) Shares or any other security of the Corporation that carries the residual right to participate in the earnings of the Corporation and, on liquidation, dissolution or winding-up, in the assets of the Corporation, whether or not the security carries voting rights;

(ii) any warrants, options or rights entitling the holders thereof to purchase or acquire any such securities; or

(iii) any securities issued by the Corporation which are convertible or exchangeable into such securities.

(m) "**Exercise Notice**" means the notice respecting the exercise of an Option, in the form set out as Schedule "B" hereto, duly executed by the Option Holder.

(n) "**Exercise Period**" means the period during which a particular Option may be exercised and is the period from and including the date upon which the Option (or the applicable portion thereof) first becomes vested through to and including the Expiry Date.

(o) "**Exercise Price**" means the price at which an Option may be exercised as determined in accordance with section 3.5.

(p) "**Expiry Date**" means the date determined in accordance with section 3.4 and after which a particular Option cannot be exercised.

(q) "**Fixed Expiry Date**" has the meaning given to that term under section 3.4.

(r) "**IPO**" means the offering and sale to the public of securities of the Corporation in connection with which the securities of the Corporation are listed or quoted on an organized trading facility.

(s) "**ISO**" has the meaning given to that term under section 3.11.

(t) "**Market Value**" means the market value of the Common Shares as determined in accordance with section 3.5.

(u) "**Net Settlement**" has the meaning given to that term under section 4.6.

(v) "**Notice of Net Settlement**" means the notice of Net Settlement as set out in Schedule "B-1".

(w) "**Option**" means an option to acquire Common Shares, awarded to a Director or Employee under the Plan.

(x) "**Option Certificate**" means the certificate, substantially in the form set out as Schedule "A" hereto (with such changes as the Board or Administrator may determine), evidencing an Option.

(y) "**Option Holder**" means a Director or Employee, or former Director or Employee, who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.

(z) "**Person**" means any individual, partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, trust, trustee, executor, administrator, or other legal personal representatives, regulatory body or agency, government or governmental agency, authority or entity howsoever designated or constituted.

(aa) "**Personal Representative**" means:

(i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and

(ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.

(bb) "**Plan**" means this stock option plan.

(cc) "**Purchaser**" has the meaning given to that term under section 3.4(f).

(dd) "**Regulatory Authorities**" means all stock exchanges, inter-dealer quotation networks and other organized trading facilities on which the Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.

(ee) "**Schedule D Option**" means an Option listed on Schedule D, as amended from time to time, and "**Schedule D Options**" means more than one Option listed on Schedule D.

(ff) "**Selling Shareholders**" has the meaning given to that term under section 3.4(f).

(gg) "**Share**" or "**Shares**" means, as the case may be, one or more Common Shares or shares of any other class in the share capital of the Corporation from time to time.

(hh) "**Substantial Sale**" has the meaning given to that term under section 3.4(f).

(ii) "**Termination Date**" means:

(i) in the case of the resignation of the Option Holder's employment or the termination of the Option Holder's consulting or service contract by the Option Holder, the date that the Option Holder provides notice of such resignation or termination to the Corporation (or, if no notice is given, the last day of the individual's employment or service, as the case may be); or

(ii) in the case of the termination of the Option Holder's employment or consulting or service contract by the Corporation for any reason other than death or disability, the date that the Corporation delivers written notice of termination of the Option Holder's employment or consulting or service contract to the Option Holder; or

(iii) in the case of the expiry of a fixed-term employment or consulting or service contract that is not renewed or extended, the last day of the term.

(jj) "**Transfer**" includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of a security interest or other arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, whether or not voluntarily and whether or not for value, and any agreement to effect any of the foregoing; and the words "**Transferred**", "**Transferring**" and similar words have corresponding meanings.

(kk) "**U.S. Option Holder**" has the meaning given to that term under section 3.11.

(ll) "**Withholding Obligations**" has the meaning given to that term under section 5.3.

1.2 Choice of Law

The Plan is established under, and the provisions of the Plan will be subject to and interpreted and construed in accordance with, the laws of the Province of British Columbia.

1.3 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

ARTICLE 2
PURPOSE AND PARTICIPATION

2.1 Purpose

The purpose of the Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors and Employees, to reward such of those Directors and Employees as may be awarded Options under the Plan by the Board from time to time for their contributions toward the long term goals of the Corporation and to enable and encourage such Directors and Employees to acquire Common Shares as long term investments.

2.2 Participation

The Compensation Committee will, from time to time, recommend to the Board those Directors and Employees, if any, to whom Options should be awarded. The Board will, from time to time and in its sole discretion, taking into account any recommendations of the Compensation Committee, determine those Directors and Employees, if any, to whom Options are to be awarded. The Board may, in its sole discretion, grant the majority of the Options to insiders of the Corporation.

2.3 Notification of Award

Following the approval by the Board of the awarding of an Option, the Administrator will notify the Option Holder in writing of the award and will enclose with such notice the Option Certificate representing the Option so awarded.

2.4 Copy of Plan

Each Option Holder, concurrently with the notice of the award of the Option, will be provided with a copy of the Plan. A copy of any amendment to the Plan will be promptly provided by the Administrator to each Option Holder.

2.5 Limitation

The Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Corporation nor does it give any Option Holder that is an Employee the right to be or to continue to be employed with the Corporation, have a consulting relationship with the Corporation or provide services to the Corporation.

ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS

3.1 Board to Issue Common Shares

The Common Shares to be issued to Option Holders upon the exercise of Options (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) will be authorized and unissued Common Shares the issuance of which will have been authorized by the Board.

3.2 Number of Common Shares

Subject to adjustment as provided for in section 3.9 of the Plan, the number of Common Shares that will be available for Directors and Employees to acquire pursuant to Options granted under the Plan will not exceed 20% of the outstanding issue, subject to approval of the Board. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of which the Option was not exercised will again be available for the purposes of the Plan.

3.3 Term of Option

An Option Holder may exercise an Option (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period will terminate and become null, void and of no effect as of 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date.

3.4 Termination

The Expiry Date of an Option will be the earlier of the date that is the tenth anniversary of the Award Date of such Option, or such other date so fixed by the Board at the time the particular Option is awarded provided that such date will be no later than the tenth anniversary of the Award Date of such Option (the "**Fixed Expiry Date**"), or the date established, if applicable, in subsections (a) to (f) below:

(a) Death

In the event that the Option Holder should die while he or she is a Director (if he or she holds his or her Option as a Director) or Employee (if he or she holds his or her Option as an Employee), the Expiry Date for any vested portion or portions of the Option will be the date that is six months after the date of the Option Holder's death (but not later than the Fixed Expiry Date for such Option). The Expiry Date for any unvested portion of the Option will be the date of the Option Holder's death.

(b) Disability

In the event that the Option Holder becomes permanently disabled while he or she is a Director (if he or she holds his or her Option as a Director) or Employee (if he or she holds his or her Option as an Employee) and ceases to be a Director or Employee as a result of the permanent disability, the Expiry Date for any vested portion or portions of the Option will be the date that is six months after the date that the Option Holder ceases to be an Employee or Director, as the case may be (but not later than the Fixed Expiry Date for such Option). The Expiry Date for any unvested portion of the Option will be the date that the Option Holder ceases to be an Employee or Director, as the case may be.

(c) Ceasing to Hold Office

In the event that the Option Holder holds his or her Option as a Director of the Corporation and such Option Holder ceases to be a Director of the Corporation other than by reason of death or permanent disability, the Expiry Date for any vested portion or portions of the Option will be, unless otherwise provided for in the Option Certificate, three years following the date that the Option Holder ceases to be a Director of the Corporation (but not later than the Fixed Expiry Date for such Option) unless the Option Holder ceases to be a Director of the Corporation as a result of:

(i) ceasing to meet the qualifications required under applicable laws;

(ii) being removed from office in accordance with applicable laws; or

(iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the date that the Option Holder ceases to be a Director of the Corporation. The Expiry Date for any unvested portion of the Option will be the date that the Option Holder ceases to be a Director of the Corporation.

(d) Ceasing to be Employee

In the event that the Option Holder holds his or her Option as an Employee of the Corporation and such Option Holder ceases to be an Employee of the Corporation other than by reason of death or permanent disability, the Expiry Date of any vested portion or portions of the Option will be the 90th day following the Termination Date (but not later than the Fixed Expiry Date for such Option) unless the Option Holder ceases to be an Employee of the Corporation as a result of:

(i) termination of employment for Cause; or

(ii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date. The Expiry Date for any unvested portion of the Option will be the Termination Date.

(e) Initial Public Offering

Prior to completion of an IPO, the Board or the Regulatory Authorities or the underwriter may require that there be no outstanding Options and the Corporation may deliver a notice to the Option Holder to this effect, in which case the unvested portion of the Option held by the Option Holder, if any, will immediately vest and the Expiry Date of the Option will be the 30th day following the date of the notice. In the event that the Corporation does not complete the IPO, the Corporation will, to the extent reasonably practicable, grant to the Option Holder an Option equivalent (including the original vesting terms, if any) to the Option cancelled or exercised, provided that in the case of an Option that was exercised, the Option Holder surrenders for cancellation the Common Shares acquired upon the exercise of the Option. This subsection 3.4(e) shall only apply if the Board or the Regulatory Authorities or the underwriter requires that there be no outstanding Options in the event of an IPO. If there is no such requirement, all Options granted under the Plan shall survive the IPO and shall continue to be governed by the terms of this Plan. In addition, this subsection 3.4(e) shall only apply to Option Holders who have held Options for a minimum of two months prior to the notice of the IPO. Unvested Options of Option Holders who have not been Option Holders for the minimum period of two months will expire, terminate and be cancelled in the event of an IPO.

(f) Substantial Sale

If security holders of the Corporation (the "**Selling Shareholders**") have agreed to Transfer to a Person, or Persons acting jointly or in concert, (a "**Purchaser**"), Equity Securities representing more than 66 $^{2}/_{3}$% of the Common Shares (a "**Substantial Sale**") and the Purchaser also offers to buy the Options of an Option Holder, then the Option Holder must sell his or her Options to the Purchaser at a price equal to:

The number of Shares then Exercisable under the Option	X	The price per Share being paid by the Purchaser to the Selling Shareholder minus the exercise price per Share under the Option

and on otherwise similar terms and conditions as are applicable under the Substantial Sale. If the Selling Shareholders have agreed to sell Equity Securities which are convertible into Shares only ("**Convertible Shares**"), the price per Share applicable in the above formula will be calculated on an as converted basis (and if there is more than one conversion rate applicable to different classes or series of Convertible Shares outstanding, the conversion will be computed on a pro rata basis based upon the ratio of the number of Shares which holders of each class or series of Convertible Shares may acquire to the total number of Shares which all holders of all classes and series of Convertible Shares may acquire).

If the Purchaser offers to buy the Options of an Option Holder and the Option Holder does not sell the Option Holder's Options to the Purchaser as contemplated above, then that Option Holder's Options will expire, terminate and be cancelled on completion of the Substantial Sale.

Notwithstanding any term contained in the Plan and subject to any necessary approval from the Corporation's shareholders and the Regulatory Authorities, the Board may in its discretion (a) extend the Expiry Date of any Option that is not an ISO, provided that in no case will an Option be exercisable later than the tenth anniversary of the Award Date of the Option; or (b) alter or change the vesting terms applicable to an Option.

Notwithstanding any term contained in the Plan and subject to any necessary approval from the Corporation's shareholders and the Regulatory Authorities, the Board may in its discretion (a) extend the Expiry Date of any Schedule D Option that is not an ISO, provided that in no case, will a Schedule D Option be exercisable later than the fourteenth anniversary of the Award Date of the Option; or (b) alter or change the vesting terms applicable to a Schedule D Option. If the Board extends the Expiry Date of a Schedule D Option then the Expiry Date of the Schedule D Option will be the earlier of the date so fixed by the Board or the date established, if applicable, in subsections 3.4 (a) to (f).

3.5 Exercise Price

The price at which an Option Holder may purchase a Common Share upon the exercise of an Option (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) will be as set forth in the Option Certificate issued in respect of such Option and in any event will not be less than the Market Value of the Common Shares as of the Award Date. The Market Value of the Common Shares for a particular Award Date will be determined as follows:

(a) for each organized trading facility on which the Common Shares are listed, Market Value will be determined by a resolution of the Board and must be either:

  (i) the closing trading price of the Common Shares on the last trading day immediately preceding the Award Date; or

  (ii) a value that is within the parameters set by the guidelines or policies of such organized trading facility;

(b) if the Common Shares trade on an organized trading facility outside of Canada, then the Market Value determined for that organized trading facility will be converted into Canadian dollars at a conversion rate determined by the Administrator having regard for the published conversion rates as of the Award Date;

(c) if the Common Shares are listed on more than one organized trading facility, then Market Value will be the greatest of the Market Values determined for each organized trading facility on which those Common Shares are listed as determined for each organized trading facility in accordance with subsections (a) and (b) above;

(d) if the Common Shares are listed on one or more organized trading facility but have not traded during the ten trading day period immediately preceding the Award Date, then the Market Value will be, subject to the necessary approvals of the applicable Regulatory Authorities, such value as is determined by resolution of the Board; and

(e) if the Common Shares are not listed on any organized trading facility, then the Market Value will be, subject to the necessary approvals of the applicable Regulatory Authorities, such value as is determined by the Board.

Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities as would apply to the Award Date in question. For awards of Options to U.S. Option Holders, Market Value shall be determined in a manner consistent with the requirements of U.S. Treasury Regulation 1.409A-1(b)(5)(iv)(A) or (B), as applicable.

3.6 Additional Terms

Subject to all applicable securities laws and regulations and the rules and policies of all applicable Regulatory Authorities, the Board may attach other terms and conditions to the grant of a particular Option, such terms and conditions to be referred to in a schedule attached to the Option Certificate. These terms and conditions may include, but are not necessarily limited to, the following:

(a) providing that an Option expires on a date other than as provided for herein, provided that in no case will an Option be exercisable later than the tenth anniversary of the Award Date of the Option (other than with respect to Schedule D Options);

(b) providing that a portion or portions of an Option vest after certain periods of time or upon the occurrence of certain events, or expire after certain periods of time or upon the occurrence of certain events other than as provided for herein; and

(c) providing that an Option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile takeover bid for the Corporation.

3.7 Going Public Agreements

If the Corporation proceeds to list its Shares on a public stock exchange or commences a public offering, each Option Holder will promptly enter into all such escrow, pooling or other agreements as are required by the securities regulatory authorities, the exchange, the agents or the underwriters in connection with such listing or public offering.

3.8 Assignment of Options

Options may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by section 4.1 or section 4.6, exercise the Option within the Exercise Period.

3.9 Adjustments

If prior to the complete exercise of an Option (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) the Common Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively, the "**Event**"), an Option, to the extent that it has not been exercised, will be adjusted by the Board in accordance with such Event in the manner the Board deems appropriate. No fractional Common Shares will be issued upon the exercise of an Option and accordingly, if as a result of the Event, an Option Holder would become entitled to a fractional Common Share, such Option Holder will have the right to purchase only the next lowest whole number of Common Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.10 Option Grant and Vesting Terms

Unless otherwise determined by the Board in accordance with the terms and conditions of this Plan, Options will be granted by the Board and an Option granted to an Employee will vest over a four year period as follows:

(a) 25% of such Option will vest on the first anniversary of the commencement of such service; and

(b) on the last day of each month thereafter, a further $1/36$ of the total number of Options remaining will vest.

For clarity, the Board may deviate from the terms of this Section 3.4 and Section 3.10 with respect to the grant of Options provided that such grant is made in accordance with the other terms of this Plan.

3.11 Incentive Stock Options

Any Option granted under this Plan to an Employee who is (1) a citizen or resident of the United States (including its territories, possessions and all areas subject to the jurisdiction) and (2) an "employee" with respect to the Corporation within the meaning of Section 422(a)(2) of the Internal Revenue Code of 1986, as amended, of the United States (the "**Code**") and the Treasury Regulations promulgated thereunder, as described more fully below (a "**U.S. Option Holder**"), including Directors who meet such requirements, may be an incentive stock option (an "**ISO**") within the meaning of Section 422 of the Code, but only if so designated by the Corporation in the applicable Option Certificate. No provision of this Plan, as it may be applied to a U.S. Option Holder with respect to Options which are designated as ISOs, shall be construed or applied so as to be inconsistent with any provision of Section 422 of the Code or the Treasury Regulations thereunder. Grants of Options to U.S. Option Holders which are not designated as or otherwise do not qualify as ISOs will be treated as nonstatutory stock options for U.S. federal tax purposes. Notwithstanding anything in this Plan contained to the contrary, the following provisions shall apply to Options designated as ISOs granted to any U.S. Option Holder:

(a) ISOs shall only be granted to individual U.S. Option Holders who are, at the time of grant, employees of the Corporation (or any parent corporation or subsidiary corporation thereof) within the meaning of Section 423(e) or 424(f) of the Code, respectively;

(b) the aggregate Market Value (determined as of the Award Date of the ISO) of the Common Shares subject to ISOs exercisable for the first time by a U.S. Option Holder during any calendar year under this Plan and all other stock option plans, within the meaning of Section 422 of the Code, of the Corporation shall not exceed One Hundred Thousand Dollars in U.S. funds (U.S. $100,000);

(c) the Exercise Price for Common Shares under each ISO granted to a U.S. Option Holder pursuant to this Plan shall, except as set forth in clause (e) below), be not less than the Market Value of the Common Shares as of the Award Date, as determined pursuant to section 3.5 of this Plan (unless such ISO is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code);

(d) the ISO shall not be transferable by the U.S. Option Holder otherwise than by will or the laws of descent and distribution and shall be exercisable during the U.S. Option Holder's lifetime only by the U.S. Option Holder;

(e) if any U.S. Option Holder to whom an ISO is to be awarded under this Plan at the Award Date of such ISO is the owner of shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Corporation (determined in accordance with Section 422(b)(6) of the Code, then the following special provisions shall be applicable to the ISO granted to such individual:

(i) the Exercise Price (per share) subject to such ISO shall not be less than one hundred ten percent (110%) of the Market Value of one Common Share at the Award Date; and

(ii) the Exercise Period shall not exceed five (5) years from the Award Date;

(f) no ISO may be granted hereunder to a U.S. Option Holder following the expiration of ten (10) years after November 9, 2016 (subject to shareholder approval);

(g) no ISO granted to a U.S. Option Holder under this Plan shall become exercisable unless and until the Plan shall have been approved by the shareholders of the Corporation; and

(h) notwithstanding anything in this Plan contained to the contrary, the maximum number of Common Shares which may be issued under this Plan as ISOs shall be 500,000 Common Shares.

ARTICLE 4
EXERCISE OF OPTION

4.1 Exercise of Option

An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder. An Option Holder or the Personal Representative of the Option Holder may exercise the vested portion or portions of an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft payable to “Zymeworks Inc.” in an amount equal to the aggregate Exercise Price of the Common Shares to be purchased pursuant to the exercise of the Option.

4.2 Subscription Agreement

It is a condition of the Plan that an Option Holder who wishes to exercise an Option (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) in whole or in part prior to the completion of an IPO must, if required by the Board, be a party to a subscription agreement with the Corporation substantially in the form set out as Schedule “C” hereto. The subscription agreement establishes certain rights and obligations with respect to the holding and sale of all Common Shares purchased from time to time by the Option Holder upon the exercise of Options.

4.3 Execution of Shareholder’s Agreement

As soon as practicable following the receipt of the Exercise Notice or Notice of Net Settlement, as applicable, the Administrator will establish whether the Option Holder is a party to a shareholder’s agreement with the Corporation. If the Option Holder is not a party to a shareholder’s agreement and, if so required by the Board, the Administrator will cause to be delivered to the Option Holder a shareholder’s agreement substantially in the form set out as Schedule “C” hereto for execution by the Option Holder and return to the Administrator.

4.4 Issue of Share Certificates

As soon as practicable following the receipt of the Exercise Notice or Notice of Net Settlement, as applicable (or following receipt of the executed shareholder's agreement, if required), the Administrator will, in his sole discretion, either cause to be delivered to the Option Holder a certificate for the Common Shares purchased by the Option Holder or cause to be delivered to the Option Holder a copy of such certificate and the original of such certificate will be placed in the minute book of the Corporation. If the number of Common Shares in respect of which the Option was exercised (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) is less than the number of Common Shares subject to the Option Certificate surrendered, the Administrator will forward a new Option Certificate to the Option Holder concurrently with delivery of the share certificate for the balance of the Common Shares available under the Option.

4.5 Condition of Issue

The Options and the issue of Common Shares by the Corporation pursuant to the exercise of Options (including for greater certainty, a Net Settlement pursuant to the terms of section 4.6 hereof) are subject to the terms and conditions of the Plan and compliance with the rules and policies of all applicable Regulatory Authorities with respect to the granting of such Options and the issuance and distribution of such Common Shares, and to all applicable securities laws and regulations. The Option Holder agrees to comply with all such laws, regulations, rules and policies and agrees to furnish to the Corporation any information, reports or undertakings required to comply with, and to fully cooperate with, the Corporation in complying with such laws, regulations, rules and policies.

4.6 Net Settlement

In lieu of exercising the Option by delivery of the Exercise Notice along with aggregate Exercise Price as provided in Section 4.1 hereof, with the prior written approval of the Corporation, which may be granted or withheld in its sole discretion, any Option Holder may elect to transfer and dispose of a specified number of vested Options to the Corporation in exchange for a number of Common Shares having a fair market value equal to the intrinsic value of such vested Options disposed of and transferred to the Corporation ("**Net Settlement**") by completing the Notice of Net Settlement set out as Schedule "B-1". The decision of whether or not to permit Net Settlement for any Option is in the sole discretion of the Corporation and will be made on a case by case basis. Upon the Net Settlement of Options (the "**Disposed Options**"), the Corporation shall deliver to the Option Holder, that number of fully paid and non-assessable Common Shares ("X") equal to the number of Common Shares that may be acquired by the Disposed Options ("Y") multiplied by the quotient obtained by dividing the result of the Market Value of one Common Share ("B") less the Exercise Price per Common Share ("A") by the Market Value of one Common Share ("B"). Expressed as a formula, such number of Common Shares shall be computed as follows:

$$X = (Y) \times \frac{(B - A)}{(B)}$$

No fractional Common Shares shall be issuable upon the Net Settlement of Options; such Common Shares will be rounded down to the nearest whole number.

ARTICLE 5
ADMINISTRATION

5.1 Administration

The Plan will be administered by the Administrator on the instructions of the Board. The Compensation Committee may, from time to time, recommend to the Board how the Plan should be administered. The Board may make, amend and repeal at any time and from time to time such policies not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan and such policies will form part of the Plan. The Board may delegate to the Administrator or any director, officer or employee of the Corporation such administrative duties and powers as it may see fit.

5.2 Interpretation

The interpretation by the Board of any of the provisions of the Plan and any determination by it pursuant thereto will be final and conclusive and will not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by it hereunder will be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person will be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

5.3 Withholding.

The Corporation may withhold from any amount payable to an Option Holder, either under this Plan or otherwise, such amount as it reasonably believes is necessary to enable the Corporation to comply with the applicable requirements of any federal, provincial, local, or foreign law, or any administrative policy of any applicable tax authority, relating to the withholding of tax or any other required deductions with respect to Options ("**Withholding Obligations**"). The Corporation may also satisfy any liability for any such Withholding Obligations, on such terms and conditions as the Corporation may determine in its discretion, by requiring an Option Holder as a condition to the exercise of any Options or acquisition of Common Shares pursuant to the Net Settlement provisions of Section 4.6, to make such arrangements as the Corporation may require so that the Corporation can satisfy such Withholding Obligations including, without limitation, (a) requiring the Option Holder to remit to the Corporation in advance, or reimburse the Corporation for, any such Withholding Obligations or, if the Common Shares are listed on an organized trading facility, (b) selling on the Option Holder's behalf, or requiring the Option Holder to sell, any Common Shares acquired by the Option Holder under the Plan, or retaining any amount which would otherwise be payable to the Option Holder in connection with any such sale.

ARTICLE 6
AMENDMENT, TERMINATION AND NOTICE

6.1 Prospective Amendment

The Board may, from time to time and in accordance with any third party obligations of the Corporation, amend the Plan and the terms and conditions of any Option thereafter to be granted and, without limiting the generality of the foregoing, may make such amendment for the purpose of meeting any changes in any relevant law, rule or regulation applicable to the Plan, any Option or the Common Shares, or for any other purpose which may be permitted by all relevant laws, regulations, rules and policies provided always that any such amendment (with the exception of an amendment pursuant to section 3.4(f)) will not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to such amendment. Notwithstanding the foregoing, the Board may not amend any provisions of the Plan or any Option in a manner that would cause Options theretofore issued as ISOs to cease to qualify as ISOs without the consent of the affected Option Holder.

6.2 Retrospective Amendment

The Board may from time to time retrospectively amend the Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options which have been previously granted.

6.3 Approvals

The Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities.

6.4 Termination

The Board may terminate the Plan at any time provided that such termination will not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination which will continue to be governed by the provisions of the Plan.

6.5 Agreement

The Corporation and every Option awarded hereunder will be bound by and subject to the terms and conditions of the Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Corporation to be bound by the terms and conditions of the Plan.

6.6 Notice

Any notice or other communication contemplated under the Plan to be given by the Corporation to an Option Holder will be given by the Corporation delivering or faxing the notice to the Option Holder at the last address for the Option Holder in the Corporation’s records. Any such notice will be deemed to have been given on the date on which it was delivered, or in the case of fax, the next business day after transmission. An Option Holder may, at any time, advise the Corporation of a change in the Option Holder’s address or fax number.

SCHEDULE "A"

ZYMEWORKS INC.
STOCK OPTION PLAN

OPTION CERTIFICATE

This Certificate is issued pursuant to the provisions of the Zymeworks Inc. (the "**Corporation**") stock option plan (the "**Plan**") and evidences that ● is the holder (the "**Option Holder**") of an option (the "**Option**") to purchase up to ● Common shares without par value (the "**Common Shares**") in the capital stock of the Corporation. The Exercise Price of the Option is Cdn. $● per Common Share. The Option **[is intended to be an ISO][does not constitute and ISO]** (as defined in the Plan).

Subject to the provisions of the Plan:

(a) the Award Date of the Option is ●, 200●; and

(b) the Fixed Expiry Date of the Option is ●, 200●.

The vested portion or portions of the Option may be exercised at any time and from time to time from and including the Award Date through to 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date by delivering to the Administrator of the Plan an Exercise Notice, in the form provided in the Plan, together with this Certificate and (i) a certified cheque or bank draft payable to "Zymeworks Inc." in an amount equal to the aggregate of the Exercise Price of the Common Shares in respect of which the Option is being exercised or (ii) a Notice of Net Settlement in the form of Schedule "B-1" to the Plan.

Upon receiving the Exercise Notice, the Administrator may deliver a shareholder's agreement substantially in the form set out as Schedule "C" to the Plan to the Option Holder. The Option and the issue of Common Shares by the Corporation pursuant to the exercise of the Option are subject to the Option Holder signing and returning to the Administrator a copy of the shareholder's agreement, if so required by the Administrator.

This Certificate and the Option evidenced hereby are not assignable, transferable or negotiable and are subject to the detailed terms and conditions contained in the Plan, the terms and conditions of which the Option Holder hereby expressly agrees with the Corporation to be bound by. This Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Corporation will prevail.

The Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto. All terms not otherwise defined in this Certificate will have the meanings given to them under the Plan.

Dated this ● day of ●, 200●.

Zymeworks Inc.

Per: _____
Administrator, Stock Option Plan Zymeworks Inc.

OPTION CERTIFICATE—SCHEDULE

The additional terms and conditions attached to the Option represented by this Certificate are as follows:

1. [Vesting Provisions]

Zymeworks Inc.

Per: _____
Administrator, Stock Option Plan Zymeworks Inc.

SCHEDULE "B"

ZYMEWORKS INC.
STOCK OPTION PLAN

NOTICE OF EXERCISE OF OPTION

TO: The Administrator, Stock Option Plan
Zymeworks Inc.
540 - 1385 West 8th Avenue
Vancouver, British Columbia, V6H 3V9

The undersigned hereby irrevocably gives notice, pursuant to the **Zymeworks Inc.** stock option plan (the "**Plan**"), of the exercise of the Option to acquire and hereby subscribes for (**cross out inapplicable item**):

(a) all of the Common Shares; or

(b) _____ of the Common Shares,

which are the subject of the Option Certificate attached hereto.

The undersigned tenders herewith a certified cheque or bank draft (**circle one**) payable to "Zymeworks Inc." in an amount equal to the aggregate Exercise Price of the aforesaid Common Shares and directs the Corporation to issue the certificate evidencing said Common Shares in the name of the undersigned to be mailed to the undersigned at the following address:

_____

_____

_____

The undersigned acknowledges that upon receiving the Exercise Notice, the Administrator may deliver a shareholder's agreement substantially in the form set out as Schedule "C" to the Plan to the undersigned. The Option and the issue of Common Shares by the Corporation pursuant to the exercise of the Option are subject to the undersigned signing and returning to the Administrator a copy of the shareholder's agreement, if so required by the Administrator.

By executing this Notice of Exercise of Option the undersigned hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan, including without limitation section 4.2. All terms not otherwise defined in this Notice of Exercise of Option will have the meanings given to them under the Option Certificate.

DATED the __ day of _____, _____

_____
Signature of Option Holder

_____
Name of Option Holder (*please print*)

SCHEDULE "B-1"

ZYMEWORKS INC.
STOCK OPTION PLAN

NOTICE OF NET SETTLEMENT

Date: _____

TO: The Administrator, Stock Option Plan
Zymeworks Inc.
540 - 1385 West 8th Avenue
Vancouver, British Columbia, V6H 3V9

The undersigned hereby requests, pursuant to the Zymeworks Inc. (the "**Corporation**") stock option plan (the "**Plan**"), the Corporation accept the transfer, disposition and surrender of the right to exercise _____ vested Options in exchange for, subject to the terms of the Plan and the Options, the number of Common Shares representing the fair market value of the Options disposed of and transferred to the Corporation pursuant to the net settlement provisions set out in Section 4.6 of the Plan (the "**Net Settlement Provisions**").

The undersigned, subject to the terms of the Plan and the Options, is requesting to receive the fair market value of the Options in Common Shares pursuant to the Net Settlement Provisions. The undersigned directs the Corporation to issue the certificate evidencing said Common Shares in the name of the undersigned to be mailed to the undersigned at the following address:

_____

_____

_____

The undersigned acknowledges that upon receiving the Notice of Net Settlement, the Administrator may deliver a shareholder's agreement substantially in the form set out as Schedule "C" to the Plan to the undersigned. The Option and the issue of Common Shares by the Corporation pursuant to the exercise of the Option are subject to the undersigned signing and returning to the Administrator a copy of the shareholder's agreement, if so required by the Administrator. By executing this Notice of Net Settlement the undersigned hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan, including, without limitation section 4.2 and the withholding provisions in section 5.3 thereof. All terms not otherwise defined in this Notice of Net Settlement will have the meanings given to them under the Plan.

DATED the __ day of _____, _____.

_____
Signature of Option Holder

_____
Name of Option Holder (*please print*)

SCHEDULE "C"

ZYMEWORKS INC.
STOCK OPTION PLAN

SHAREHOLDERS AGREEMENT

Please see attached.

SCHEDULE “D”

Schedule D Option Number	Name	Issue Date	Strike Price ($)	Total Outstanding
1	Srinivasan, Siddharth	2007/02/05	1.50	8,000
2	Dixit, Surjit	2007/07/01	1.50	16,000
3	Klompas, Neil	2007/07/01	1.50	16,000
4	Dixit, Surjit	2008/01/01	1.99	3,957
5	Klompas, Neil	2008/01/01	1.99	49,765
6	Poon, David	2008/01/01	1.99	5,000
7	Srinivasan, Siddharth	2008/01/01	1.99	6,784
8	Tcaciuc, Dimitri	2008/01/01	1.99	5,000
9	Bedford, Nick	2008/01/01	1.99	32,875
10	Farris, Haig	2008/01/01	1.99	21,900
11	Wright, Andrew	2008/01/01	1.99	21,900
12	Dixit, Surjit	2009/07/01	1.99	65,000
13	Klompas, Neil	2009/07/01	1.99	20,000
14	Poon, David	2009/07/01	1.99	7,500
15	Srinivasan, Siddharth	2009/07/01	1.99	10,000
16	Tcaciuc, Dimitri	2009/07/01	1.99	7,500

ZYMEWORKS INC.

STOCK OPTION PLAN

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ARTICLE 1
INTERPRETATION

Section 1.1 Definitions

For the purposes of this Plan, the following terms shall have the following meanings:

(a) "**Affiliate**" or "**Affiliated**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise);

(b) "**Authorized Leave**" means any leave of absence (paid or unpaid) approved in writing by the Corporation for a period of more than four (4) weeks that occurs while the Participant continues to be employed as a full-time employee by the Corporation or retained as a full-time Consultant by the Corporation and includes any parental leave, short term disability or other bona fide paid or unpaid leave of absence or sabbatical period;

(c) "**Board**" means the board of directors of the Corporation as constituted from time to time, or a committee thereof to which authority has been delegated by the board of directors with respect to any particular functions of the board of directors, as set forth in Section 2.1(c) herein;

(d) "**Business Day**" means a day, other than a Saturday or Sunday, on which banking institutions in Vancouver, British Columbia are not authorized or obligated by law to close;

(e) "**Change of Control**" means the happening, in a single transaction or in a series of related transactions, of any of the following events:

(i) any transaction (other than a transaction described in clause (ii) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation's then issued and outstanding securities entitled to vote in the election of directors of the Corporation;

(ii) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction, the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction;

(iii) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation's assets to a person other than (A) a disposition to a Person that was an Affiliate of the Corporation at the time of such sale, lease, exchange, license or other disposition or (B) a sale, lease, exchange, license or other disposition to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by Shareholders of the Corporation in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such sale, lease, exchange, license or other disposition;

(iv) the passing of a resolution by the Board or Shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or

(v) individuals who, on the Effective Time, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

(f) "**Code**" has the meaning given to that term in Appendix 1;

(g) "**Consultant**" means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or any of its subsidiaries has a contract for services who is approved for participation in the Plan by the Board and for whom there exists an exemption from applicable prospectus requirements permitting the granting of an Option; provided that if Form S-8 under the Securities Act of 1933 is being used to register the sale of securities to the Consultant, the individual must meet the requirements of the definition set forth in General Instruction A.1.(a)(1) of such form;

(h) "**Corporation**" means Zymeworks Inc. and its respective successors and assigns;

(i) "**Date of Grant**" means the date on which a particular Option is granted by the Board as evidenced by the Grant Agreement pursuant to which the particular Option was granted;

(j) "**Effective Time**" has the meaning given to that term in Section 2.5;

(k) "**Eligible Person**" means any director, officer, employee or Consultant of the Corporation or any of its direct or indirect subsidiaries;

(l) "**Exercise Notice**" means an election to exercise Options granted to a Participant under this Plan, substantially in the form attached as Exhibit "B" to the Grant Agreement, as may be amended from time to time by the Corporation;

(m) "**Exercise Period**" means the period from the Vesting Date to the close of business on the Expiry Date during which a particular Option may be exercised in the manner described in Section 4.1;

(n) "**Exercise Price**" has the meaning given to that term in Section 3.2;

(o) "**Expire**" means, with respect to an Option or Legacy Option, the termination of such Option or Legacy Option, on the occurrence of which such Option or Legacy Option is void, incapable of exercise and of no value whatsoever; and Expires, Expired and Expiry have a similar meaning;

(p) "**Expiry Date**" means the date on which an Option Expires;

(q) "**Fair Market Value**" means, on any particular day, the Market Price of a Share, but if the Shares are not listed and posted for trading on an applicable stock exchange at the relevant time, it shall be the fair market value of the Share, as determined by the Board acting in good faith;

(r) "**Grant Agreement**" means an agreement between the Corporation and a Participant under which an Option is granted, substantially in the form attached hereto as Schedule "A", as may be amended from time to time by the Corporation;

(s) "**Incapacity**" has the meaning given to that term in Section 4.3(c);

(t) "**Incumbent Board**" has the meaning given to that term in Section 1.1(e);

(u) "**Insider**" has the meaning given to that term in the policy manual of the TSX;

(v) "**Legacy Option**" means an option to purchase a Share that was granted pursuant to the terms of the Legacy Option Plan;

(w) "**Legacy Option Plan**" means the Corporation's Employee Stock Option Plan, as may be amended from time to time;

(x) "**Market Price**" means, on any particular day, the volume weighted average trading price of a Share on the TSX or the Primary Stock Exchange for the five (5) preceding days on which the Shares were traded. Notwithstanding the foregoing, the Corporation may convert a Market Price denominated in United States currency to Canadian currency, or vice-versa, at the Bank of Canada noon exchange rate on the day prior to the particular day, and the converted amount shall be the Market Price;

(y) "**Non-Executive Director**" means any director of the Corporation who is not an employee or officer of the Corporation or any Affiliate;

(z) "**Option**" means an option to purchase a Share that is granted to an Eligible Person pursuant to the terms of this Plan;

(aa) "**Participant**" means an Eligible Person to whom an Option has been granted;

(bb) "**Person**" means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division or any government, governmental department or agency or political subdivision thereof;

(cc) "**Plan**" means this Stock Option Plan, as may be amended from time to time;

(dd) "**Primary Stock Exchange**" means a Stock Exchange where the majority of the trading volume and value of the Shares has occurred for the five (5) trading days immediately preceding the relevant date;

(ee) "**Share**" means a common share in the capital of the Corporation;

(ff) "**Share Compensation Arrangement**" means any stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of securities of the Corporation from treasury, including without limitation a Share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise, but does not include any such arrangement which does not involve the issuance from treasury or potential issuance from treasury of securities of the Corporation;

(gg) "**Shareholders**" means holders of Shares;

(hh) "**Stock Exchange**" means the TSX and, if the Shares are listed and posted for trading on another stock exchange, the stock exchange(s) on which the Shares are listed or posted for trading;

(ii) "**Surrender**" has the meaning given to that term in Section 4.1(c);

(jj) "**Surrender Notice**" has the meaning given to that term in Section 4.1(c);

(kk) "**Termination Date**" has the meaning given to that term in Section 4.3(c);

(ll) "**TSX**" means the Toronto Stock Exchange; and

(mm) "**Vesting Date**" means the date or dates determined in accordance with the terms of the Grant Agreement entered into in respect of such Options (as described in Section 3.3), on and after which a particular Option, or any part thereof, may be exercised, subject to amendment or acceleration from time to time in accordance with the terms hereof or the terms of the Grant Agreement.

Section 1.2 Interpretation

(a) Whenever the Board is to exercise discretion or authority in the administration of the terms and conditions of this Plan, the term "discretion" or "authority" means the sole and absolute discretion of the Board.

(b) In the Plan, words importing the singular shall include the plural and vice versa and words importing any gender include any other gender.

(c) Unless otherwise specified in the Participant's Grant Agreement, all references to money amounts are to Canadian currency.

(d) As used herein, the terms "Article" and "Section" mean and refer to the specified Article and Section of this Plan, respectively.

(e) The words "including" and "includes" mean "including (or includes) without limitation".

ARTICLE 2
GENERAL PROVISIONS

Section 2.1 Administration

(a) The Board shall administer this Plan. Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or other compensation arrangements.

(b) Subject to the terms and conditions set forth herein, the Board has the authority: (i) to grant Options to purchase Shares to Eligible Persons; (ii) to determine the terms, including the limitations, restrictions, vesting period and conditions, if any, of such grants; (iii) to interpret this Plan and all agreements entered into hereunder; (iv) to adopt, amend and rescind such administrative guidelines and other rules relating to this Plan as it may from time to time deem advisable; and (v) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board's guidelines, rules, interpretations and determinations shall be conclusive and binding upon the Corporation, its subsidiaries and all Participants, Eligible Persons and their legal, personal representatives and beneficiaries.

(c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee thereof. For greater certainty, any such delegation by the Board may be revoked or amended at any time at the Board's sole discretion.

(d) No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification by the Corporation with respect to any such action or determination.

(e) The Board may adopt such rules or regulations and vary the terms of this Plan and any grant hereunder as it considers necessary to address tax or other requirements of any applicable non-Canadian jurisdiction, including without limitation Sections 422 and 409A of the Code (with respect to Participants who are subject to taxation in the United States).

(f) The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Shares or any other securities in the capital of the Corporation other than as specifically provided for in the Plan.

Section 2.2 Shares Reserved

(a) The maximum number of Shares reserved for issuance, in the aggregate, under this Plan shall include the number of Shares that are reserved for issuance upon the exercise of stock options outstanding as of the Effective Time that were previously granted under the Legacy Option Plan and shall not exceed a rolling number equal to 17% of the issued and outstanding Shares of the Corporation (on a non-diluted basis) outstanding at the time of grant of Options under this Plan.

(b) For the purposes of calculating the maximum aggregate number of Shares which may be reserved for issuance under this Plan pursuant to Section 2.2(a), following the Expiry, cancellation or other termination of any Options under this Plan and the Legacy Options under the Legacy Option Plan, a number of Shares equal to the number of Options, Legacy Options or rights so Expired, cancelled or terminated shall immediately and automatically become available for issuance in respect of Options that may be subsequently granted under this Plan.

(c) The Corporation shall at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan.

(d) Notwithstanding any other provision contained herein:

(i) the number of Shares issuable to Insiders, at any time, under this Plan, together with the aggregate number of Shares issuable to Insiders under any other Share Compensation Arrangement, shall not exceed 10% of the Corporation’s total issued and outstanding share capital; and

(ii) the number of Shares issued to Insiders under the Plan, together with the aggregate number of Shares issued to Insiders under any other Share Compensation Arrangement, within a one year period shall not exceed 10% of the Corporation’s total issued and outstanding share capital.

(e) If there is a change in the outstanding Shares by reason of any stock dividend or split, or in connection with a reclassification, reorganization or other change of Shares, consolidation, distribution (other than an ordinary course dividend in cash or Shares, but including for greater certainty shares or equity interests in a subsidiary or business unit of the Corporation or one of its subsidiaries or cash proceeds of the disposition of such a subsidiary or business unit), merger or amalgamation or similar corporate transaction, the Board shall make, subject to any required approval of the Stock Exchange, the appropriate substitution or adjustment in order to maintain the Participants’ economic rights in respect of their Options in connection with such change, including without limitation:

(i) adjustments to the Exercise Price without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share covered by the Option;

(ii) adjustments to the number of Shares to which a Participant is entitled upon exercise of an Option;

(iii) adjustments permitting the immediate exercise of any outstanding Options that are not otherwise exercisable; and

(iv) adjustments to the number or kind of Shares or other securities reserved for issuance pursuant to the Plan and to the number or kind of Shares or other securities or other property issuable upon the exercise of Options.

Section 2.3 Amendment and Termination

(a) The Board may, in its sole discretion, suspend or terminate the Plan at any time or from time to time and/or amend or revise the terms of the Plan or of any Option granted under the Plan and any Grant Agreement relating thereto, provided that such suspension, termination, amendment or revision shall:

(i) not adversely alter or impair any Option previously granted except as permitted by the terms of this Plan;

(ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the Stock Exchange; or

(iii) be subject to Shareholder approval, where required by law, the requirements of the Stock Exchange or this Plan.

(b) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force with respect to outstanding Options will continue in effect as long as any such Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such interpretations and amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

(c) Subject to Section 2.3(a), the Board may from time to time, in its discretion and without the approval of Shareholders, make changes to the Plan or any Option that do not require the approval of Shareholders under Section 2.3(d), which may include but are not limited to:

(i) any amendment of a “housekeeping” nature, including without limitation those made to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;

(ii) a change to the vesting provisions of the Plan or any Option;

(iii) a change to the provisions governing assignability and the effect of termination of a Participant’s employment, contract or office;

(iv) the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;

(v) a change to advance the date on which any Option may be exercised under the Plan; and

(vi) an amendment of the Plan or an Option as necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan, the Participants or the Shareholders.

(d) Shareholder approval is required for the following amendments to the Plan:

(i) any increase in the maximum number of Shares that may be issuable from treasury pursuant to Options granted under the Plan (as set out in Section 2.2), other than an adjustment pursuant to Section 2.2(e);

(ii) any reduction in the Exercise Price of an Option after the Option has been granted or any cancellation of such Option and the substitution of that Option with a new Option with a reduced Exercise Price, except in the case of an adjustment pursuant to Section 2.2(e);

(iii) any extension of the maximum Expiry Date of an Option, except in case of an extension due to a black-out period;

(iv) a change to the definition of Eligible Persons;

(v) the addition of a deferred or performance share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation;

(vi) any amendment to Section 2.2(d); and

(vii) any amendment to Section 2.3(c) and Section 2.3(d).

Section 2.4 Compliance with Legislation

(a) The Plan (including any amendments thereto), the terms of the grant of any Option under the Plan, the grant and exercise of any Option and the Corporation's obligation to sell and deliver Shares upon the exercise of any Option, shall be subject to all applicable federal, provincial, state and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and any other stock exchange on which the Shares are listed or posted for trading and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any Option hereunder to issue or sell Shares in violation of such laws, rules and regulations or any condition of such approvals.

(b) No Option shall be granted, and no Shares shall be issued or sold hereunder, where such grant, issue or sale would require registration of the Plan or of Shares under the securities laws of any foreign jurisdiction (other than the United States), and any purported grant of any Option or purported issue or sale of Shares hereunder in violation of this provision shall be void.

(c) The Corporation shall have no obligation to issue any Shares pursuant to this Plan unless upon official notice of issuance such Shares shall have been duly listed with the Stock Exchange (and any other stock exchange on which the Shares are listed or posted for trading). Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.

(d) If Shares cannot be issued to a Participant upon the exercise of an Option due to legal or regulatory restrictions, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the applicable Participant as soon as practicable.

Section 2.5 Effective Time and Termination

The Plan shall be effective at the time (the "**Effective Time**") immediately preceding the closing of the initial public offering of the Shares. No Options may be issued under the Plan from and after the later of: (i) the tenth anniversary of the date upon which the Effective Time occurs or (ii) the tenth anniversary of the date shareholders of the Corporation approve the Plan, provided that Options issued prior to such date shall remain in effect following such date in accordance with their terms.

Section 2.6 Tax Withholdings and Deductions

Notwithstanding any other provision contained herein, the exercise of each Option granted under this Plan is subject to the condition that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Corporation. In such circumstances, the Corporation may require that a Participant pay to the Corporation, in addition to the Exercise Price for the Shares, such amount as the Corporation is obliged to remit to the relevant taxing authority in respect of the exercise of the Option. Any such additional payment is due no later than the date as of which any amount with respect to the Option exercised first becomes includable in the gross income of the Participant for tax purposes. A Participant may direct a portion of the Shares acquired pursuant to sections 4.1(b) or (c) to be sold by a broker to satisfy withholding obligations and the funds from such sale to be paid to the Corporation to be remitted to the relevant taxing authority. In addition, the Corporation or the relevant subsidiary, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Corporation or the relevant subsidiary is in compliance with the all applicable withholding taxes or other source deductions relating to the exercise of such Options.

Section 2.7 Non-Transferability

Except as set forth herein, Options are not transferable. Options may be exercised only by:

(i) the Participant to whom the Options were granted;

(ii) with the Board's prior written approval and subject to such conditions as the Corporation may stipulate (which may include conditions with respect to compliance with applicable securities law), such Participant's family or retirement savings trust or any registered retirement savings plans or registered retirement income funds of which the Participant is and remains the annuitant;

(iii) upon the Participant's death, by the legal representative of the Participant's estate; or

(iv) upon the Participant's Incapacity, the legal representative having authority to deal with the property of the Participant;

provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise any Option. A person exercising an Option may subscribe for Shares only in the person's own name or in the person's capacity as a legal representative.

Section 2.8 Participation in this Plan

(a) No Participant has any claim or right to be granted an Option (including, without limitation, an Option granted in substitution for any Option that has expired pursuant to the terms of this Plan), and the granting of any Option does not and is not to be construed as giving a Participant a right to continued employment or to remain a Consultant, director, officer or employee, as the case may be, of the Corporation or an Affiliate of the Corporation. Nothing contained in this Plan or in any Option granted under this Plan shall interfere in any way with the rights of the Corporation or an Affiliate of the Corporation in connection with the employment, retention or termination of any such person.

(b) No Participant has any rights or privileges as a shareholder of the Corporation in respect of Shares issuable on the exercise of rights to acquire Shares under any Option until the allotment and issuance to the Participant of certificates representing such Shares or the entry of such Participant's name on the share register of the Corporation as the holder of Shares and that person becomes the holder of record of those Shares. The Participant or the Participant's legal representative shall not, by reason of the grant of any Option, be considered to be a shareholder of the Corporation until an Option has been duly exercised and shares have been issued in respect thereof.

(c) The Corporation makes no representation or warranty as to the future market value of the Shares or with respect to any income tax matters affecting the Participant resulting from the grant or exercise of an Option or transactions in the Shares. With respect to any fluctuations in the market price of Shares, neither the Corporation, nor any of its directors, officers, employees, shareholders or agents shall be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Shares hereunder or in any other manner related to the Plan. For greater certainty, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Options will be granted to such Participant to compensate for a downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation does not assume responsibility for the income or other tax consequences resulting to the Participant and they are advised to consult with their own tax advisors.

Section 2.9 Notice

Each notice relating to the Option, including the exercise thereof, must be in writing. All notices to the Corporation must be delivered personally, by prepaid registered mail or by email and must be addressed to the secretary of the Corporation. All notices to the Participant will be addressed to the principal address of the Participant on file with the Corporation. Either the Corporation or the Participant may designate a different address by written notice to the other. Such notices are deemed to be received: (i) if delivered personally, on the date of delivery; (ii) if sent by prepaid, registered mail, on the fifth Business Day following the date of mailing; or (iii) if sent by email, when the sender receives an email from the recipient acknowledging receipt, provided that an automatic "read receipt" does not constitute acknowledgment of an email for purposes hereof. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

Section 2.10 Right to Issue Other Shares

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares, repurchasing Shares or varying or amending its share capital or corporate structure.

Section 2.11 Quotation of Shares

So long as the Shares are listed on a Stock Exchange, the Corporation must apply to the Stock Exchange for the listing or quotation, as applicable, of the Shares issued upon the exercise of all Options granted under the Plan, however, the Corporation cannot guarantee that such Shares will be listed or quoted on the Stock Exchange or any other stock exchange.

Section 2.12 No Fractional Shares

No fractional Shares shall be issued upon the exercise of any Option granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, or from an adjustment permitted by the terms of this Plan, such Participant shall only have the right to purchase the next lowest whole number of Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

Section 2.13 Governing Law

The Plan shall be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

ARTICLE 3
OPTIONS

Section 3.1 Grant

(a) Subject to the provisions of this Plan, the Board may grant Options to any Eligible Person upon the terms, conditions and limitations set forth herein or such other terms, conditions and limitations as the Board may determine and set forth in the Grant Agreement; provided that no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange is granted until the time that such grant has been approved by the Shareholders.

(b) An Option shall be evidenced by a Grant Agreement, signed on behalf of the Corporation.

(c) The grant of an Option to, or the exercise of an Option by, a Participant under the Plan shall neither entitle such Participant to receive nor preclude such Participant from receiving subsequently granted Options.

Section 3.2 Exercise Price

An Option may be exercised at a price that shall be fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Fair Market Value of the Shares on the Date of Grant (the "**Exercise Price**"). The Exercise Price shall be subject to adjustment in accordance with the provisions of Section 2.2(e) hereof.

Section 3.3 Vesting

(a) All Options granted hereunder shall vest in accordance with the terms of the Grant Agreement entered into in respect of such Options. The Board has the right to accelerate the date upon which any Option becomes exercisable notwithstanding the vesting schedule set forth for such Option, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration.

(b) Notwithstanding any other provision of the Plan, unless otherwise approved by the Board, the vesting of any Options granted hereunder shall be suspended and postponed during any period of Authorized Leave and, upon a Participant's return from such Authorized Leave, the vesting of such Options shall be extended by a period equivalent to such period of Authorized Leave provided that any such extension will not extend the Expiry Date of the option. Notwithstanding the foregoing, upon a Participant's return from an Authorized Leave that was a parental leave, the rate of vesting of such Participant's Options shall be accelerated to twice the rate provided for in the Participant's Grant Agreement until such time as the Participant holds vested Options in accordance with the original schedule of Vesting Dates provided for in the Participant's Grant Agreement. For certainty, nothing contained herein shall limit the effect of Section 4.3 of the Plan

upon the termination of any Participant's employment or service as a Consultant, and the calculation of the number of Options vested as of a Participant's Termination Date for purposes thereof shall take into account any suspension, postponement or adjustment of the vesting schedule applicable to such Options contemplated by this Section 3.3(b).

ARTICLE 4
EXERCISE & EXPIRY

Section 4.1 Conditions of Exercise

(a) Vested Options may only be exercised during the Exercise Period by the Participant or upon the Participant's death or Incapacity, his or her legal representative (provided that such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise such vested Options). Subject to the restrictions set out in this Plan and to any alternative exercise procedure which may be established from time to time by the Board, Options to acquire Shares may be exercised by delivering to the Corporation an Exercise Notice, together with a bank draft, certified cheque or other form of payment acceptable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Options and, if required by Section 2.6, the amount necessary to satisfy any source deductions or withholding taxes.

(b) Pursuant to the Exercise Notice, a Participant may choose to undertake a "cashless exercise" with the assistance of a broker in order to facilitate the exercise of such Participant's Options. The "cashless exercise" procedure may include a sale of such number of Shares as is necessary to raise an amount equal to the aggregate Exercise Price for all Options being exercised by that Participant under an Exercise Notice. The Participant shall also comply with Section 2.6 of this Plan with regards to any applicable withholding tax and shall comply with all such other procedures and policies as the Corporation may prescribe or determine to be necessary or advisable from time to time in connection with such "cashless exercise."

(c) In addition, in lieu of exercising any vested Option in the manner described in this Article 4, and pursuant to the terms of this Article 4, a Participant may provide a properly endorsed notice of surrender to the Secretary of the Corporation, substantially in the form of Exhibit "C" to the Grant Agreement (a "**Surrender Notice**") pursuant to which the Participant agrees to transfer, dispose and surrender an Option ("**Surrender**") to the Corporation and elects to receive that number of Shares calculated using the following formula, after deduction of any income tax and other amounts required by law to be withheld pursuant to Section 2.6:

X = Y * (A-B) / A

Where:

X = the number of Shares to be issued to the Participant

Y = the number of Shares underlying the Options to be Surrendered

A = the Fair Market Value of the Shares as at the date of the Surrender

B = the Exercise Price of such Options

The decision of whether or not to permit Surrender for any Option is at the sole discretion of the Corporation and will be made on a case by case basis.

(d) Where Shares are to be issued to the Participant pursuant to the terms of this Section 4.1, as soon as practicable following the receipt of the Exercise Notice and, if Options are exercised only in accordance with the terms of Section 4.1(a), the required bank draft, certified cheque or other acceptable form of payment, the Corporation shall duly issue such Shares to the Participant as fully paid and non-assessable.

Section 4.2 Exercise Period

(a) The Exercise Period shall be determined by the Board in its sole and absolute discretion at the time the Option is granted and:

(i) each Option shall Expire not later than ten (10) years after the Date of Grant;

(ii) unless otherwise provided in the Participant's Grant Agreement, the Exercise Period shall be automatically reduced or the Expiry Date postponed in accordance with this Article 4 upon the occurrence of any of the events referred to herein; and

(iii) unless otherwise provided in the Participant's Grant Agreement, no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be exercisable until the time that such Option has been approved by the Shareholders.

(b) Notwithstanding any other provision of the Plan, if the Expiry Date of an Option falls on a date upon which such Participant is prohibited from exercising such Option due to a blackout period or other trading restriction imposed by the Corporation, then the Expiry Date of such Option shall be automatically extended to the tenth (10th) Business Day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed; provided, however, that notwithstanding the foregoing, the Expiry Date of an Option shall in no case extend beyond the tenth (10th) anniversary of the date on which it is granted.

Section 4.3 Termination Date

(a) Subject to Section 4.2, unless otherwise provided in the Participant's Grant Agreement, employment agreement or consulting agreement:

(i) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's retirement with the concurrence of the Board, any Options granted to such Participant and vested as of the Termination Date (as defined below) shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date; and (ii) the Expiry Date. As of the Termination Date, all unvested Options of such Participant shall Expire and such Participant shall no longer be eligible for a grant of Options;

(ii) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's death or Incapacity, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (i) one year following the date of death or the date on which the Board determines that the Incapacity will prevent the employee from fulfilling his or her full-time duties with the Corporation; and (ii) the Expiry Date. As of the Termination Date, all unvested Options of such Participant shall Expire;

(iii) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's termination for cause, as determined by the Board, in its discretion, then, as of the Termination Date, the vested and unvested Options granted to such Participant shall Expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options;

(iv) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's resignation, then any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) 90 days following the Termination Date; and (ii) the Expiry Date. As of the Termination Date, all unvested Options granted to such Participant shall Expire and be of no further force or effect whatsoever and such Participant shall no longer be eligible for a grant of Options;

(v) if, at any time, a Participant ceases to be a full-time employee of the Corporation or a subsidiary as a result of the Participant's dismissal without cause, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant until the earlier of: (i) ninety (90) days following the Termination Date; and (ii) the Expiry Date. As of the Termination Date, all unvested Options of such Participant shall Expire (for certainty, without regard to any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant) and such Participant shall no longer be eligible for a grant of Options;

(vi) where, in the case of a Consultant, the Participant's consulting agreement or arrangement terminates by reason of: (i) termination by the Corporation or an Affiliate for any reason whatsoever other than for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Participant's consulting agreement or arrangement); or (ii) voluntary termination by the Participant, then any Options held by the Participant that are exercisable at the Termination Date continue to be exercisable by the Participant until the earlier of: (A) the date that is ninety (90) days from the Termination Date; and (B) the Expiry Date. Any Options held by the Participant that are not exercisable at the Termination Date immediately expire and are cancelled on such date;

(vii) where, in the case of a Consultant, the Participant's consulting agreement or arrangement terminates by reason of the death or Incapacity of the Participant, then any Options held by the Participant that are exercisable at the date of the death or Incapacity of the Participant continue to be exercisable by the Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (i) the date that is one year from the date of the death or Incapacity of the Participant; and (ii) the Expiry Date. Any Options held by the Participant that are not exercisable at the date of the death or Incapacity of the Participant immediately expire and are cancelled on such date;

(viii) where, in the case of a Consultant, the Participant's consulting agreement or arrangement is terminated by the Corporation or an Affiliate for material breach of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Participant's consulting agreement or arrangement), as determined by the Board, in its discretion, then any Options held by the Participant, whether or not such Options are exercisable at the Termination Date, immediately expire and are cancelled on the Termination Date at a time determined by the Board, in its discretion;

(ix) if, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee or consultant of the Corporation or a subsidiary) for a reason other than the death or Incapacity of the Participant, the Options granted to such Participant and vested as of the Termination Date may be exercised by such Participant until the earlier of: (i) ninety (90) days following the Termination Date; and (ii) the Expiry Date. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever;

(x) if, at any time, a Participant ceases to be a director, officer or member of an advisory board of the Corporation or a subsidiary (and is not or does not continue as a full-time employee or consultant of the Corporation or a subsidiary) as a result of the Participant's death or Incapacity, any Options granted to such Participant and vested as of the Termination Date shall remain exercisable by such Participant (or, in accordance with Section 2.7, the Participant's legal representative) until the earlier of: (i) the date that is one year from the date of the death or Incapacity of the Participant; and (ii) the Expiry Date. As of the Termination Date, all unvested Options granted to such Participant shall cease and terminate and be of no further force or effect whatsoever; and

(xi) if, at any time, a Participant who is a Non-Executive Director, ceases to be a director of the Corporation or a subsidiary for a reason other than the death or Incapacity of the Participant, the Options granted to such Participant and vested as of the Termination Date may be exercised by such Participant until the earlier of: i) the date that is one year from the Termination Date; and (ii) the Expiry Date. As of the Termination Date, all unvested Options of such Participant shall Expire and such Participant shall no longer be eligible for a grant of Options.

(b) Notwithstanding any other provisions of this Section 4.3, the Board may extend the expiration date of vested and unvested Options of a Participant beyond the Expiry Dates set out above, provided that such extended dates are not later than the initial assigned maximum Expiry Date of any such Option.

(c) For purposes of the foregoing:

"**Incapacity**" means the permanent and total incapacity of a Participant as determined in accordance with procedures established by the Board for purposes of this Plan; and

"**Termination Date**" means:

(i) in the case of a Participant whose employment or term of office with the Corporation or a subsidiary terminates in the circumstances set out in Section 4.3, the date that is designated by the Corporation or a subsidiary, as the case may be, as the last day of the Participant's employment or term of office with the Corporation or a subsidiary, as the case may be, provided that in the case of termination of employment by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given, and, in the case of a termination by the Corporation without cause, "**Termination Date**" specifically does not mean the date on which any period of reasonable notice that the Corporation or a subsidiary, as the case may be, may be required at law to provide to the Participant, would expire; and

(ii) in the case of a Participant who is a Consultant and whose consulting agreement or arrangement with the Corporation or a subsidiary, as the case may be, terminates in the circumstances set out in Section 4.3, the date that is designated by the Corporation or a subsidiary, as the case may be, as the date on which the Participant's consulting agreement or arrangement is terminated, provided that in the case of voluntary termination by the Participant, such date shall not be earlier than the date notice of voluntary termination was received by the Corporation, and, in the case of a termination by the Corporation without cause, "**Termination Date**" specifically does not mean the date on which any period of notice of termination that the Corporation or a subsidiary, as the case may be, may be required to provide to the Participant under the terms of the consulting agreement or arrangement, would expire.

Section 4.4 Change of Control

(a) Notwithstanding anything else in this Plan or any Grant Agreement, the Board has the right to provide for the conversion or exchange of any outstanding Options into or for options, rights or other securities in any entity participating in or resulting from a Change of Control, cash or other property.

(b) Upon the Corporation entering into an agreement relating to a transaction which, if completed, would result in a Change of Control, or otherwise becoming aware of a pending Change of Control, the Corporation shall give written notice of the proposed Change of Control to the Option holders, together with a description of the effect of such Change of Control on outstanding Options, not less than seven (7) days prior to the closing of the transaction resulting in the Change of Control.

(c) The Board may, in its sole discretion, accelerate the vesting and/or the Expiry Date of any or all outstanding Options to provide that, notwithstanding the vesting provisions of such Options or any Grant Agreement, such designated outstanding Options shall be fully vested and conditionally exercisable upon (or prior to) the completion of the Change of Control provided that the Board shall not, in any case, authorize the exercise of Options pursuant to this Section 4.4(c) beyond the Expiry Date of the Options. If the Board elects to accelerate the vesting and/or the Expiry Date of the Options, then if any of such Options are not exercised within seven (7) days after the Option holders are given the notice contemplated in Section 4.4(b) (or such later Expiry Date as the Board may prescribe), such unexercised Options shall, unless the Board otherwise determines, terminate and Expire following the completion of the proposed Change of Control. If, for any reason, the Change of Control does not occur within the contemplated time period, the acceleration of the vesting and the Expiry Date of the Options shall be retracted and vesting shall instead revert to the manner provided in the Grant Agreement.

(d) To the extent that the Change of Control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the share capital of the Corporation and the Board does not accelerate the vesting and/or the Expiry Date of Options pursuant to Section 4.4(c), the Corporation shall make adequate provisions to ensure that, upon completion of the proposed Change of Control, the number and kind of shares subject to outstanding Options and/or the Exercise Price per share of Options shall be appropriately adjusted (including by substituting the Options for options to acquire securities in any successor entity to the Corporation) in such manner as the Board considers equitable to prevent substantial dilution or enlargement of the rights granted to Option holders. The Board may make changes to the terms of the Options or the Plan to the extent necessary or desirable to comply with any rules, regulations or policies of any stock exchange on which any securities of the Corporation may be listed, provided that the value of previously granted Options and the rights of Option holders are not materially adversely affected by any such changes.

(e) Notwithstanding anything else to the contrary herein, in the event of a potential Change of Control, the Board shall have the power, in its sole discretion, to modify the terms of this Plan and/or the Options (including, for greater certainty, to cause the vesting of all unvested Options) to assist the Participants to tender into a take-over bid or other transaction leading to a Change of Control. For greater certainty, in the event of a take-over bid or other transaction leading to a Change of Control, the Board shall have the power, in its sole discretion, to permit Participants to conditionally exercise their Options, such conditional exercise to be conditional upon the take-up by such offeror of the Shares or other securities tendered to such take-over bid in accordance with the terms of such take-over bid (or the effectiveness of such other transaction leading to a Change of Control). If, however, the potential Change of Control referred to in this Section 4.4(e) is not completed within the time specified therein (as the same may be extended), then notwithstanding this Section 4.4(e) or the definition of “Change of Control”: (i) any conditional exercise of vested Options shall be deemed to be null, void and of no effect, and such conditionally exercised Options shall for all purposes be deemed not to have been exercised; (ii) Shares which were issued pursuant to exercise of options which vested pursuant to this Section 4.4 shall be returned by the Participant to the Corporation and reinstated as authorized but unissued Shares; and (iii) the original terms applicable to Options which vested pursuant to this Section 4.4 shall be reinstated.

APPENDIX 1

US RESIDENT EMPLOYEES

The terms of the Plan are hereby modified with respect to those Participants who are U.S. Participants:

SPECIAL APPENDIX
to the
Zymeworks Inc.
Stock Option Plan

Special Provisions Applicable to Participants Subject to
the United States Internal Revenue Code

This Appendix sets forth special provisions of the Zymeworks Inc. Stock Option Plan (the "**Plan**") that apply to U.S. Participants. All Options issued under the Plan to U.S. Participants are intended to be exempt from Section 409A of the Code, or any successor thereto, and all provisions hereunder shall be read, interpreted, and applied with that purpose in mind. Terms used herein that are defined in the Plan shall have the meanings set forth in the Plan, as amended from time to time.

1. Interpretation

(a) For the purposes of this Appendix, the following terms have the following meanings:

(i) "**Code**" means the United States Internal Revenue Code of 1986, as amended, and any applicable United States Treasury Regulations and other binding regulatory guidance thereunder;

(ii) "**Incentive Stock Option**" means any Option granted under the Plan which is designated in the Grant Agreement (at the time it is granted) as an incentive stock option within the meaning of Section 422 of the Code or any successor thereto and which also satisfies the requirements of such section (including, without limitation, the requirement that the Participant is employed by the Corporation or a "parent corporation" or "subsidiary corporation" of the Corporation (as such terms are defined in Section 424 of the Code));

(iii) "**Non-Qualified Option**" means any Option granted under the Plan to a U.S. Participant which is not an Incentive Stock Option;

(iv) "**Ten Percent Shareholder**" means a U.S. Participant who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any subsidiary of the Corporation, as applicable (determined in accordance with Section 422 of the Code);

(v) "**Separation From Service**" shall have the meaning as set forth in United States Treasury Regulation Section 1.409A-1(h) (after giving effect to the presumptions contained therein); and

(vi) "**U.S. Participant**" shall have the meaning set forth in Section 2(a), below.

(b) The Plan and this Appendix are complementary to each other and shall, with respect to Options granted to U.S. Participants, be read and deemed as one. In the event of any contradiction, whether explicit or implied, between the provisions of this Appendix and the Plan, the provisions of this Appendix shall prevail with respect to Options granted to U.S. Participants. Options may be granted under this Appendix either as Incentive Stock Options or as Non-Qualified Options, subject to any applicable restrictions or limitations as provided under applicable law.

2. Application

(a) The following special rules and limitations are applicable to Options issued under the Plan to Participants subject to taxation in the United States (referred to hereunder as "**U.S. Participants**") at the time of grant.

(b) Incentive Stock Options may be granted with respect to a maximum fixed amount equal to 20% of the Shares reserved for issuance under the Plan at the Effective Time (subject to adjustment pursuant to Section 2.2(e) of the Plan).

(c) To the extent that the aggregate fair market value (determined as of the time the Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the U.S. Participant under all Share Compensation Arrangements of the Corporation and/or its Affiliates (if applicable) exceeds US$100,000 during any calendar year, the Options or portions thereof that exceed such limit (according to the order in which they are granted) shall constitute Non-Qualified Options in accordance with Section 422(d) of the Code or any successor thereto, notwithstanding any contrary provision of the Plan and/or Grant Agreement.

(d) Each U.S. Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S. Participant in connection with the Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any Affiliate of the Corporation shall have any obligation to pay, indemnify or otherwise hold such U.S. Participant (or any beneficiary) harmless from any or all of such taxes or penalties.

(e) The Corporation and its Affiliates, if applicable, shall withhold taxes according to the requirements of applicable laws, rules and regulations, including the withholding of taxes at source to satisfy any applicable federal, provincial, state or local tax withholding obligation and employment taxes.

(f) Each recipient of an Option hereunder who is or who becomes a U.S. Participant is advised to consult with his or her personal tax advisor with respect to the tax consequences under federal, state, local and other tax laws of the receipt and/or exercise of an Option hereunder.

(g) Without derogating from the powers and authorities of the Board detailed in the Plan, and unless specifically required under applicable law, the Board shall also have the sole and full discretion and authority to administer the provisions of this Appendix and all actions related thereto including, in addition to any powers and authorities specified in the Plan, the performance, from time to time and at any time, of either or both of the following:

(i) deciding whether to issue Options as Incentive Stock Options or as Non-Qualified Options; and

(ii) adopting standard forms of Grant Agreements to be applied with respect to U.S. Participants, incorporating and reflecting, inter alia, relevant provisions regarding the grant of Options in accordance with this Appendix and amending or modifying the terms of such standard forms from time to time.

3. Exercise Price

The Exercise Price of each Option granted under the Plan to a U.S. Participant shall not be less than the Fair Market Value of a Share on the date such Option is granted. Notwithstanding any other provision of the Plan, in determining the Fair Market Value of a Share under the Plan in connection with the grant of an Option to a U.S. Participant, the Board will make the determination of Fair Market Value in good faith consistent with the rules of Sections 422 and 409A of the Code and the rules of the TSX, to the extent applicable.

4. Expiry of Option

Notwithstanding any other provision of the Plan and any provisions of the Grant Agreement to the contrary, Options granted to U.S. Participants may not be exercised under any circumstance following the ten (10) year anniversary of the date of grant.

5. Disqualifying Disposition

Without limiting the generality of the foregoing, if a U.S. Participant sells or otherwise disposes of any of the Shares acquired pursuant to an Incentive Stock Option on or before the later of (i) the date two years after the date the Option is granted or (ii) the date one year after the transfer of such Shares to the U.S. Participant upon exercise of the Incentive Stock Option, the U.S. Participant shall notify the Corporation in writing within 30 days after the date of any such disposition ("**Disqualifying Disposition**") and shall remit to the Corporation or its Affiliate, as applicable, the amount of any applicable federal, state, provincial and local withholding and employment taxes which the Corporation is required to collect (if any).

6. Adjustments to Options

In the event of a corporate transaction requiring the adjustment of an Option held by a U.S. Participant, the number of Shares deliverable on the exercise of an Option held by a U.S. Participant and the Exercise Price of an Option held by a U.S. Participant shall be adjusted in a manner intended to keep the Options exempt from Section 409A of the Code and to comply with Section 422 of the Code, if applicable, in the case of an Incentive Stock Option.

7. Amendment of Appendix

The Board shall retain the power and authority to amend or modify this Appendix and any Option issued hereunder to the extent the Board in its sole discretion deems necessary or advisable to comply with law or regulation, including to comply with any guidance issued under Sections 409A or 422 of the Code. Such amendments may be made without the approval of any U.S. Participant.

8. Ten Percent Shareholders

(a) If any U.S. Participant to whom an Incentive Stock Option is to be granted under this Plan is, at the time of the grant of such Option, a Ten Percent Shareholder, then the following special provisions shall apply:

(i) the per share price at which Shares may be purchased upon the exercise of an Incentive Stock Option shall be no less 110% of the fair market value of a Share at such time as the Option is granted (as determined under the applicable provisions of the Code); and

(ii) the maximum term of the Option shall not exceed five (5) years from the date the Option is granted.

(b) Subject to the provisions of this Section 8 regarding Ten Percent Shareholders, and applicable requirements for securityholder approval, no Incentive Stock Option may be granted hereunder to a U.S. Participant following the expiry of ten (10) years after the date on which this Plan is adopted by the Board.

SCHEDULE "A"

ZYMEWORKS INC.
STOCK OPTION GRANT AGREEMENT

This agreement (the "**Grant Agreement**") evidences the Options granted by Zymeworks Inc. (the "**Corporation**") to the undersigned (the "**Participant**"), pursuant to and subject to the terms of the Zymeworks Inc. Stock Option Plan (the "**Plan**"), which is incorporated herein by reference. The Schedules attached to this Stock Option Grant Agreement shall form an integral part of this Stock Option Grant Agreement.

The Corporation hereby grants to the Participant on the Date of Grant such number of Options as set forth in the attached Schedule "A", as may be amended from time to time, with each Option representing the right to purchase, on the terms provided herein and in the Plan (including, without limitations, the applicable exercise provisions), a Share with an Exercise Price per Share as set forth in the attached Schedule "A", as may be amended from time to time, in each case subject to adjustment in accordance with the provisions of the Plan.

ARTICLE 1
INTERPRETATION

(a) Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

(b) Words importing the singular shall include the plural and vice versa and words importing any gender include any other gender.

(c) Unless otherwise specified herein, all references to money amounts are to Canadian currency.

(d) The words "including" and "includes" mean "including (or includes) without limitation".

ARTICLE 2
VESTING

Section 2.1 Options

Unless earlier terminated, relinquished or expired, Options granted pursuant to this Grant Agreement shall vest in accordance with the provisions set forth in the attached Schedule "A" as may be amended from time to time.

ARTICLE 3
GENERAL PROVISIONS

Section 3.1 Participation in the Plan

No Participant has any claim or right to be granted an Option (including, without limitation, an Option granted in substitution for any Option that has expired pursuant to the terms of this Plan), and the granting of any Option is not to be construed as giving a Participant a right to continued employment or to remain a Consultant, director, officer or employee, as the case may be, of the Corporation or an Affiliate of the Corporation. Nothing contained in this Grant Agreement or the Plan shall interfere in any way with the rights of the Corporation or an Affiliate of the Corporation in connection with the employment or termination of any such person. Upon any such termination, a Participant's rights to exercise Options will be subject to restrictions and time limits for the exercise of Options. Complete details of such restrictions are set out in the Plan, and in particular in Article 4 thereof (except to the extent that such provisions are varied in accordance with Schedule "A" hereto). The Participant hereby agrees that any rule, regulation or determination, including the interpretation by the Board of the Plan, the Option granted hereunder and the exercise thereof, is final and conclusive for all purposes and binding on all persons including the Corporation and the Participant.

Section 3.2 Binding Agreement

The exercise of the Options granted hereby, issuance of Shares and ownership of the Shares are subject to the terms and conditions of the Plan (all of which are incorporated into and form part of this Grant Agreement) and this Grant Agreement. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party) and permitted assigns.

Section 3.3 Governing Law

This Grant Agreement shall be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

[The remainder of this page is intentionally left blank]

By acceptance of these Options, the undersigned acknowledges receipt of the Plan text and agrees hereby to be subject and bound to the terms of the Plan. The undersigned further acknowledges and agrees that the Participant's abovementioned participation is voluntary and has not been induced by expectation of engagement, appointment, employment, continued engagement or continued employment, as the case may be.

Accepted and agreed to this __ day of _____, _____.

Corporation:

ZYMEWORKS INC.

By: _____

Name: _____

Title: _____

Participant:

_____

Signature of Option Holder

_____

Name of Option Holder (Please Print)

Address:

_____

_____

_____

EXHIBIT "A"
OPTION GRANT

Participant:	[❑]
Number of Options	[❑]
Exercise Price:	[❑]
Date of Grant:	[❑]
Vesting Schedule	[❑]
Expiry Date[1]	[❑]
Type of Option[2]	**[Incentive Stock Option/Non-Qualified Option]**

1 Include here any provisions with respect to the expiry of vested/unvested options that would depart from Section 4.3 of the Plan (i.e., the impact of certain events on the vesting/exercise period, including termination for cause, voluntary resignation, termination other than for cause, termination upon a change of control, and retirement, death or disability).

2 Add for U.S. Participants.

EXHIBIT "B"
ELECTION TO EXERCISE STOCK OPTIONS

TO: ZYMEWORKS INC. (the "Corporation")

The undersigned option holder hereby elects to exercise Options granted by the Corporation to the undersigned pursuant to a Grant Agreement dated _____, 20____ under the Zymeworks Inc. Stock Option Plan (the "**Plan**"), for the number Shares set forth below. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

1. **Number of Shares to be Acquired:**	2. _____
3. Option Exercise Price (per Share):	4. $_____
5. Aggregate Purchase Price:	6. $_____
7. Amount enclosed that is payable on account of any Source Deductions relating to this Option exercise (contact the Corporation for details of such amount):	8. _____
9. ☐ 10. Or check here if alternative arrangements have been made with the Corporation;	11.

12. and hereby tenders a certified cheque, bank draft or other form of payment confirmed as acceptable by the Corporation for such aggregate purchase price, and, if applicable, all Source Deductions, and

13. directs such Shares to be registered in the name of _____

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this __ day of _____, _____.

_____.

_____
Signature of Option Holder

_____
Name of Option Holder (Please Print)

EXHIBIT "C"
SURRENDER NOTICE

TO: ZYMEWORKS INC. (the "**Corporation**")

The undersigned option holder hereby elects to transfer, dispose and surrender _____ Options granted by the Corporation to the undersigned pursuant to a Grant Agreement dated _____, 20 under the Zymeworks Inc. Stock Option Plan (the "**Plan**") to the Corporation in exchange for Shares as calculated in accordance with Section 4.1(c) of the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Please issue a certificate or certificates representing the Shares in the name of:

_____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this __ day of _____, _____.

_____
Signature of Option Holder

_____
Name of Option Holder (Please Print)

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

AMENDED AND RESTATED RESEARCH AND LICENSE AGREEMENT

Between

ZYMEWORKS INC.

and

MERCK SHARP & DOHME RESEARCH GMBH

December 3, 2014

Confidential

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AMENDED AND RESTATED RESEARCH AND LICENSE AGREEMENT

THIS AMENDED AND RESTATED RESEARCH AND LICENSE AGREEMENT (the "**Agreement**"), effective as of December , 2014 (the "**Restatement Effective Date**"), by and between **Merck Sharp & Dohme Research GmbH**, a corporation organized and existing under the laws of Switzerland, with its principal business office located at Weystrasse 20, 6000 Lucerne 6, Switzerland ("**Merck**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and Merck are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

Whereas, Zymeworks controls certain proprietary molecular simulation software with high-performance computing predictive protein engineering and design, which enables the systematic research and design of Fc Heterodimer Scaffolds (as defined below) that may be incorporated into antibodies resulting in a protein optimized for a specific need;

Whereas, Merck Sharp & Dohme Research Ltd. (predecessor in interest to Merck) and Zymeworks entered into that certain Research and License Agreement, dated August 22, 2011 (the "**Effective Date**"), as amended on August 23, 2012 (pursuant to the "**First Amendment**") and May 13, 2013 (pursuant to the "**Second Amendment**") (such Research and License Agreement, as amended, the "**Original Agreement**"), under which Merck and Zymeworks desired to enter into an agreement under which Zymeworks disclosed to Merck certain Fc Heterodimer Scaffolds which Zymeworks generated using the Zymeworks Platform and other Zymeworks' proprietary technology. Merck desired to undertake activities with one or more Zymeworks Scaffolds in order to validate the Zymeworks Platform in conjunction with Merck's antibodies and, dependent upon the success of such validation, Merck and/or Zymeworks further intended to develop one or more Zymeworks Scaffolds and Merck intended to research, develop and commercialize one or more Program Antibodies (incorporating one or more Zymeworks Scaffolds) and Products (each, as defined below);

Whereas, pursuant to the Original Agreement, Merck selected certain Targets, and the Parties conducted certain development work pursuant to the Work Plan (each, as defined below); and

Whereas, Merck and Zymeworks now desire to amend and restate in its entirety the Original Agreement to set forth the terms under which, after the Restatement Effective Date, Zymeworks and/or Merck will research and generate certain Program Antibodies (each incorporating a Zymeworks Scaffold) and, dependent upon the success of such research, Merck will develop and commercialize up to three (3) Products, each incorporating one such Program Antibody (each, as defined below);

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the sufficiency which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that mergers or consolidates with or acquires Zymeworks, or to which Zymeworks transfers all or substantially all of its assets to which this Agreement pertains.

1.2 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., and/or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time.

1.3 "**Activity**" means each task, and "**Activities**" mean any and all tasks, in each case to be performed by or under the authority of either Party (alone or together) under the Work Plan.

1.4 "**Affiliate**" of a Party means (i) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by such Party; or (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds fifty percent (50%) (or the maximum ownership interest permitted by Applicable Laws) or more of the securities or other ownership interests representing the equity, the voting stock or, if applicable, the general partnership interest, of such Party; or (iii) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a corporation or business entity described in (i) or (ii), in each case, for so long as such corporation or business entity meets the requirements in (i), (ii) or (iii) above.

1.5 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.6 "**Audited Party**" means the Party that is the subject of an audit by the other Party under **Section 7.5.2**.

1.7 "**Auditing Party**" means the Party that is conducting an audit of the other Party under **Section 7.5.2**

1.8 "**BLA**" means a Biologics License Application, New Drug Application, MAA, premarket notification filed pursuant to Section 510(k) of the Act, or similar application or submission for Marketing Authorization of a Product filed with a Regulatory Authority to obtain marketing clearance or approval for a biological, pharmaceutical or diagnostic product in that country or in that group of countries.

1.9 "**Business Day**" means any day other than Saturday or Sunday on which the banks in New York City are open for business.

1.10 "**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.11 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.12 "[…***…]" means the Target more specifically identified as […***…].

1.13 "**cGLP**" or "**current Good Laboratory Practice**" means the applicable then-current standards for laboratory activities for pharmaceuticals or biologicals, as set forth in the Act and any regulations or guidance documents promulgated thereunder, as amended from time to time, together with any similar standards of good laboratory practice as are required by any applicable Regulatory Authority in the Territory.

1.14 "**cGMP**" or "**current Good Manufacturing Practices**" means all laws and regulations relating to the manufacture of a Program Antibody and/or Product, including but not limited to the current Good Manufacturing Practices as specified in the United States Code of Federal Regulations and/or in the EU Good Manufacturing Guidelines, Q7A Good Manufacturing Practice Guidance for Active Pharmaceutical Ingredients (also known as Annex 18 to EudraLex Volume 4, "European Commission Guide to Good Manufacturing Practice for Medicinal Products"), as are in effect on the Effective Date and as may be modified or supplemented during the Term.

1.15 "**Change of Control**" means with respect to a Party: (a) the sale of all or substantially all of such Party's tangible and intangible assets or business relating to this Agreement; (b) a merger, reorganization or consolidation involving such Party in which the voting securities of such Party outstanding immediately prior thereto cease to represent at least fifty percent (50%) of the combined voting power of the surviving entity immediately after such merger, reorganization or consolidation; or (c) any transaction or series of transactions in which a person or entity, or group of persons or entities, acting in concert, acquire more than fifty percent (50%) of the voting equity securities or management control of such Party, other than in connection with a bona fide financing transaction, or series of bona fide financing transactions, provided to such Party by financial and/or venture capital investors.

1.16 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, and/or any post-approval human clinical trial, as applicable.

1.17 "**Combination Product**" means a Product that contains one or more active agents that are not Program Antibodies (e.g., one or more antibodies other than Program Antibodies and/or one or more chemotherapeutics) in addition to one or more Program Antibodies.

1.18 "**Commercialized Product**" means a Product for which there has been a First Commercial Sale within the Territory.

1.19 "**Commercially Reasonable Efforts**" means, with respect to particular objectives or tasks of a Party, the use of reasonable and good faith efforts and commitment of such resources by a Party, in each case consistent with exercise of prudent scientific and business judgment, to accomplish such objective as that Party would normally use to accomplish a similar objective under similar circumstances or with respect to products of comparable commercial potential, stage of medical/scientific development, probability of technical success, technical and regulatory profile, competitive landscape and risk profile and patent protection, in a particular geographic locale.

1.20 "**Competitive Entity**" means any Third Party that (a) together with its Affiliates and subsidiaries, collectively had worldwide sales of ethical pharmaceutical products, in the Calendar Year that preceded the Change of Control, of […***…] United States dollars (USD $[…***…]) or more, or (b) on the date of such Change of Control, is actively engaged in a Competitive Program.

1.21 "**Competing Pharma Change of Control**" means a Change of Control involving a Competitive Entity.

1.22 "**Competitive Program**" means, with respect to a Product, any program of a Third Party for the research, development or commercialization of one or more Multi-Specific Antibodies or products that contain one or more Multi-Specific Antibodies, in each case which is/are Directed To the Merck Target Pair to which such Product is Directed.

1.23 "**Confidential Information**" means all Know-How and other Information, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has supplied or otherwise made available to the other Party whether made available orally, in writing, or in electronic form, including such Information comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Attachments and amendments constitute Confidential Information of each of the Parties.

1.24 "**Control**" or "**Controlled**" means, with respect to any material, Information, or intellectual property right, that a Party (i) owns or (ii) has a license to such material, Information, or intellectual property right and, in each case, has the power to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting

the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, data, information or intellectual property owned or licensed by any Acquiring Entity immediately prior to the effective date of merger, consolidation or transfer, and (ii) any materials, data, information or intellectual property that any Acquiring Entity subsequently develops without accessing or practicing the Zymeworks Platform or any Zymeworks Intellectual Property; provided, however all such materials data, information or intellectual property subsequently developed or created by any Acquiring Entity from or through access to or practice of the Zymeworks Platform or any Zymeworks Intellectual Property shall be deemed to be Controlled by Zymeworks.

1.25 "**Directed To**" means, with regard to an antibody or product, that such antibody or product (a) binds directly to a Target, and (b) exerts its primary diagnostic, prophylactic and/or therapeutic activity as a result of such binding and/or modifies the profile (e.g., PK, tissue penetration and distribution) of the antibody as a result of such binding, as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such molecule. When required grammatically, the defined term "Directed To" may be separated and shall have the same meaning set forth above; e.g., when discussing Targets To which an antibody is Directed.

1.26 "**Eligible Scaffold**" means (a) with respect to Program Antibodies Directed To the Initial Targets, any Zymeworks Scaffold, and (b) with respect to any other Program Antibody, any Zymeworks Scaffold other than a Zymeworks Optimized Scaffolds.

1.27 "**Expanded Zymeworks Technology**" means the Heavy-Light Chain Pairing Technology, the Zymeworks Knock-Out Scaffolds and the Zymeworks Optimized Scaffolds.

1.28 "**Fc Heterodimer Scaffold**" means an immunoglobulin Fc region composed of two different immunoglobulin heavy chain constant regions containing complementary mutations that allow […***…] heterodimer formation.

1.29 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.30 "**Field**" means any and all uses of Zymeworks Scaffolds, Program Antibodies and Products, including human and veterinary therapeutics, diagnostics and prophylactic uses.

1.31 "**First Commercial Sale**" means, with respect to a Product in any country in the Territory, the first sale, transfer or disposition for value or for end use or consumption of such Product in such country after Marketing Authorization has been received in such country; provided, that (i) any sale to a Related Party will not constitute a First Commercial Sale unless the Related Party is the last entity in the distribution chain of the Product, (ii) any distribution of samples with respect to a Product will not constitute a First Commercial Sale, and (iii) any sale or other distribution for use in a Clinical Trial or for compassionate use in which no monetary consideration is paid to Merck will not constitute a First Commercial Sale.

1.32 "**Full Time Equivalent**" or "**FTE**" means the equivalent of a full-time scientist's work time over a twelve-month period (including normal vacations, sick days and holidays). The portion of an FTE year devoted by a scientist to work under this Agreement shall be determined by dividing the number of full days during any twelve-month period devoted by such employee to such work by the total number of working days during such twelve-month period.

1.33 "**Heavy-Light Chain Pairing Technology**" means the proprietary IgG Fab heavy-light chain pairing technology Controlled by Zymeworks as of the Restatement Effective Date and thereafter during the Research Program Term.

1.34 "**IND**" means an investigational new drug application, clinical trial application, or similar application, filed with, and accepted by, a Regulatory Authority in any country or group of countries prior to beginning Clinical Trials in that country or in that group of countries.

1.35 "**Information**" means any and all information and data, including without limitation all Know-How, information regarding Zymeworks Patent Rights and all other scientific, pre-clinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data, whether communicated in writing or orally or by any other method, which is provided by one Party to the other Party in connection with this Agreement.

1.36 "**Invention**" means any Know-How, method, composition of matter, article of manufacture, finding or other subject matter, whether patentable or not, that is conceived and/or reduced to practice under and as a result of, and within the scope of, the work performed under the Agreement.

1.37 "**Joint Invention**" means any Invention developed or invented jointly by one or more employees of Merck and/or its Affiliate and/or a Third Party acting on behalf of Merck or its Affiliate, on the one hand, and one or more employees of Zymeworks and/or its Affiliate and/or a Third Party acting on behalf of Zymeworks or its Affiliate, on the other hand.

1.38 "**Joint Know-How**" means all Know-How comprising a Joint Invention.

1.39 "**Joint Patent Right**" means all Patent Rights claiming a Joint Invention.

1.40 "**Know-How**" means all technical information, know-how and data, including inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, materials, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights.

1.41 "**MAA**" means an application for the Marketing Authorization of a Product in any country or group of countries outside the United States, and all supplements thereto, as defined in the Applicable Laws of a given country or group of countries.

1.42 "**Major Market**" means (i) any […***…] of the […***…] or (ii) […***…]. For clarity, any […***…] of the countries together under (i) constitute a Major Market and all […***…] of the countries together under (ii) constitute a Major Market.

1.43 "**Marketing Authorization**" means all approvals (including without limitation, all applicable pricing and governmental reimbursement approvals) from the relevant Regulatory Authority necessary to market and sell a product (including a Product) in any country.

1.44 "Merck Target" means a Target selected by Merck in accordance with **Article 4** and available under this Agreement for Merck to develop and Commercialize Program Antibodies and Products Directed To such Target, as set forth in **Section 4.3.**

1.45 "**Multi-Specific Antibody**" means an antibody or an antibody analogue that contains independent binding sites Directed To […***…].

1.46 "**Net Sales**" means the gross invoice price (excluding […***…] of Product sold by Merck or its Related Parties to a Third Party (where such Third Party is not a Related Party) after deducting, if not previously deducted, from the amount invoiced or received:

1.46.1 […***…];

1.46.2 […***…];

1.46.3 […***…];

1.46.4 […***…];

1.46.5 […***…], and

1.46.6 […***…].

With respect to sales of a particular Combination Product, and on a country-by-country basis, the "Net Sales" for royalty purposes hereunder shall be calculated by multiplying the actual Net Sales (calculated in the manner described above) of such Combination Product by the fraction A/B, in which A is the invoice price of the Program Antibody of the same strength and in the same quantity as contained in the Combination Product, sold separately in the same period without the other active ingredient(s) in the same country of sale as the Combination Product, and B is the invoice price of the Combination Product sold in the same period in such country. All invoice prices of the Program Antibody and the Combination Product shall be calculated as the average invoice price of such active ingredients during the applicable accounting period for which the Net Sales are being calculated. If, on a country-by-country basis, no separate sale of the Program Antibody in the same strength as contained in the Combination Product, sold separately without other active ingredient(s), is made in such country during the applicable accounting period, or if the invoice price for the Program Antibody cannot be determined for an accounting period, then the "Net Sales" for royalty purposes hereunder for sales of such Combination Product in each such country shall be determined by multiplying the Net Sales (calculated in the manner described above) of such Combination Product in such

country by a fraction, determined in good faith by mutual agreement of the Parties, that reflects the relative contribution in value that the Program Antibody contained in the Combination Product makes to the total value of such Combination Product to the end user in such country. In addition, Net Sales are subject to the following:

(i) If Merck or any of its Related Parties effects a sale, disposition or other transfer of a Product to a customer in a particular country other than on customary commercial terms or as part of a package of products and services, the Net Sales of such Product to such customer shall be deemed to be "the fair market value" of such Product. For purposes of this subsection (i), "fair market value" means the value that would have been derived […***…] in the country concerned on customary commercial terms.

(ii) […***…].

(iii) For purposes of clarity, the use of any Product in Clinical Trials or other development activities by or on behalf of a Party, or disposal or transfer of Products for purposes of a commercially reasonable sampling program or compassionate use program, in each case in which no monetary consideration is paid to Merck, shall not give rise to any Net Sales.

(iv) For the purpose of clarity, it is understood that […***…]. In addition, sales of Product […***…] shall be excluded from the computation of Net Sales if the further use or provision of such Product falls within the scope of Subsection (iii) above.

1.47 "**Patent Rights**" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including, without limitation, pediatric exclusivity patent extensions), term restorations, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, and all U.S. and foreign counterparts of any of the foregoing.

1.48 "[…***…]" means the Target more specifically identified as […***…].

1.49 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, as more fully defined in Federal Regulation 21 C.F.R. § 312.21(a) and its foreign equivalents.

1.50 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, as further defined in Federal Regulation 21 C.F.R. § 312.21(b) and its foreign equivalents.

1.51 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular indication in a manner sufficient to file an BLA to obtain regulatory approval to market the product, as further defined in Federal Regulation 21 C.F.R. § 312.21(c), and its foreign equivalents.

1.52 "**Product**" means a pharmaceutical preparation in final form containing one or more Program Antibody for (i) sale by prescription, over-the-counter or any other method, or (ii) administration to animals in one or more studies (for development of a veterinary product) or human patients in one or more Clinical Trials. Product includes any Combination Product. For clarity, new formulations, presentations, […***…], excipients, or […***…] of the Program Antibody contained in a Product (including any Second Generation Product, other than with respect to the Milestone Events set forth in **Section 6.2.5**) shall all be considered the same Product for purposes of this Agreement, including under **Section 6.2** and **Section 6.3**.

1.53 "**Program Antibody**" means (i) as to any Program Antibody developed prior to the Restatement Effective Date, a Multi-Specific Antibody into which Merck has incorporated a Selected Scaffold and which is Directed To […***…]; or (ii) as to any Program Antibody developed on and after the Restatement Effective Date, any Multi-Specific Antibody into which a Party has incorporated a Selected Scaffold and a Merck Sequence Pair in accordance with this Agreement. For clarity, with respect to Program Antibodies Directed To Merck Target Pairs other than Merck Target Pairs that include the […***…], Selected Scaffolds shall not include Zymeworks Optimized Scaffolds. Accordingly, antibodies Directed To Merck Target Pairs other than those that include the […***…], which incorporate a Zymeworks Optimized Scaffold, are not included in the definition of Program Antibody for purposes of this Agreement.

1.54 "**Program Antibody Success**" means successful achievement of all Activities by at least one Program Antibody (including Proof of Concept) under the Work Plan.

1.55 "**Proof of Concept**" means successful completion (as reasonably determined by Merck) of Activity […***…] in the Work Plan: […***…].

1.56 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and pricing approvals for such sale.

1.57 "**Related Party**" means each Party, its Affiliates, and their respective licensees or sublicensees (which term excludes any Third Parties to the extent functioning as distributors), as applicable. In no event shall Zymeworks be a Related Party with respect to Merck or Merck be a Related Party with respect to Zymeworks.

1.58 "**Scaffold Package**" means, prior to the Restatement Effective Date, with respect to a particular Zymeworks Scaffold, (i) the Information associated with such Zymeworks

Scaffold (including Zymeworks Patent Rights and Zymeworks Know-How) described on Attachment 1.58, and (ii) any other Zymeworks Intellectual Property, (a) which Zymeworks or the SCC believes would be necessary or useful to Merck in exercising the licenses granted under **Section 2.1** with respect to such Zymeworks Scaffold, or (b) Merck requests and which Merck believes may be necessary or useful to Merck in exercising the licenses granted under **Section 2.1** with respect to such Zymeworks Scaffold; and after the Restatement Effective Date, with respect to a particular Eligible Scaffold, (iii) the Information associated with such Eligible Scaffold (including Zymeworks Patent Rights and Zymeworks Know-How) described on Attachment 1.58, and (iv) any other Zymeworks Intellectual Property, (a) which Zymeworks or the SCC believes would be necessary or useful to Merck in exercising the licenses granted under **Section 2.1** with respect to such Eligible Scaffold, or (b) Merck requests and which Merck believes may be necessary or useful to Merck in exercising the licenses granted under **Section 2.1** with respect to such Eligible Scaffold.

1.59 "**Second Generation Product**" means a Product containing a different Selected Scaffold from any Selected Scaffold in a Commercialized Product but which contains, as its active ingredient, a Program Antibody that is generated using the same Merck Sequence Pair as the Program Antibody that is the active ingredient in the Commercialized Product and which requires at least one new Phase III Clinical Trial to receive a Marketing Authorization.

1.60 "**Target**" means any […***…] (or portion thereof).

1.61 "**Territory**" means the world.

1.62 "**Third Party**" means any entity other than Merck or Zymeworks or an Affiliate of Merck or Zymeworks.

1.63 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.64 "**USD**" and "**$**" mean United States dollars.

1.65 "**Valid Patent Claim**" means any claim of an issued and unexpired patent included within the Zymeworks Patent Rights covering a Product which has not been revoked or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction with no further possibility of appeal and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise. For clarity, a Valid Patent Claim does not include any claim of an issued and unexpired patent within the Zymeworks Patent Rights which claims a method for making a Program Antibody.

1.66 "**Written Notice**" means a written notice to be provided by one Party to the other Party.

1.67 "**Zymeworks Intellectual Property**" means the Zymeworks Patent Rights and the Zymeworks Know-How.

1.68 "**Zymeworks Know-How**" means all Know-How, which: (a) are Controlled by Zymeworks as of the Effective Date and during the Term of the Agreement, (b) are not generally known, and (c) are reasonably necessary or useful to Merck in: (i) carrying out the Research Program, (ii) incorporating Zymeworks Scaffolds or Eligible Scaffolds (including Scaffold Modifications) into Program Antibodies and/or (iii) researching, developing, manufacturing and/or commercializing Program Antibodies and Products. Notwithstanding the preceding, Zymeworks Know-How does not include (a) Know-How embodied within the Zymeworks Platform, or (b) Know-How Controlled by Zymeworks not related to Zymeworks Scaffolds or Eligible Scaffolds.

1.69 "**Zymeworks Patent Rights**" means any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including without limitation Patent Rights Controlled by Zymeworks claiming Zymeworks Inventions) as of the Effective Date and during the Term of the Agreement, which claim: (a) a Zymeworks Scaffold or an Eligible Scaffold, (b) the Program Antibodies or (c) any Zymeworks Know-How. Zymeworks Patent Rights, as of the Restatement Effective Date, are set forth on Attachment 1.69. For clarity, Zymeworks Patent Rights do not include (x) Patent Rights embodied within the Zymeworks Platform, or (y) Patent Rights claiming any antibody constructs that do not use […***…] (e.g., constructs for the enhancement of […***…] or […***…]) or any non-antibody protein therapeutics.

1.70 "**Zymeworks Optimized Scaffold**" means a Zymeworks Scaffold Controlled by Zymeworks as of the Restatement Effective Date containing optimized […***…] mutations.

1.71 "**Zymeworks Platform**" means Zymeworks' Predictive Protein Engineering Platform which is more fully described in Attachment 1.71. The Zymeworks Platform combines proprietary molecular simulation software with high-performance computing, creating a comprehensive environment for predictive protein engineering and design. The Zymeworks Platform enables the systematic research and design of […***…], which may be incorporated into antibodies resulting in a protein optimized for a specific need.

1.72 "**Zymeworks Scaffold**" means an […***…] Scaffold Controlled by Zymeworks and any Scaffold Modifications thereto Controlled by Zymeworks.

Additional Definitions. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/ Attachment
120 Day Period	11.1.1
AAA	15.6.1
Accounting Firm	7.5.2
Additional Selected Scaffold	3.2.5
Agreement	Preamble
Agreement Payments	7.4
Allowed Target Pair	5.3

Definition	Section/ Attachment
Allowed Target Pairs Experiments	5.3.1
Antibody Development Work Plan	3.1
Challenge Countries	2.5
Claims	14.1
Code	12.6
Confidentiality Agreement	15.14
Controlling Party	8.3.4
Dispute	15.6.1
Early Selection Criteria	3.2.2
Effective Date	Preamble
Excluded Claim	15.6.7
Expenses and Payments	7.5.2
First Amendment	Preamble
Indemnified Party	14.3.1
Indemnifying Party	14.3.1
Infringement	8.3.1
Initial Selected Scaffold	3.2.2
Initial Target	4.2.1
Initial Target Sequence Pair	4.2.2
Losses	14.1
Merck	Preamble
Merck Challenged Zymeworks Patent Rights	2.5
Merck Indemnified Party	14.1
Merck RP Termination Decision	11.2.1(c)
Merck Selection Criteria	3.2.3
Merck Sequence Pair	4.1
Merck Target Pair	4.1
Milestone Event	6.2
Milestone Payment	6.2
Notice of Dispute	15.6.1
Officials	3.1.1(d)
Original Agreement	Preamble
Other Targets	4.2.1
Party	Preamble
Parties	Preamble
Payment	3.1.1(d)
Product No. 1	6.2.7(a)
Product No. 2	6.2.7(a)
Product No. 3	6.2.7(b)
Prosecution	8.2.1
[... ***...]	3.4
Relationship Liaison	3.11

Definition	Section/ Attachment
Research Program	3.1
Research Program Term	3.1
Restatement Effective Date	Preamble
Royalty	6.3.1
Royalty Term	7.2
Sale	15.21
[... ***...]	3.4
SCC	3.12
Second Amendment	Preamble
Selected Scaffold	3.2.5
Sequence	4.1
Sequence Pair	4.1
Surviving License	12.3.2
Suspended Product	6.2.7
Taxes	7.4
Term	11.1.1
Validation Phase	3.2.4
[... ***...]	5.1
[... ***...]	3.2.4
Work Plan	3.1
Zymeworks	Preamble
Zymeworks Change of Control Notice	15.1.1
Zymeworks Indemnified Party	14.2
Zymeworks [... ***...] Scaffolds	3.3.3
Zymeworks Sequence Pair	4.3.1(c)

In this Agreement, unless the context requires otherwise:

(a) the headings are included for convenience only and shall not affect its construction;

(b) references to “persons” includes individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

(c) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;

(d) references to the word “include” and “including” shall mean includes and including without limitation;

(e) a Party includes its permitted assignees and/or the respective successors in interest to substantially the whole of its undertaking;

(f) any reference to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be amended, modified, consolidated or re-enacted;

(g) the Attachments form part of the operative provisions of this Agreement and references to this Agreement shall, unless the context otherwise requires, include references to the Attachments. In the event of any inconsistency between the Attachments and the terms of this Agreement, the terms of this Agreement shall prevail;

(h) general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things;

(i) any reference in this Agreement to an Article, Section, subsection, paragraph, clause or Attachment shall be deemed to be a reference to an Article, Section, subsection, paragraph, clause or Attachment, of or to, as the case may be, this Agreement, unless otherwise indicated. Unless the context of this Agreement otherwise requires, (a) words such as “herein”, “hereof”, and “hereunder” refer to this Agreement as a whole and not merely to the particular provision in which such words appear, and (b) the use of “shall” and “will” have interchangeable meanings for purposes of this Agreement; and

(j) neither Party or its Affiliates shall be deemed to be acting “under authority of” or “on behalf” of the other Party or its Affiliates.

This Agreement amends, restates and supersedes in its entirety the Original Agreement, as of the Restatement Effective Date. All activities performed by either Party under the Original Agreement prior to the Restatement Effective Date shall be deemed performed hereunder, and rights and obligations of the Parties with respect thereto shall be as set forth herein.

2. GRANT OF LICENSES

2.1 Licenses to Merck.

2.1.1 Commencing on the Effective Date and expiring on the Restatement Effective Date, Zymeworks hereby grants to Merck an assignable (solely to Merck Affiliates or as otherwise permitted under **Section 15.2**), worldwide license with the right to sublicense to Affiliates of Merck and Third Parties undertaking activities on Merck’s behalf, under the Zymeworks Intellectual Property (including Zymeworks’ interest in Joint Inventions) in all cases solely for Merck to (a) perform its activities (including Activities under the Work Plan) under the Research Program, and (b) evaluate and perform any and all other activities under this Agreement with respect to, the Zymeworks Scaffolds that are required solely for the purpose of evaluating whether Merck wishes to include a particular Zymeworks Scaffold within the Selected Scaffolds, evaluating various Program Antibodies in conjunction with Selected Scaffolds or evaluating whether to include a particular Target […***…]. The preceding license shall be (i) exclusive (even as to Zymeworks) from the Effective Date through the […***…], except that Zymeworks shall have the right to (A) perform its obligations hereunder and (B) exercise the rights retained pursuant to Section 5.1.1 during such period, and (ii) non-exclusive

after the […***…] and until the Restatement Effective Date. For clarity, the license set forth in this Section 2.1.1 is of no further effect as of the Restatement Effective Date.

2.1.2 Commencing on the Restatement Effective Date, Zymeworks hereby grants to Merck an assignable (solely to Merck Affiliates or as otherwise permitted under **Section 15.2**), worldwide, non-exclusive license with the right to sublicense to Affiliates of Merck and Third Parties undertaking activities on Merck's behalf, under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) in all cases solely for Merck to (a) perform its activities (including Activities under the Work Plan) under the Research Program, and (b) evaluate and perform any and all other activities under this Agreement with respect to, the Zymeworks Scaffolds that are required solely for the purpose of evaluating whether Merck wishes to include a particular Zymeworks Scaffold within the Selected Scaffolds, evaluating various Program Antibodies in conjunction with the Scaffolds incorporated therein or evaluating whether to include a particular Target pair within the Merck Target Pairs or a particular Sequence Pair within the Merck Sequence Pairs.

2.1.3 Zymeworks hereby grants to Merck an exclusive (even as to Zymeworks except as necessary for Zymeworks to carry out its responsibilities under this Agreement or as otherwise expressly permitted under the Agreement), sublicenseable, assignable (solely to Merck Affiliates or as otherwise permitted under **Section 15.2**) license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) for Merck to (a) research, develop, make, have made, use, import and export Program Antibodies for incorporation into Products (including but not limited to incorporating Selected Scaffolds (including […***…] thereto) into Program Antibodies prior to the Restatement Effective Date, and, as of the Restatement Effective Date, Heavy-Light Chain Pairing Technology into Program Antibodies; provided that as of the Restatement Effective Date Merck may only incorporate (i) a Zymeworks Optimized Scaffold that is included within the Selected Scaffolds, and (ii) the Heavy-Light Chain Pairing Technology, into the Program Antibodies that are generated using such Zymeworks Optimized Scaffold or such Heavy-Light Chain Pairing Technology, as applicable, pursuant to the Antibody Development Work Plan and no other Program Antibodies) and (b) research, develop, made, have made, use, offer for sale, import and export Products, in each case in the Field in the Territory.

2.1.4 Subject to **Section 3.5**, Zymeworks hereby grants to Merck a non-exclusive sublicenseable, assignable (solely to Merck Affiliates or as otherwise permitted under **Section 15.2**) license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) for Merck to make […***…] (singly or in conjunction with Zymeworks) and to incorporate such […***…] into Selected Scaffolds.

2.2 License to Zymeworks. Commencing on the Effective Date and expiring on the Restatement Effective Date, Merck hereby grants Zymeworks a non-exclusive, worldwide, irrevocable (but only with respect to Subsection 2.2(b) and subject to Article 12), fully-paid, sublicensable (but only as set forth in Section 2.2.1), assignable (solely to Zymeworks' Affiliates or as otherwise permitted under Section 15.2) license under the Patent Rights and Know-How Controlled by Merck (including Merck's interest in Joint Inventions) arising under this Agreement and limited to Patent Rights and Know-How covering […***…] to: (a) perform its

activities under the Agreement prior to the Restatement Effective Date, and (b) undertake activities outside the scope of this Agreement prior to the Restatement Effective Date, including the making, having made, using, offering for sale, selling, importing and otherwise exploiting products other than Products. The preceding license is subject to the exclusivity provisions in Article 5 and disclosure limitations and restrictions set forth in Article 9. For clarity, nothing in this Section 2.2 grants Zymeworks a license to any Program Antibody or Product; provided that any […***…] incorporated into a Program Antibody or Product shall be subject to the license set forth in this **Section 2.2**.

2.2.1 The license granted to Zymeworks in **Section 2.2** shall include the right to grant and authorize sublicenses; provided that Zymeworks provides Merck with prompt Written Notice of any such sublicenses that it grants and provided further that any sublicensee may not grant a further sublicense of such Patent Rights and Know-How Controlled by Merck.

2.3 Third Party Rights in Zymeworks Scaffolds. Zymeworks is solely responsible for the payment of all monetary obligations (including any license fees or royalties), if any, due to Third Parties under any agreements pursuant to which Zymeworks obtained or obtains rights in or to any Zymeworks Intellectual Property. All such payments shall be made promptly by Zymeworks and in accordance with the terms of such agreements.

2.4 No Implied Licenses. Except as specifically set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other intellectual property interest, by implication or otherwise, in any Know-How or Patents Rights Controlled by the other Party or its Affiliates. Subject to the licenses granted to Merck hereunder and the other terms and conditions of this Agreement, Zymeworks will retain all rights under the Zymeworks Intellectual Property. The licenses granted in **Section 2.1** do not give Merck any right to practice the Zymeworks Intellectual Property except as expressly provided in **Section 2.1**. The license granted in **Section 2.2** do not give Zymeworks any right to practice any Patent Rights or Know-How Controlled by Merck except as expressly provided in **Section 2.2.**

2.5 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that Merck or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of certain Zymeworks Patent Rights (the specific Zymeworks Patent Rights challenged by Merck or its Affiliates constituting the "**Merck Challenged Zymeworks Patent Rights**"), then Zymeworks, at its discretion, may give Written Notice to Merck that Zymeworks will terminate the license under **Section 2.1** with respect to (and only to) the Merck Challenged Zymeworks Patent Rights in any or all countries in the Territory in which Merck or its Affiliates is specifically challenging the Merck Challenged Zymeworks Patent Rights (collectively, the "**Challenge Countries**") unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…] days. In the event that Merck or its Affiliates (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] day period, Zymeworks may terminate the license to Merck under **Section 2.1** with respect to the Merck Challenged Zymeworks Patent Rights in any or all Challenge Countries in the Territory.

3. RESEARCH PROGRAM AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 General; Term. Merck and Zymeworks shall collaborate on a research program (the "**Research Program**") as more fully described in this Agreement and the attached work plan (the "**Work Plan**") (Attachment 3.1(a)) (which may be amended from time to time by Merck with the consent of Zymeworks, such consent not to be unreasonably withheld, conditioned or delayed), the main purpose of which is to validate one or more Zymeworks Scaffolds, and achieve Proof of Concept with one or more Program Antibodies and thereafter successfully complete the remaining Activities under the Work Plan. The term of the Research Program shall run from the Effective Date until August 22, 2017 (the "**Research Program Term**"), without further extension unless otherwise agreed by the Parties in writing, and subject to earlier termination in accordance with **Article 11**. Commencing on the Restatement Effective Date, the Parties will conduct the development Activities set forth on Attachment 3.1(b) to generate certain Multi-Specific Antibodies (the "**Antibody Development Work Plan**"), which shall be included within the Research Program. For clarity, (a) Zymeworks' conduct of the Antibody Development Work Plan may include the use of the Expanded Zymeworks Technology, as set forth in the Antibody Development Work Plan or as otherwise reasonably required to complete the activities described in such plan, and (b) the Multi-Specific Antibodies resulting from the Antibody Development Work Plan will be Program Antibodies for purposes of this Agreement. Accordingly, the Program Antibodies resulting from the Antibody Development Work Plan may incorporate Zymeworks Optimized Scaffolds and/or the Heavy-Light Chain Pairing Technology.

3.1.1 Conduct of Research.

(a) Zymeworks and Merck shall proceed diligently with the activities under the Research Program by using their respective Commercially Reasonable Efforts to allocate sufficient time, effort, equipment and facilities to the Research Program and to use personnel with sufficient skills and experience as are required to accomplish the Research Program in accordance with the terms of this Agreement, the Work Plan and the Antibody Development Work Plan.

(b) Zymeworks and Merck shall conduct the Research Program in compliance with all Applicable Laws, rules and regulations, including, without limitation, current Good Laboratory Practice to the extent applicable to the activities being conducted. In addition, if animals are used in research hereunder, the Party conducting such research shall comply with the Animal Welfare Act or any other applicable local, state, national and international laws and regulations relating to the care and use of laboratory animals. Such Party shall use reasonable efforts to comply with the highest standards, such as those set forth in the Guide for the Care and Use of Laboratory Animals (NRC), for the humane handling, care and treatment of such research animals. Any animals which are used in the course of the Research Program, or products derived from those animals, such as eggs or milk, shall not be used for food purposes, nor shall these animals be used for commercial breeding purposes. Each Party shall notify the other in writing of any deviations from Applicable Law in its conduct of the Research Program. Each Party hereby certifies that it has not employed or otherwise used in any capacity

and shall not employ or otherwise use in any capacity, the services of any person debarred under United States law, including but not limited to Section 21 USC 335a, in performing any portion of the Research Program or other activities under this Agreement. Zymeworks shall notify Merck in writing immediately if any such debarment occurs or comes to its attention, and shall, with respect to any person or entity so debarred promptly remove such person or entity from performing any activities under this Agreement.

(c) Merck may utilize the services of its Affiliates and Third Parties to perform its Research Program activities. Zymeworks may utilize the services of its Affiliates to perform its Research Program activities. Zymeworks and its Affiliates shall not utilize the services of Third Parties to perform Zymeworks' Research Program activities, except those Third Parties listed on Attachment 3.1.1(c). Should Zymeworks utilize the services of such Third Parties to perform its Research Program activities, Zymeworks shall cause each such Third Party to execute an agreement consistent with Merck's rights and concurring with the relevant obligations of Zymeworks as set forth herein, including without limitation obligations under Articles 3, 8, 9 and 10. Zymeworks shall remain at all times fully liable for performance of its obligations hereunder.

(d) Zymeworks acknowledges that Merck's corporate policy requires that Merck's business must be conducted within the letter and spirit of the law. By signing this Agreement, Zymeworks agrees to conduct the services contemplated herein in a manner which is consistent with both law and good business ethics. Zymeworks' failure to abide by the provisions of this **Section 3.1.1** in any material respect shall be deemed a material breach of this Agreement.

(i) Specifically, Zymeworks warrants that none of its employees, agents, officers or other members of its management are officials, officers, agents, representatives of any government or international public organization. Zymeworks shall not make any payment, either directly or indirectly, of money or other assets, including but not limited to the compensation Zymeworks derives from this Agreement (hereinafter collectively referred as a **"Payment"**), to government or political party officials, officials of international public organizations, candidates for public office, or representatives of other businesses or persons acting on behalf of any of the foregoing (hereinafter collectively referred as **"Officials"**) where such Payment would constitute violation of any law. In addition regardless of legality, Zymeworks shall make no Payment either directly or indirectly to Officials if such Payment is for the purpose of influencing decisions or actions with respect to the subject matter of this Agreement or any other aspect of Merck's business.

(ii) Zymeworks acknowledges that no employee of Merck or its Affiliates shall have authority to give any direction, either written or oral, relating to the making of any commitment by Zymeworks or its agents to any Third Party in violation of terms of this **Section 3.1.1** or any other provision of this Agreement.

3.2 Validation Phase; Initial Disclosure of Zymeworks Scaffolds.

3.2.1 Initial Disclosure of Zymeworks Scaffolds. Prior to the Restatement Effective Date, Zymeworks disclosed to Merck the Scaffold Package for all Zymeworks Scaffolds meeting the Early Selection Criteria and existing as of the date of such disclosure. In addition, Zymeworks independently and contemporaneously provided to Merck's patent counsel the intellectual property status for each Zymeworks Scaffold for which Zymeworks provides a Scaffold Package to Merck.

3.2.2 Merck Selection Criteria. Prior to the Restatement Effective Date, Merck, in collaboration with Zymeworks, developed criteria against which to evaluate Zymeworks Scaffolds (the "**Early Selection Criteria**"). Merck thereafter (taking into account but not being bound by the Early Selection Criteria) selected or shall select the Zymeworks Scaffolds disclosed by Zymeworks under **Section 3.2.1** that Merck desires for further testing and provided or shall provide Zymeworks with prompt Written Notice of each selected Zymeworks Scaffold, which upon Zymeworks' receipt of such Written Notice became or shall become an "**Initial Selected Scaffold**". The Initial Selected Scaffolds are set forth on Attachment 3.2.2.

3.2.3 Reiterative Process. The Parties anticipate that the selection of Zymeworks Scaffolds under the Agreement will be a reiterative process, which, over time, may enable better selection and modification of Zymeworks Scaffolds and incorporation of Zymeworks Scaffolds into Program Antibodies Directed To Merck Target Pairs other than those that include the […***…]. The Initial Selection Criteria, together with any new selection criteria against which to evaluate Zymeworks Scaffolds agreed to by the Parties in writing during the Term may be referred to herein as the "**Merck Selection Criteria**".

3.2.4 Merck Diligence. Merck shall use Commercially Reasonable Efforts to progress one or more Selected Scaffolds successfully through Activities 1.a through 2.a in the Work Plan (such Activities constituting, collectively, the "**Validation Phase**"; […***…] "[…***…]"). In doing so, Merck may use one or more Program Antibodies, regardless of whether Merck intends to further research or develop any such Program Antibodies.

3.2.5 Disclosure and Selection of Additional Zymeworks Scaffolds Prior to […*…].** At any time prior to the first Zymeworks Scaffold achieving […***…], Merck may request that Zymeworks disclose additional Zymeworks Scaffolds or Scaffold Modifications as a result of Merck's experience with the selection of Zymeworks Scaffolds under **Section 3.2.2** or as a result of related experience within Zymeworks that would lead Zymeworks, in its reasonable determination, to recommend certain Zymeworks Scaffolds. Zymeworks shall comply with Merck's request(s) and promptly disclose to Merck the Scaffold Package for all Zymeworks Scaffolds existing as of the date of such disclosure and meeting the Merck Selection Criteria, to the extent such Zymeworks Scaffolds were not previously disclosed to Merck. Subject to **Section 3.3.2**, Merck thereafter (taking into account but not being bound by the Merck Selection Criteria) may select Zymeworks Scaffolds disclosed by Zymeworks under this **Section 3.2.5** that Merck desires for further testing and shall provide Zymeworks with prompt Written Notice of each selected Zymeworks Scaffold, which upon Zymeworks' receipt of such Written Notice shall become an "**Additional Selected Scaffold**." Each (a) Initial Selected Scaffold and

Additional Selected Scaffold, and (b), solely with respect to Program Antibodies Directed To the Initial Targets, each Zymeworks Optimized Scaffold incorporated into such a Program Antibody pursuant to the Antibody Development Work Plan, may be referred to herein, individually, as a "**Selected Scaffold**" and, collectively, as the "**Selected Scaffolds**."

3.2.6 Limitation on Additional Selected Scaffolds. The Parties acknowledge and agree that the first Zymeworks Scaffold achieved […***…] prior to the Restatement Effective Date. Accordingly, and notwithstanding anything herein to the contrary, Zymeworks is not obligated to disclose to Merck any additional Zymeworks Scaffolds that were not disclosed prior to the Restatement Effective Date unless otherwise expressly set forth in the Antibody Development Work Plan or **Section 3.3.2** below, and the Zymeworks Scaffolds disclosed to Merck prior to the Restatement Effective Date or incorporated into Program Antibodies pursuant to the Antibody Development Work Plan are the only Zymeworks Scaffolds eligible to be or become Selected Scaffolds.

3.3 Remaining Activities after Achievement of Validation Phase Success.

3.3.1 General. Once […***…] has been achieved, Merck shall use Commercially Reasonable Efforts during the remainder of the Research Program Term to successfully progress at least […***…] Program Antibody through the remaining Activities (although Merck is free to progress as many Program Antibodies as it so desires).

3.3.2 Additional Scaffold Information. Zymeworks shall continue to disclose to Merck, from time to time during the period commencing with […***…] and ending upon the earlier to occur of (i) completion of the first […***…] for the first Program Antibody and (ii) […***…] from the first achievement of Activity 1.d, additional information regarding the advancement of any Selected Scaffold that is reasonably likely to be necessary or useful, as appreciated by Zymeworks at the time, in the development or commercialization of any Program Antibody or Product. Notwithstanding anything to the contrary herein, Merck shall have the right to select a maximum of […***…] Selected Scaffolds under this Agreement, unless otherwise agreed in writing by Zymeworks. The Parties recognize that, notwithstanding Zymeworks' compliance with the terms and conditions of this Agreement, it is possible that Zymeworks may generate a total number of Zymeworks Scaffolds that is less than […***…] Zymeworks Scaffolds.

3.3.3 […***…] **Scaffolds**. Via the SCC (as defined in **Section 3.12** below), Zymeworks shall provide Merck with Information, the scope of which shall correspond to the scope of Information included in a Scaffold Package, regarding any Zymeworks Scaffolds with […***…] that are Controlled by Zymeworks as of the Restatement Effective Date ("**Zymeworks** […***…] **Scaffolds**"), including existing relevant experimental data on antibodies containing such Zymeworks […***…] Scaffolds, without necessarily disclosing the Target(s) of the associated antibodies. Such Information will include intellectual property status, protein and DNA sequence information. The duration and timing for, and limitations on, the foregoing disclosure obligation shall be the same as are set forth in **Section 3.6** with respect to Scaffold Packages. For clarity, Zymeworks shall not be obligated to develop any such Zymeworks […***…] Scaffolds. Merck will have a non-exclusive right to incorporate these Zymeworks

[…***…] Scaffolds into Program Antibodies for development and commercialization in accordance with this Agreement.

3.4 Activities with Selected Scaffolds. Zymeworks singly, Merck singly, or both Parties jointly have the right to modify Selected Scaffolds under this Agreement (each, a "[…***…]"). Any […***…] made prior to the first achievement of Activity 1.d constitutes a "[…***…]" ([…***…]). Prior to achievement of the Validation Milestone Event, Merck shall notify Zymeworks of each […***…] made singly by Merck within […***…] of such modification. Merck has the right, both during and after the Research Program Term, to undertake activities (including modifications) with any or all Selected Scaffolds solely in furtherance of developing, manufacturing and commercializing Program Antibodies and Products in accordance with the licenses granted to Merck under **Section 2.1**, including incorporating Selected Scaffolds into Program Antibodies and modifying Selected Scaffolds and Program Antibodies containing any such Selected Scaffolds. Notwithstanding anything herein to the contrary, Merck shall not be permitted to (a) conduct such activities with respect to any Zymeworks Optimized Scaffolds or the Heavy-Light Chain Pairing Technology or (b) modify Zymeworks Optimized Scaffolds or the Heavy-Light Chain Pairing Technology pursuant to **Section 3.5** below, except in each case (a) and (b), solely for purposes developing, manufacturing and commercializing the Program Antibodies Directed To the Initial Targets and incorporating such Zymeworks Optimized Scaffold or Heavy-Light Chain Pairing Technology, as applicable, that are generated pursuant to the Antibody Development Work Plan.

3.5 Modifications to Program Antibodies. Zymeworks shall not make any modifications or changes to a Program Antibody separate from making […***…] to Zymeworks Scaffold(s) incorporated into a Program Antibody or as otherwise provided in writing in the Work Plan. Except as expressly set forth in **Section 3.5** (including with respect to limitations on Merck's use of the Zymeworks Optimized Scaffolds and the Heavy-Light Chain Pairing Technology), Merck may freely modify or improve a Program Antibody as Merck so desires during the Term, including making changes to Zymeworks Scaffolds incorporated therein (e.g., the […***…] may be modified, including changes to one or more amino acid which alters (i) […***…] or […***…], (ii) […***…] binding and/or (iii) […***…]), provided that, except as otherwise expressly set forth in this Agreement, no license under any Patent Rights of Zymeworks other than the Zymeworks Patent Rights shall be implied thereby.

3.6 Update of Scaffold Package Information. Until the earlier to occur of (i) completion of the first […***…] for the first Program Antibody and (ii) […***…] from the successful achievement of Activity 1.d and (iii) the Restatement Effective Date, Zymeworks shall from time-to-time but no less frequently than once every […***…] update the Scaffold Packages previously disclosed to Merck with any Information within the scope of such packages that was not previously disclosed to Merck. Effective as of the Restatement Effective Date and during the rest of the Term, Zymeworks shall provide written updates upon the availability of Information which Zymeworks believes would be necessary or useful to Merck in exercising the licenses granted under **Section 2.1** with respect to Scaffolds that are incorporated into the Program Antibodies. For clarity, if no such additional Information exists at the time for such update, Zymeworks shall so indicate.

3.6.1 Zymeworks, during the Term, shall independently provide Merck patent counsel with updates regarding the intellectual property status for each Zymeworks Scaffold that is incorporated into a Program Antibody and any Heavy-Light Chain Pairing Technology that is incorporated into a Program Antibody, which Zymeworks believes would be necessary or useful to Merck in exercising the licenses granted under **Section 2.1**.

3.7 Affiliates, Licensees and Third Party Contractors. Merck, in utilizing the services of its Affiliates, licensees and Third Party contractors under this Agreement, may sublicense its rights under this Agreement in accordance with **Section 2.1** and share Confidential Information with such Affiliates, licensees and Third Party contractors in furtherance of the Research Program and in undertaking development activities and commercialization under this Agreement, in each case in accordance with **Article 9**; provided, however, that Merck shall remain responsible for such performance of its Affiliates, licensees and Third Party contractors and shall cause such Affiliates, licensees and Third Party contractors to comply with the provisions of this Agreement in connection with such performance, including the provisions addressing confidentiality and non-use.

3.8 Research Expenses.

3.8.1 Zymeworks and Merck shall each bear all expenses associated with their respective duties under **Section 3** of this Agreement, except as expressly set forth below and further specified in **Attachment 3.8**, Budget and Payment Schedule, attached to this Agreement.

3.8.2 Subject to the payment provisions in this **Section 3.8**, Merck shall pay Zymeworks up to […***…] USD ($[…***…]) in accordance with the Budget and Payment Schedule set forth in **Attachment 3.8** for performance of Zymework's activities set forth in the Antibody Development Work Plan. Zymeworks shall be solely responsible for any amounts owed to Third Parties engaged by Zymeworks pursuant to Section 3.1.1(c).

3.8.3 To the extent that the amounts paid to Zymeworks for goods or services to be provided under this **Section 3.8** are subject to any sales, use, rental, personal property, value added or any other taxes, payment of said taxes is Zymeworks' responsibility, subject to any applicable exemption entitlement. Zymeworks shall be liable for any and all taxes on any and all income it receives from Merck under this **Section 3.8**.

3.8.4 All amounts invoiced pursuant to this **Section 3.8** shall be paid to Zymeworks within […***…] calendar days following receipt of such original invoice together with the following information: (i) the applicable purchase order number under which the service was performed, (ii) the amount due, (iii) the calculation of such amount due, and (iv) applicable supporting documentation. The purchase order number is required for payment. All invoices shall be directed as indicated in **Attachment 3.8** for payment. Merck shall have the right to make a reasonable request for additional information from Zymeworks for the purposes of determining the sufficiency of the service performed and the amount, and Zymeworks shall respond to such request promptly and reasonably. Merck may dispute any invoiced amount by providing written notice to Zymeworks within […***…] of receipt of the applicable invoice. Merck is not obligated to pay any invoiced amount that is the subject of a good faith dispute until

such dispute is resolved, provided that Merck pays any undisputed invoiced amount. Once an invoice dispute is resolved, the invoice shall be paid within […***…] calendar days of such resolution.

3.9 Records and Reports.

3.9.1 Records. Each Party shall maintain records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of intellectual property rights (including Patent Rights) in accordance with **Article 8** below, regarding its conduct of the Research Program after the applicable activity, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect all work done and results achieved by such Party in the performance of the Research Program.

3.9.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to **Section 3.9.1**, Merck shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records of Zymeworks referred to in **Section 3.9.1**, solely in furtherance of activities under this Agreement. Upon reasonable request, Zymeworks shall provide copies of the records described in **Section 3.9.1** maintained by Zymeworks to Merck, at Merck's expense. Merck shall have the right to arrange for its employee(s) and/or consultant(s) involved in the activities contemplated hereunder to visit the offices and laboratories of Zymeworks and any of its Third Party contractors during normal business hours and upon reasonable notice, and to discuss the Research Program work and its results in detail with the technical personnel and consultant(s); provided that any such visits shall occur no more frequently than once per Calendar Quarter.

3.10 Regulatory. Zymeworks shall cooperate with and provide reasonable assistance to Merck, at Merck's expense, in connection with filings with or before any Regulatory Authority under this Agreement relating to the Zymeworks Scaffolds in Program Antibodies and/or Products, including by executing any required documents, providing access to personnel and providing Merck with copies of requested Zymeworks Know-How and documents regarding Zymeworks Patent Rights and other Information that is necessary to support regulatory filings for Products in the Field in the Territory.

3.11 Relationship Liaison. As soon as practicable after the Effective Date, Merck and Zymeworks will each assign one (1) employee to serve as primary point of contact between the Parties with respect to matters under the Agreement (each a "**Relationship Liaison**"). Either Party, upon prior Written Notice to the other Party, may change its Relationship Liaison. Except for those Disputes that are subject to the purview of the SCC, prior to submitting any Dispute to the dispute resolution mechanism set forth in **Section 15.6**, the Relationship Liaisons shall attempt, for a period of […***…], to resolve such Dispute.

3.12 Scientific Coordination Committee. As of the Restatement Effective Date, the Parties have established a Scientific Coordination Committee (the "**SCC**") to facilitate the Research Program. The SCC shall be comprised of two (2) employees from Merck and two (2) employees from Zymeworks. (Either Party, however, at its discretion, may add a third employee

as a non-voting member.) Subject to the foregoing, each Party shall appoint its respective representatives to the SCC from time to time, and may substitute one (1) or more of its representatives, in its sole discretion, effective upon Written Notice to the other Party designating such change. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Program. One (1) of the members of the SCC appointed by Merck shall be designated the SCC Chair. The SCC Chair will be responsible for calling meetings of the SCC, circulating agenda and performing administrative tasks required to assure efficient operation of the SCC. The SCC shall be promptly disbanded upon achievement of Program Antibody Success.

3.12.1 SCC Meetings. The SCC shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once per Calendar Quarter until completion of Activity 2.a under the Work Plan; thereafter, the SCC shall meet no less frequently than once every […***…] until Program Antibody Success. The location for meetings shall alternate between Zymeworks and Merck facilities (or such other location as is determined by the SCC). Alternatively, the SCC may meet by means of teleconference, videoconference or other similar communications equipment. As appropriate, additional employees or consultants may from time to time attend the SCC meetings as nonvoting observers, subject to any such consultant's written agreement to comply with the confidentiality obligations under this Agreement and provided that no Third Party personnel may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the SCC meetings by its representatives. Each Party may also call for special meetings to resolve particular matters requested by such Party. The SCC Chair or his/her designee shall keep minutes of each SCC meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. Merck shall send meeting minutes to all members of the SCC promptly after a meeting for review. Each member shall have […***…] days from receipt in which to comment on and to approve the minutes (such approval not to be unreasonably withheld, delayed or conditioned). If a member, within such time period, does not notify Merck that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member.

3.12.2 SCC Functions. The SCC's responsibilities with respect to the Research Program are as follows:

(a) Facilitating the exchange of Know-How and Inventions as required hereunder;

(b) Periodically reviewing the progress of the Research Program;

(c) Subject to **Section 3.1**, updating or modifying the Work Plan and the Antibody Development Work Plan in writing, and proposing corresponding changes to the Budget and Payment Schedule as necessary;

(d) Reviewing the selection of Zymeworks Scaffolds as Selected Scaffolds;

(e) Discussing potential additional Information for inclusion within the Scaffold Packages, provided that inclusion of such information would require mutual written agreement of the Parties;

(f) Serving as a forum, until achievement of Activity 1.d, for discussion of […***…];

(g) Serving as a forum for selection of the first […***…] Merck Targets, if selected, and the Merck Sequence Pairs;

(h) Determining, until such time that the SCC is disbanded, whether Milestone Events under the Agreement have been achieved. Thereafter, Merck will determine whether Milestones Events have been achieved, subject to Zymeworks' right to dispute such determination as set forth herein.

From and after the disbanding of the SCC and except as otherwise provided in this **Section 3.12.2**, the roles of the SCC will be performed by the Relationship Liaisons or their designees.

3.12.3 SCC Disputes. The SCC will act by unanimous vote, with each voting member of Merck and Zymeworks having one vote. If agreement is not reached by such representatives pursuant to such vote, then the matter may be escalated by either Party to designated officers of both Merck and Zymeworks with appropriate decision making authority for resolution in accordance with **Section 15.6**. In the event the designated officers are unable to resolve the issue within […***…] days, Merck has and shall have the right to make the final decision with respect to such dispute, provided that Merck will not have the right to revise the Work Plan or Antibody Development Work Plan except as set forth in **Section 3.1** or to obligate Zymeworks to perform any task outside of or beyond its obligations under this Agreement. For clarity and notwithstanding the creation of the SCC, each Party shall retain the rights, powers and discretion granted to it hereunder, and the SCC shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The SCC shall not have the power to amend, waive or modify any term of this Agreement, and no decision of the SSC shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the SCC are only those specific issues that are expressly provided in this Agreement to be decided by the SCC.

3.13 Development and Commercialization by Merck. Subject to **Section 3.10**, Merck is solely responsible, at its sole discretion and expense, for all aspects of development, manufacture and commercialization of Program Antibodies and Products in the Field in the Territory, including planning and implementation. Notwithstanding anything herein to the contrary, Merck is solely responsible for preparing, filing, prosecuting and maintaining all applications for Marketing Authorizations and any other necessary licenses, permits, authorizations and approvals (or waivers) required by any Regulatory Authority for the use, promotion, import, export, manufacture, sale, distribution and commercialization of Program

Antibodies and Products in the Field in the Territory. Merck shall have the sole right to determine all pricing of Products in the Territory.

4. TARGET AND SEQUENCE PAIR SELECTION AND PRODUCT LIMITATIONS

4.1 Merck Sequence Pairs; Definitions. Subject to Merck's ability to swap out Sequence Pairs and Target pairs in accordance with **Section 4.3.5**, Merck shall have the right to select, in accordance with this **Article 4** and during the Research Program Term, up to […***…] Merck Sequence Pairs that it may direct Zymeworks to incorporate into Program Antibodies, and such Merck Sequence Pairs may be Directed To a total of not more than […***…] Merck Target Pairs. To designate a Sequence Pair as a Merck Sequence Pair, Merck shall provide Zymeworks with written notice of such Sequence Pair, setting forth the Sequences included in such Sequence Pair and the Target(s) To which they are Directed, and requesting that such Sequence Pair be submitted to gatekeeping. Each designated Sequence Pair shall be subject to gatekeeping pursuant to **Section 4.3** below, and if a designated Sequence Pair is available in accordance with such gatekeeping, it shall become a "**Merck Sequence Pair**." Each Merck Sequence Pair shall be subject to the exclusivity set forth in **Section 5.2** below. For clarity, Merck may submit more than […***…] Sequence Pairs for consideration as potential Merck Sequence Pairs during the Research Program Term. For purposes of this Agreement, "**Sequence**" means an antibody nucleic acid or amino acid sequence corresponding only to the […***…] that is Directed To […***…]; "**Sequence Pair**" means a pair of Sequences, each of which is Directed To a […***…]; and "**Merck Target Pair**" means the […***…] or a […***…] To which a Merck Sequence Pair is Directed.

4.2 Initial Targets and Sequence Pairs.

4.2.1 Prior to the Restatement Effective Date, Merck notified Zymeworks in writing of Merck's selection of the first […***…] exclusive Targets To which Program Antibodies and Products may be Directed (i.e., the first […***…] exclusive Targets to which Merck may develop and commercialize Program Antibodies and Products). Under Section 5.2 these first […***…] Targets, […***…] (each, an "**Initial Target**"), were subject to exclusivity prior to the Restatement Effective Date. In addition, prior to the Restatement Effective Date, Merck notified Zymeworks in writing of Merck's selection of the following Targets: […***…] (collectively, the "**Other Targets**"). As of the Restatement Effective Date, Merck shall no longer have any exclusivity with respect to the Initial Targets or the Other Targets, except to the extent set forth in **Section 5.4** with respect to the Initial Targets. Zymeworks, during the Research Program Term, will generate Program Antibodies incorporating […***…] Merck Sequence Pair(s) Directed To Merck Target Pairs that include […***…] and […***…] Merck Sequence Pair Directed To a Merck Target Pair that includes […***…], in accordance with the Antibody Development Work Plan and **Section 3.1.1**; provided that, subject to **Section 4.1**, the Antibody Development Work Plan, including the number of Merck Sequence Pairs set forth above, may be amended from time to time upon mutual written agreement of the Parties. The Program Antibodies resulting from the Antibody Development Work Plan shall comprise all Program Antibodies Directed To the Initial Targets, and Merck shall not generate additional Program Antibodies Directed To the Initial Targets outside of the Antibody Development Work Plan. For clarity, the Merck Sequence Pairs that are subject to the Antibody Development Work

Plan shall represent […***…] of the […***…] permitted Merck Sequence Pairs, unless and until swapped for other Merck Sequence Pairs as set forth below.

4.2.2 Initial Target Sequence Pair Selection. Subject to **Sections 4.1 and 4.3**, Merck will not be limited with respect to which Sequence Pairs it may select as Merck Sequence Pairs Directed To Merck Target Pairs including each Initial Target (each, an "**Initial Target Sequence Pair**"), during the Research Program Term. Accordingly, during Research Program Term, Merck has the right, subject to **Section 4.3.1** (a) to select any Sequence Pair (or modified derivative thereof) as an Initial Target Sequence Pair, (b) to substitute a different Sequence Pair for any Initial Target Sequence Pair, and (c) to request Zymeworks to design, produce and optimize such additional Multi-Specific Antibodies based on such Initial Target Sequence Pairs utilizing the Zymeworks Platform or the Expanded Zymeworks Technology pursuant to this Agreement. During the Research Program Term, Zymeworks will refrain from internally developing products Directed To the Merck Target Pairs that include […***…].

4.3 Target and Sequence Selection Limitations.

4.3.1 As of the Restatement Effective Date, Merck may select any Sequence Pair as a Merck Sequence Pair provided that, at the time that Merck notifies Zymeworks of the selection of such Sequence Pair, Zymeworks is not, as of the date Zymeworks receives such Written Notice from Merck,

(a) contractually obligated to grant, or has not granted, to a Third Party rights with respect to products incorporating such Sequence Pair or exclusive rights with respect to products Directed To the Target or Target pair To which such Sequence Pair is Directed;

(b) actively and in good faith engaged in negotiations with a Third Party regarding the development or commercialization of products incorporating such Sequence Pair or exclusive rights with respect to the development or commercialization of products Directed To the Target or Target pair To which such Sequence Pair is Directed […***…]; or

(c) subject to **Sections 4.2.2 and 5.4**, […***…] on its own behalf regarding the development or commercialization of products incorporating such Sequence Pair or […***…] (as evidenced by documented […***…])) (each such Sequence, a "**Zymeworks Sequence Pair**").

4.3.2 Within […***…] Business days of Zymeworks' receipt of Merck's Written Notice with respect to each Sequence Pair that Merck proposes to select under **Section 4.1 or 4.2**, Zymeworks shall provide Merck with Written Notice if such proposed Merck Sequence Pair is unavailable for any of the reasons set forth in **Section 4.3.1**, and the basis for the unavailability. If any such Sequence Pair is so unavailable, Merck may propose another Merck Sequence Pair, subject to **Section 4.3** and the process set forth therein.

4.3.3 Notwithstanding the foregoing, in the event that Merck proposes to select, as a Merck Sequence Pair, a Sequence Pair that is a Zymeworks Sequence Pair and,

notwithstanding such awareness, Merck desires that such Zymeworks Sequence Pair become a Merck Sequence Pair, then the Parties shall negotiate in good faith to reach commercially reasonable terms pursuant to which such Zymeworks Sequence Pair would become a Merck Sequence Pair.

4.3.4 Sequences Pairs selected by Merck and not unavailable constitute Merck Sequences Pairs and are subject to exclusivity as set forth in **Section 5.2**.

4.3.5 Merck may research, develop and commercialize up to three (3) Products (excluding Second Generation Products) incorporating no more than […***…] Merck Sequence Pairs and Directed To no more than […***…] Merck Target Pairs. However, to test feasibility and biological relevance of Sequence Pairs in conjunction with Zymeworks Scaffolds, Merck may undertake research and development (but no commercial activities) with respect to antibodies incorporating Zymeworks Scaffolds incorporating more than […***…] Merck Sequence Pairs; provided that, as set forth in Section 4.1, at any given time no more than […***…] Sequence Pairs may be designated as Merck Sequence Pairs. Moreover, if the development of a Program Antibody incorporating a particular Merck Sequence Pair is terminated prior to the achievement of Development Milestone Event 1 with respect to the Product incorporating such Program Antibody, Merck may select a replacement Merck Sequence Pair for the Merck Sequence Pair incorporated into such Program Antibody by providing Written Notice to Zymeworks and subject to this **Section 4.3** (and, upon such substitution (a) the dropped Merck Sequence Pair shall no longer constitute a Merck Sequence Pair, (b) the replacement Sequence Pair shall be a Merck Sequence Pair, and (c) the number of Merck Sequence Pairs selected by Merck, and the number of Merck Target Pairs To which Merck Sequence Pairs are Directed shall not therefore have increased).

5. EXCLUSIVITY

5.1 General. From the Effective Date until the earlier of (i) […***…] after the date that Merck pays Zymeworks for achievement of […***…] in **Section 6.1** and (ii) the date […***…] months after the Effective Date (such time period constituting the **"**[…***…]**"**), Zymeworks and its Affiliates shall not: (a) undertake activities on any Zymeworks Scaffolds or Multi-Specific Antibodies that incorporate a Zymeworks Scaffold; and/or (b) work with or grant any license, access or other rights to any Third Party with respect to any (i) Zymeworks Scaffolds or Multi-Specific Antibodies that incorporate a Zymeworks Scaffold and (ii) Zymeworks Patent Rights and Zymeworks Know-How with respect to such scaffolds and antibodies, except as necessary for Zymeworks to undertake its obligations under the Agreement. For clarity, the […***…] expired prior to the Restatement Effective Date, and the foregoing exclusivity and the limitations set forth below on internal research activities are of no further force or effect.

5.1.1 Exclusions. Notwithstanding anything in **Section 2.1** or **Section 5.1** to the contrary, Zymeworks, during the […***…], may undertake internal research activities (i.e. activities which Zymeworks is undertaking solely on its own behalf) on antibodies, provided that Zymeworks does not initiate internal research activities on a Multi-Specific Antibody which, at the time such activities are initiated, is […***…], and (b) Zymeworks, during the […***…], does

not initiate […***…] with respect to any […***…] that incorporates one or more Zymeworks Scaffolds on which it undertook such research activities (regardless of whether any such Multi-Specific Antibody is […***…]). For clarity, Zymeworks may engage contractors to perform its activities on its behalf pursuant to this **Section 5.1.1**.

5.2 Sequence Pair Exclusivity. During the Research Program Term, Zymeworks will grant Merck exclusivity with respect to Merck Sequence Pairs as set forth in this **Section 5.2** and subject to **Section 5.3** and **5.4**. For clarity, as of the Restatement Effective Date, Merck is not granted any Target level or Merck Target Pair level exclusivity pursuant to this Agreement and any such Target or […***…] level exclusivities granted under the Original Agreement are hereby terminated as of the Restatement Effective Date. Unless expressly permitted otherwise under this Agreement, Zymeworks and its Affiliates, during the Term, (a) shall not grant any Third Party rights (by license grant or otherwise) to research, develop, manufacture or commercialize any antibody, antibody analogue or product generated using a Merck Sequence Pair, in each case which incorporates a Zymeworks Scaffold; and (b) shall not grant any Third Party any license or other right to use any Zymeworks Scaffold or grant any license or other rights to any Third Party to use Patent Rights and/or Know-How Controlled by Zymeworks, in either case to undertake any activities (e.g., research, develop, manufacture and commercialize) with respect to any Multi-Specific Antibody generated using a Merck Sequence Pair which incorporates a Zymeworks Scaffold, or product which incorporates such a Multi-Specific Antibody. For clarity, the preceding (x) precludes Zymeworks and its Affiliates, directly or through any Third Party under an agreement with Zymeworks (or a Zymeworks Affiliate) from researching, developing, manufacturing and commercializing any antibody, antibody analogue or product generated using a Merck Sequence Pair and incorporating a Zymeworks Scaffold, (y) precludes Zymeworks from granting licenses to Third Parties to develop, manufacture or commercialize Antibodies or products based on a […***…] that is the Confidential Information of Merck, and (z) is in addition to Zymeworks' confidentiality obligations to Merck set forth in this Agreement. For clarity, the Merck Sequence Pair level exclusivity set forth in this **Section 5.2** shall apply to Merck Sequence Pairs incorporated into the Program Antibodies designed, produced and optimized by Merck and/or Zymeworks for Merck pursuant to the Antibody Development Work Plan (including proof-of-concept Antibodies and lead Antibodies); subject to Merck's right to swap out the applicable Merck Sequence Pair as provided in Section 4.3.5.

5.3 Additional Exclusivity Exception. Notwithstanding anything in **Sections 5.2** or **5.4** to the contrary and without limiting any other rights retained by Zymeworks, Merck agrees that Zymeworks may research, develop, manufacture and commercialize Multi-Specific Antibodies (including those that incorporate Selected Scaffolds) itself or through Affiliates or Third Parties that are Directed To Target pairs (a) […***…] and […***…] or (b) […***…] and […***…] (each, an "**Allowed Target Pair**"), and any product incorporating such Multi-Specific Antibodies without any ongoing obligation to Merck, by itself or with a Third Party; provided that the following terms are met:

5.3.1 Zymeworks shall, via the SCC, provide Merck with a list of completed, ongoing and planned (through to IND-enablement) experiments conducted by or on behalf of Zymeworks with Multi-Specific Antibodies which incorporate a Zymeworks Scaffold and are Directed To an Allowed Target Pair (the "**Allowed Target Pairs Experiments**"). For clarity,

experiments conducted by a licensee of Zymeworks are not conducted on behalf of Zymeworks. Zymeworks will use good faith, commercially reasonable efforts to obtain the right to provide Merck with data from the […***…] arm of experiments conducted by Zymeworks' licensees with Multi-Specific Antibodies which incorporate a Zymeworks Scaffold and are Directed To either Allowed Target Pairs within the scope, and for the purposes, described in **Section 5.3.2** below; provided that if, despite such good faith, commercially reasonable efforts, Zymeworks is unable to obtain such rights, Zymeworks shall not be deemed to be in breach of this **Section 5.3.1**.

5.3.2 Via the SCC, Zymeworks shall provide Merck with data from the Allowed Target Pairs Experiments promptly after it becomes available to Zymeworks. This data sharing will consist of, at a minimum, (i) Scaffold Packages concerning the Allowed Target Pairs, (ii) assay protocols related to the […***…] arm of the Allowed Target Pairs Experiments, (iii) parenteral and humanized […***…] sequences and characterization (DNA and protein), including any […***…] light-chain pairings; (iv) construct design (e.g. scFv-Fc, scFv-Fab-Fc, Fab-Fc, other); (v) anti-[…***…] binding affinity (to […***…] target as appropriate); (vi) Tm of the isolate anti-[…***…] or the anti-[…***…] arm of such Multi-Specific Antibody (vii) expression titer; and (viii) post-protein A % HMW aggregate. Merck shall only use the data disclosed pursuant to this **Section 5.3.2**, on a non-exclusive basis, in the course of its internal research and development activities, as well as its development and commercialization of the Program Antibodies pursuant to the licenses granted to Merck in **Section 2.1**. For clarity, the use of such data or any intellectual property rights therein by Merck in the further development or commercialization of products outside of the scope of the licenses granted in **Section 2.1** would be the subject of a separate agreement between the Parties.

5.4 Initial Target Exclusivity. Zymeworks has the right to grant exclusive or non-exclusive licenses under the Zymeworks Intellectual Property to Third Parties with respect to products containing Antibodies Directed To either Initial Target (alone or as a bi-specific); provided that Zymeworks shall not grant an exclusive license under the Zymeworks Intellectual Property to research, develop, manufacture or commercialize Antibodies Directed To any Target pair that includes […***…] or […***…] (other than […***…] or […***…], which are subject to **Section 5.3** above) until the earlier of (a) […***…] and (b) the date of the […***…], as applicable. For clarity, after the […***…], Zymeworks will have the right to grant an exclusive license under the Zymeworks Intellectual Property to research, develop, manufacture or commercialize Antibodies Directed To any Target pair that includes […***…], subject to the Merck Sequence Pair exclusivities granted to Merck pursuant to **Section 5.2** above, if any. Similarly, after the […***…], Zymeworks will have the right to grant an exclusive license under the Zymeworks Intellectual Property to research, develop, manufacture or commercialize Antibodies Directed To any Target pair that includes […***…], subject to the Merck Sequence Pair exclusivities granted to Merck pursuant to **Section 5.2** above, if any.

6. FINANCIAL PROVISIONS

6.1 Upfront Payment. In consideration of Zymeworks' granting of the licenses and rights to Merck and Zymeworks' undertaking of the activities required under this Agreement, Merck shall pay to Zymeworks a one-time upfront payment of One Million, Two Hundred and Fifty Thousand US dollars (**USD $1,250,000**) within […***…] Business Days following the Effective Date.

6.2 Milestone Payments. Within […***…] days after the achievement of a milestone event under **Section 6.2.1**, **Section 6.2.2**, **Section 6.2.3**, **Section 6.2.4** and **Section 6.2.5** (each, a "**Milestone Event**"), Merck shall make the corresponding milestone payment (each, a "**Milestone Payment**"):

6.2.1 Research Milestones.

Research Success Milestone Events	Milestone Payments
1. […***…]	**USD $2.0 Million**
2. […***…]	**USD $1.5 Million**

6.2.2 IND Enabling Milestone.

IND Milestone Event	Milestone Payment
1. […***…]	**USD $**[…***…]

6.2.3 Development Milestones.

Development Milestone Events	Milestone Payments
1. […***…]	**USD $**[…***…]
2. […***…]	**USD $[…***…]**
3. […***…]	**USD $[…***…]**
4. […***…]	**USD $[…***…]**

6.2.4 Commercial Milestones.

Commercial Milestone Events	Milestone Payments
1. […***…]	**USD $**[…***…]
2. […***…]	**USD $**[…***…]
3. […***…]	**USD $**[…***…]

6.2.5 Second Generation Milestones.

Second Generation Milestone Events	Milestone Payments
1. […***…]	**USD $**[…***…]
2. […***…]	**USD $**[…***…]

3. […***…]	**USD $**[…***…]
4. […***…]	**USD $**[…***…]

6.2.6 Each Milestone Payment associated with a Research Milestone Event is payable […***…]. Subject to **Section 6.2.6(a)**, each Milestone Payment associated with the IND Milestone Event and each Development Milestone Event and each Commercial Milestone Event is payable […***…]. Each Milestone Payment associated with a Second Generation Milestone Event is payable […***…].

(a) For clarity, (i) Milestone Payments associated with the IND Milestone Event and each Development Milestone Event may be paid no more than […***…] times during the Term, (ii) First Commercial Sale in a Major Market under **Section 6.2.4** and **Section 6.2.5** means that there has been a First Commercial Sale of the Product in all of the countries that make up the Major Market, (iii) the IND Enabling Milestone Payments, the Development Milestone Payments and the Commercial Milestone Payments are not payable for a Second Generation Product and (iv) the Second Generation Milestone Payments are not payable for a Product that is not a Second Generation Product.

6.2.7 Suspended Product. Notwithstanding the preceding, if (a) development of a Product ceases or is indefinitely suspended after a Milestone Payment is made with respect to such Product or (b) commercialization of a Product ceases or is indefinitely suspended for safety reasons (each such Product constituting a "**Suspended Product**"), then Merck shall only make Milestone Payments on the first subsequent developed Product (regardless of whether such later developed Product is Directed To the same Merck Target Pair To which the Suspended Product was Directed) to achieve Milestone Events after the last Milestone Event achieved by the Suspended Product. For purposes of clarity, if the development of a Product that has triggered any Milestone Payments is discontinued (so that that Product constitutes a Suspended Product), and Merck subsequently develops any later Product, Merck shall be required to pay only those Milestone Payments with respect to the first such subsequent Product that achieves Milestone Events that were not achieved and paid for the Suspended Product.

(a) By way of first example, a Product ("**Product No. 1**") achieves all Milestone Events up to and including Development Milestone Event 1 and Merck pays the associated Milestone Payments. Thereafter, Product No. 1 became a Suspended Product. Subsequently, the next Product ("**Product No. 2**") achieves all Milestones up to and including Development Milestone Event 1. Merck would not pay any of the Milestone Payments for Product No. 2 until such time that Product No. 2 achieves a Milestone Event subsequent to achieving Development Milestone Event 1.

(b) By way of second example, a Product ("**Product No. 1**") achieves all Milestone Events up to and including Development Milestone Event 1 and Merck pays the associated Milestone Payments. Thereafter, Product No. 1 became a Suspended Product. Subsequently, the next Product ("**Product No. 2**") achieves all Milestones up to and including the IND Milestone Event and then becomes a Suspended Product. Thereafter, the next Product

("**Product No. 3**") achieves all Milestone Events up to and including Development Milestone Event 1. Merck would not pay any of the Milestone Payments for Product No. 2 since the Milestone Events that it achieved had already been achieved and the associated Milestone Payments paid for with respect to Product No. 1. Moreover, since Product No. 2 had itself become a Suspended Product, it would not be until such time that Product No. 3 achieved a Milestone Event subsequent to achieving Development Milestone Event 1 that Merck would pay the associated Milestone Payment because Merck had already paid the Milestone Payments for Product No. 1 up to and including the Milestone Payment associated with achievement of Development Milestone Event 1.

6.3 Royalties.

6.3.1 Patent Royalty Payments. Merck shall pay Zymeworks a royalty (each such royalty payment under this **Section 6.3.1** and **Section 6.3.2** constituting a "**Royalty**") on Net Sales of each Product in each country in the Territory where, were it not for a license granted to Merck under **Article 2**, the sale of such Product in a country would infringe a Valid Patent Claim, at the following rates (which are a percentage of Net Sales).

Calendar Year worldwide Net Sales of Each Product	Royalty Rate
USD $[…***…] to USD $[…***…]	[…***…]%
Above USD $[…***…] to USD $[…***…]	[…***…]%
Above USD $[…***…]	[…***…]%

6.3.2 Know-How Royalty Rates. If the sale of a Product, as applicable, is not covered by a Valid Patent Claim in a country in the Territory in which it is sold, Merck shall pay Zymeworks Royalties at […***…] percent ([…***…]%) of the applicable Royalty rates specified in **Section 6.3** for a period commencing on the date of First Commercial Sale of such Product in such country and expiring […***…] years after the First Commercial Sale in such country.

6.3.3 One Royalty; Samples. Only one Royalty shall be due with respect to the same unit of Product. Annual Net Sales of a Product, for purposes of determining the payment of Royalties, shall not be aggregated with the annual Net Sales of any other Product. No Royalties shall accrue on the disposition of Product in reasonable quantities by Merck or its Related Parties as […***…] or as […***…].

6.3.4 Royalty Offset. The foregoing Royalties with respect to sales of a Product in a country in the Territory shall be reduced by […***…] percent ([…***…]%) of any royalties or other payments owed by Merck or its Related Party making such sales, as applicable, to Third Parties, directly or indirectly, for the use of or rights to Patent Rights controlled by one or more Third Parties that, in Merck's reasonable opinion, cover one or more Zymeworks Scaffolds incorporated in such Product (or cover uses of such Zymeworks Scaffold(s)) in such country, provided, however, that Royalties payable to Zymeworks under this **Section 6.3** shall

not be reduced to less than […***…] percent ([…***…]%) of the Royalties otherwise payable to Zymeworks with respect to sales of such Product in such country.

6.3.5 Compulsory Licenses. If Merck or a Related Party, as a condition of obtaining or maintaining Marketing Authorization for a Product in a country in the Territory, is required by a government authority to grant a compulsory license to a Third Party with respect to such Product in the Field in such country, and the royalty rate under such compulsory license is lower than the Royalty Rate provided under **Section 6.3.1** or **Section 6.3.2** (as the case may be), then the Royalty Rate to be paid by Merck on Net Sales by such compulsory licensee in that country under **Section 6.3.1** or **Section 6.3.2** will be reduced to the […***…] for so long as such compulsory license continues in effect.

6.3.6 Change in Sales Practices. The Parties acknowledge that during the Term, Merck's sales practices for the marketing and distribution of Product may change to the extent to which the calculation of the payment for Royalties on Net Sales may become impractical or even impossible. In such event the Parties agree to meet and discuss in good faith new ways of compensating Zymeworks to the extent currently contemplated under **Section 6.3**.

6.4 Payment for Additional Work by Zymeworks. If, after the IND Milestone Event is first achieved for the first Program Antibody, Merck requests that Zymeworks undertakes additional work (a) as set forth in **Section 3.10** or (b) in order to obtain scientifically and commercially viable Product, and, in the case of (b) only, subject to Zymeworks having sufficient resources and personnel to address Merck's request, then Merck shall compensate Zymeworks for such work actually performed by Zymeworks scientists at the FTE rate of **USD $**[…***…]. The FTE rate shall be subject to annual increases not to exceed the consumer price index for such Calendar Year as reported by Statistics Canada for such Calendar Year. Before initiating such work, Zymeworks shall provide Merck with a proposal (which includes a budget, total cost for the proposed work and detailed work plan) and obtain Merck's written approval thereof. After initiating the work, Zymeworks shall periodically submit to Merck invoices, along with appropriate documentation demonstrating work completed to Merck's reasonable satisfaction. The documentation shall include, among other things, the type and extent of work performed and the amount of time spent by Zymeworks personnel undertaking such work. Merck shall compensate Zymeworks within […***…] days of receipt of such invoice.

6.5 Milestone Payments and Royalties Associated with Zymeworks Scaffolds. For clarity, even if a Selected Scaffold contains a […***…] where the […***…] is Controlled by Merck, the underlying Selected Scaffold still constitutes a Selected Scaffold under this Agreement (notwithstanding the fact that Merck Controls the […***…]). In the event that Zymeworks would have received a Milestone Payment or Royalty under this Agreement for Merck's use of the Selected Scaffold even if the Zymeworks Scaffold had not contained the […***…] Controlled by Merck, then Zymeworks shall be entitled to such payment even if the Selected Scaffold contains such […***…].

7. REPORTS AND PAYMENT TERMS FOR MILESTONES AND ROYALTIES

7.1 Payment Terms for Milestone and Royalties.

7.1.1 Within […***…] days of the SCC determining (as reflected in its minutes) that Research Milestone Event 1 or Research Milestone Event 2, respectively, has been achieved, Merck shall pay to Zymeworks the corresponding Milestone Payment. Merck shall provide Zymeworks with Written Notice of the achievement of each other Milestone Event (that is, Milestone Events after Research Milestone Event 1 and Research Milestone Event 2) within […***…] days thereafter and make the corresponding Milestone Payment within […***…] days after achievement of the Milestone Event.

7.1.2 During the Term, following the First Commercial Sale of a Product, Merck shall furnish to Zymeworks a quarterly written report for the Calendar Quarter showing the Net Sales of all Products sold by Merck and its Related Parties during the reporting Calendar Quarter and the Royalties payable under this Agreement in sufficient detail to allow Zymeworks to verify the amount of Royalties paid by Merck with respect to such Calendar Quarter, including, on a country-by-country basis, the number of each Product sold, the Net Sales of each Product, and the Royalties (in US dollars) payable with respect to each Product and in total. Reports shall be due no later than […***…] days following the end of each Calendar Quarter. Royalties shown to have accrued by each report provided under this **Section 7.1.2** shall be due and payable on the date such report is due. For clarity, each report provided by Merck shall constitute Merck Confidential Information.

7.1.3 Except as otherwise provided herein, amounts shall be due and payable within […***…] days of receipt of invoice therefor.

7.2 Royalty Term. Royalties shall be payable on a Product-by-Product and country-by-country basis until no longer required as set forth under this Agreement ("**Royalty Term**"). Following the Royalty Term on a Product-by-Product and country-by-country basis, Merck's licenses with respect to such Product in such country shall continue as set forth in **Section 11.1.2**.

7.3 Payment Exchange Rate. All payments to be made by Merck to Zymeworks under this Agreement shall be made in United States dollars. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to Merck. In the case of sales outside the United States, the rate of exchange to be used in computing the monthly amount of currency equivalent in United States dollars due Zymeworks shall be made at the monthly rate of exchange utilized by Merck in its worldwide accounting system, prevailing on the third to the last Business Day of the month preceding the month in which such sales are recorded by Merck.

7.4 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this **Section 7.4**, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon any payments made by Merck to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws, rules or regulations

require the withholding of Taxes, Merck shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. Merck shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. Merck shall provide Zymeworks reasonable assistance in order to allow Zymeworks to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments.

7.5 Records and Audit Rights.

7.5.1 Records. Merck will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Royalties. Each Party will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail to allow the other Party to confirm those expenses incurred by the first Party and its Related Parties for which the other Party is obligated to pay under this Agreement. Each Party will keep such books and records for at least […***…] years following the end of the Calendar Year to which they pertain.

7.5.2 Audit Rights. Each Party shall have the right for a period of […***…] after the latter of the date when expenses were incurred or payments made under this Agreement (the "**Expenses and Payments**") to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") reasonably acceptable to the other Party to inspect or audit the relevant records of the other Party and its Affiliates to verify that the amount of such payments or expenses were correctly determined. The Audited Party and its Related Parties shall each make its records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from the Auditing Party, solely to verify the Expenses and Payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by the Auditing Party more than once in any Calendar Year and may cover a period ending not more than […***…] prior to the date of such request. All records made available for inspection or audit shall be deemed to be Confidential Information of the Audited Party. The results of each inspection or audit, if any, shall be binding on both Parties. In the event there was an error in the amount of Expenses and Payments reported by the Audited Party hereunder, (a) if the amount of Expenses and Payments was over reported, the Party that received the overpayment shall promptly (but in any event no later than […***…] days after the Audited Party's receipt of the Accounting Firm's report so concluding) make payment to the other Party of the over reported amount, and (b) if the amount of Expenses and Payments was underreported, the Party that owes the additional payment (but in any event no later than […***…] days after the Auditing Party's receipt of the Accounting Firm's report so concluding) make payment to the other Party of the underreported amount. The Auditing Party shall bear the full cost of such audit unless such audit discloses an over reporting by the Audited Party of more than the greater of (a) […***…] percent ([…***…]%) of the aggregate amount of the Expenses and Payments reportable in any Calendar Year, and (b) USD $[…***…], in which case the Audited Party shall reimburse the Auditing Party for all costs incurred by the Auditing Party in connection with such inspection or audit.

(a) The Accounting Firm will disclose to the Auditing Party only whether the Expenses and Payments are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to the Auditing Party without the prior consent of the Audited Party unless disclosure is required by Applicable Laws or judicial order. The Audited Party is entitled to require the Accounting Firm to execute a reasonable confidentiality agreement prior to commencing any such audit. The Accounting Firm shall provide a copy of its report and findings to the Audited Party.

(b) Upon the expiration of […***…] following the end of any Calendar Year, the calculation of Royalties payable with respect to such Calendar Year will be binding and conclusive upon both Parties, and the other Party will be released from any liability or accountability with respect to Expenses and Payments for such Calendar Year.

7.6 Other. Notwithstanding any other provision of this Agreement, if at any time legal restrictions prevent the prompt remittance of part or all of the payments required hereunder in any country, payment shall be made through such lawful means or methods as the receiving Party may reasonably determine.

8. INTELLECTUAL PROPERTY RIGHTS

8.1 Ownership of Inventions.

8.1.1 Ownership of all Inventions, including Patent Rights and other intellectual property rights covering such Inventions, shall be as set forth in this **Article 8**. Determination of inventorship of Inventions shall be made in accordance with US laws. Each Party will continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or created or obtained outside the scope of this Agreement, or which it licenses to the other Party under this Agreement. All Inventions arising from the Agreement shall be owned by the inventing Party or Parties. Inventions that are made solely by Zymeworks (and the Patent Rights claiming them) shall be owned solely by Zymeworks, and Inventions that are made solely by Merck (and the Patent Rights claiming them) shall be owned solely by Merck. Joint Inventions (and the Patent Rights claiming them) shall be owned jointly by the Parties. Subject to **Article 2**, **Article 5** and **Article 12**, each Party has the right to grant licenses under such Joint Inventions (and the Patent Rights claiming them) to any Third Party without the consent of, or accounting to, the other Party.

8.1.2 Merck has the right (and nothing in this Agreement shall limit Merck's right) to file patent applications disclosing and claiming Program Antibodies comprising Selected Scaffolds disclosed to Merck.

8.2 Patent Prosecution and Maintenance.

8.2.1 Definitions. As used herein, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

8.2.2 Zymeworks Patent Rights.

(a) Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks shall keep Merck reasonably advised with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights and, upon Merck's request, shall provide advance copies of submissions to any patent office related to the filing, prosecution and maintenance of such patent filings. Zymeworks shall promptly give Written Notice to Merck of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Patent Rights licensed to Merck under this Agreement.

(b) Zymeworks may elect not to file or to cease prosecution and/or maintenance of Zymeworks Patent Rights on a country-by-country basis, and if so, Zymeworks shall give timely Written Notice to Merck. In such event, Merck may by providing Written Notice to Zymeworks and at Merck's option, direct Zymeworks to file or to continue prosecution or maintenance of such Zymeworks Patent Rights at Merck's expense (unless Third Parties also have a license in such Zymeworks Patent Rights, in which case Merck shall only pay a percentage of such costs based on the number of such licenses (for example, if […***…] Third Parties also have a license, then Merck would only pay […***…] of the costs)). Zymeworks shall use reasonable efforts to comply with such direction and promptly provide Merck with copies of the prosecution bills. Merck shall have the right to offset all amounts paid to Zymeworks under this **Section 8.2.2(b)** against (i) Royalties payable to Zymeworks under **Section 6.3.1** and, in the event that there is insufficient offset under (i), then (ii) Royalties payable to Zymeworks under **Section 6.3.2**, but only […***…] percent ([…***…]%) of amounts paid to Zymeworks under this **Section 8.2.2(b)** may be offset against Royalties payable to Zymeworks under **Section 6.3.2**.

8.2.3 Patent Rights Controlled by Merck and Joint Patent Rights.

(a) Merck, at Merck's expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Patent Rights Controlled by Merck arising under this Agreement. In addition, Merck, at Merck's expense, shall have the sole right (except as set forth in **Section 8.2.3(b)**) to control the preparation, filing, prosecution and maintenance of Joint Patent Rights using patent counsel reasonably acceptable to Zymeworks. Merck shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights and shall provide advance copies of any papers related to the filing, prosecution and maintenance of such patent filings on Joint Patent Rights to Zymeworks for review and comment. Merck shall take into consideration any comments from Zymeworks. Merck shall promptly give Written Notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

(b) Merck may elect not to file or to cease prosecution and/or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, Merck shall give timely Written Notice to Zymeworks. Zymeworks may by Written Notice to Merck assume prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense.

8.2.4 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in **Section 8.2**, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution.

(a) All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights, Patent Rights Controlled by Merck, and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information, subject to **Article 9**. For clarity, all such communications regarding the Zymeworks Patent Rights shall be the Confidential Information of Zymeworks; all such communications regarding Patent Rights Controlled by Merck shall be the Confidential Information of Merck; and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties.

8.3 Enforcement and Defense.

8.3.1 Notice. Each Party shall provide prompt Written Notice to the other Party of any infringement of Joint Patent Rights, Patent Rights or Know-How Controlled by either Party, or Joint Know-How covering a Pre-Validation Research Program Scaffold Modification, a Selected Scaffold or Program Antibody of which such Party becomes aware (each, an "**Infringement**"). Merck and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both Merck and Zymeworks, to terminate any such Infringement. Zymeworks shall also provide prompt Written Notice to Merck of any Infringement of Patent Rights covering the Zymeworks Platform of which Zymeworks becomes aware.

8.3.2 Zymeworks Patent Rights and Zymeworks Know-How. Zymeworks shall have the first right to enforce the Zymeworks Patent Right or Zymeworks Know-How with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify Merck of such enforcement actions. If Zymeworks fails to bring or defend any such action against an Infringement with respect to Program Antibodies or Products in the Territory within (a) […***…] following the notice of alleged Infringement or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Merck shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall Merck admit the invalidity of, or after exercising its right to bring and control an action under this **Section 8.3.2**, fail to defend the validity of, any Zymeworks Patent Rights with respect to Program Antibodies or Products without Zymeworks' prior written consent, which shall not be unreasonably withheld. Prior to Zymeworks admitting the invalidity of, or after exercising its right to bring and control an action under this **Section 8.3.2** or failing to defend the validity of, any Zymeworks Patent Rights with respect to Program Antibodies or Products, it shall provide Written Notice to Merck and at the

request of Merck shall discuss alternatives thereto including Merck taking over control of such action.

8.3.3 Joint Patent Rights and Joint Know-How. Merck shall have the first right to enforce Joint Patent Rights or Joint Know-How, and to control the defense of any declaratory judgment action relating thereto, with respect to such Infringement at its own expense and by counsel of its own choice reasonably acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Merck fails to bring or defend such action within (a) […***…] following the notice of alleged Infringement or (b) […***…] days before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Merck shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this **Section 8.3.3**, fail to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

8.3.4 Infringement Action. In the event a Party brings an Infringement action in accordance with this **Section 8.3** (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, including by providing information and materials, at the Controlling Party's request and expense and if required to bring such action, the furnishing of a power of attorney or being named as a Party. The other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a Party. Neither Party shall have the right to settle any patent infringement litigation under this **Section 8.3** relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed.

8.3.5 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both Merck and Zymeworks in connection with or as a result of any action contemplated by this **Section 8.3**, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall […***…];

(b) the other Party shall then, […***…]; and

(c) the portion of any recovery remaining that is attributable to […***…] in accordance with this Agreement. If the recovery is attributable to […***…]. The portion of any recovery remaining that is not attributable to […***…].

8.3.6 Certification. Each Party shall inform the other Party of any certification regarding any Zymeworks Patent Rights or Joint Patent Rights it has received pursuant to either 21 U.S.C. §§355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or its successor provisions, or any similar provisions in a country in the Territory other than the United States, and shall provide the other

Party with a copy of such certification within […***…] of receipt. Zymeworks' and Merck's rights with respect to the initiation and prosecution of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be as defined in **Section 8.3.2** through **Section 8.3.5** hereof. Regardless of which Party has the right to initiate and prosecute such action, both Parties shall, as soon as practicable after receiving notice of such certification, convene and consult with each other regarding the appropriate course of conduct for such action. The non-initiating Party shall have the right to be kept fully informed and participate in decisions regarding the appropriate course of conduct for such action.

8.4 Infringement of Third Party Rights in the Territory.

8.4.1 Notification. Each Party shall provide prompt Written Notice to the other Party of any claim, suit or proceeding brought against a Party or its Related Parties by a Third Party that the manufacture, use, sale or importation of a Program Antibody or a Product by or on behalf of Merck or its Related Parties infringes or misappropriates such Third Party's Patent Rights or other intellectual property rights where such claim, suit or proceeding is based on, at least in part, the manufacture, use, sale or importation of a Zymeworks Scaffold.

(a) Zymeworks shall provide prompt Written Notice to Merck of any claim, suit or proceeding brought against a Party or its Related Parties by a Third Party that the use of the Zymeworks Platform infringes or misappropriates such Third Party's Patent Rights or other intellectual property rights.

8.4.2 Defense by Zymeworks. Zymeworks shall have the first right, but not the obligation, to defend and control the defense of any claim, suit or proceeding described in **Section 8.4.1** to the extent based on the manufacture, use, sale or importation of a Zymeworks Scaffold, the Zymeworks Platform or Zymeworks Intellectual Property, at its own expense, using counsel of its own choice; provided, however, that prior to Zymeworks entering into any settlement which admits or concedes that any aspect of the Zymeworks Patent Rights, Zymeworks Know-How or Patent Rights Controlled by Zymeworks covering the Zymeworks Platform is invalid or unenforceable it shall provide Written Notice to Merck and at the request of Merck shall discuss alternatives thereto including Merck taking over control of such action. Zymeworks shall keep Merck reasonably informed of all material developments in connection with any such claim, suit, or proceeding, shall provide Merck with copies of all pleadings filed therein, and shall allow Merck reasonable opportunity to participate in the defense thereof. In connection with any such claim defended by Zymeworks, Zymeworks shall, if Merck so requests, use commercially reasonable efforts to procure for Merck a freedom to operate license under Third Party intellectual property asserted as a basis for such claim, provided such license is necessary for Merck to undertake activities under this Agreement (e.g., developing Program Antibodies and developing and commercializing Products); provided that Zymeworks shall have no obligation to pay any fees or costs to the Third Party in procuring such a license (although Merck may direct Zymeworks (and Zymeworks shall comply therewith) to procure such license at Merck's cost). If Zymeworks fails to defend any such claim, suit or proceeding within (a) […***…] following the notice thereof or (b) […***…] days before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Merck shall have the right to control the defense of any such action at its own expense and by counsel of its own

choice, and Zymeworks shall have the right, at its own expense, to participate in any such defense and be represented in any such action by counsel of its own choice. Merck shall not enter into any settlement which admits or concedes that any aspect of the Zymeworks Patent Rights or Patent Rights Controlled by Zymeworks covering the Zymeworks Platform is invalid or unenforceable, or otherwise diminishes the rights or interest of Zymeworks, without the prior written consent of Zymeworks, such consent not to be unreasonably withheld, conditioned or delayed. Merck shall keep Zymeworks reasonably informed of all material developments in connection with any such claim, suit, or proceeding.

8.4.3 **Defense by Merck**. Merck shall have the exclusive right to defend and control the defense of any claim, suit or proceeding described in **Section 8.4.1** to the extent based on the manufacture, use, sale or importation of a Program Antibody or Product (and not based on the manufacture, use, sale or importation of a Zymeworks Scaffold, the Zymeworks Platform or Zymeworks Intellectual Property), at its own expense, using counsel of its own choice; provided, however, that Merck shall not enter into any settlement which admits or concedes that any aspect of the Joint Patent Rights or Zymeworks Patent Rights is invalid or unenforceable without the prior written consent of Zymeworks, such consent not to be unreasonably withheld or delayed. Merck shall keep Zymeworks reasonably informed of all material developments in connection with any such claim, suit, or proceeding.

8.5 **Cooperation; Drug Price Competition and Patent Term Restoration Act**.

8.5.1 The Parties will cooperate and take reasonable actions to maximize the protections of the Program Antibody or the Products available under the safe harbor provisions of 35 U.S.C. §103(c) for U.S. patents/patent applications within the Zymeworks Patent Rights and Joint Patent Rights.

8.5.2 The Parties shall use Commercially Reasonable Efforts to cooperate to avoid loss of any Patent Rights covering Program Antibodies or Products which may otherwise be available to the Parties hereto under the provisions of the Drug Price Competition and Patent Term Restoration Act of 1984 or comparable laws outside the United States, including by executing any documents as may be reasonably required. In particular, the Parties shall cooperate with each other in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country and region where applicable to the Zymeworks Patent Rights and Joint Patent Rights. By way of example, Merck may request that Zymeworks seek a regulatory extension on a Zymeworks Patent Rights covering Program Antibody and Zymeworks shall reasonably cooperate with Merck to effectuate such extension.

8.5.3 Zymeworks shall provide reasonable assistance to Merck, at Merck's reasonable request and expense, with respect to BLAs filed by Merck with Regulatory Authorities by executing any required documents and providing any relevant patent and other information to Merck, in each case that are within Zymeworks' possession and control so that Merck, as BLA applicant, may provide the FDA or other Regulatory Authority with required information regarding the Zymeworks Scaffolds included in the Products.

9. CONFIDENTIALITY

9.1 Duty of Confidence . During the Term and for […***…] thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. A recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party.

9.2 Exceptions . The obligations under **Article 9** shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

9.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

9.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

9.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

9.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the receiving Party.

9.3 Authorized Disclosures . Subject to **Section 9.4**, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

9.3.1 such disclosure is deemed necessary by counsel to the recipient Party to be disclosed to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and

financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

9.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with **Article 8** or disclosure by Merck or a Merck Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

9.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations;

9.3.4 disclosure to potential or actual investors in connection with due diligence or similar investigations by such Third Parties (provided that Zymeworks remains a privately held company and has not been otherwise acquired by a Third Party); provided, in each case, that any such potential or actual investor agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party. Notwithstanding the preceding, Zymeworks may not disclose the Initial Targets, […***…], Merck Target Pairs, or Merck Sequence Pairs, Research Program data (except pursuant to **Section 9.4**) or other data generated by Merck and disclosed to Zymeworks hereunder to potential or actual investors without Merck's prior written permission; or

9.3.5 disclosure to potential acquirors in connection with due diligence or similar investigations by such Third Parties; provided, in each case, Zymeworks may not disclose the identity of Merck or its Affiliates linked to any of the following, the Initial Targets, […***…], Merck Target Pairs, or Merck Sequence Pairs, Research Program data (except pursuant to **Section 9.4**) or other data generated by Merck and disclosed to Zymeworks hereunder to potential acquirors without Merck's prior written permission, except Zymeworks may disclose the Initial Targets, […***…], Merck Target Pairs and Merck Sequence Pairs, but not the identity of Merck or its Affiliates as having rights to any of the foregoing, to a potential acquiror (a) if the potential acquiror agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to Zymeworks under this Agreement and (b) as part of a final diligence process in connection with the negotiation of a near-final version of a definitive agreement for the acquisition by the acquiror of Zymeworks. Subject to **Section 15.1.2**, an acquirer of Zymeworks to which this Agreement is assigned shall be bound by all obligations of Zymeworks under this Agreement.

9.3.6 If a recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this **Article 9**, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this **Section 9.3** shall remain otherwise subject to the confidentiality and non-use provisions of this **Article 9**, and the Party disclosing Confidential Information as permitted by this **Section 9.3** shall take all steps reasonably

necessary, including without limitation obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

9.4 Nondisclosure by Zymeworks. Except as expressly provided otherwise in this **Article 9**, Zymeworks shall not disclose the results of the Research Program during the Term (e.g., Merck's selection of […***…], Merck Target Pairs or Sequences and resultant data from the Research Program) without Merck's prior written consent; provided that Zymeworks shall have the right, subject to **Section 9.3.4**, to disclose the resultant data from the Research Program received by Zymeworks pursuant to **Section 3.9.2** in a redacted form that has been approved by Merck (such approval not to be unreasonably refused, conditioned or delayed) for business development and funding purposes. Zymeworks shall not have the right to disclose Merck's selection of […***…]. However, if a Third Party requests rights with respect to a Merck Target Pairs or Merck Sequence Pairs, then Zymeworks may disclose to such Third Party (without identifying Merck) that that Target is unavailable for developing antibodies incorporating Zymeworks Scaffolds and products incorporating such antibodies.

9.5 Joint Defense/Common Interest Agreement . If appropriate and necessary pursuant to **Section 3.2.1** or **Section 3.6**, the Parties will promptly enter into a joint defense/common interest agreement on standard and customary terms and conditions as mutually agreed and reasonably necessary before Zymeworks discloses opinions of counsel or other information regarding Zymeworks Patent Rights and/or Third Party Patent Rights where (a) such opinions or information are subject to the attorney-client privilege and (b) there is a legitimate threat of litigation associated with the subject matter of the opinions or information.

10. PUBLICATIONS AND PUBLICITY

10.1 Publications.

10.1.1 Except as provided in **Section 9.4**, Zymeworks may not publish or publicly disclose the results of the Research Program without Merck's prior written consent, and any publication of the results of the Antibody Development Work Plan shall be made jointly by the Parties.

10.1.2 Zymeworks acknowledges Merck's interest in publishing the results of its activities under the Agreement in order to obtain recognition within the scientific community and to advance the state of scientific knowledge, and Merck shall have the right to publish such results with respect to the Products or Program Antibodies (including data on Selected Scaffolds contained within Program Antibodies) in accordance with this **Section 10.1.2.** For clarity, Merck shall not have the right to publish the results of its activities under the Work Plan with respect to (a) Zymeworks Scaffolds that are not Selected Scaffolds or (b) antibodies incorporating Zymeworks Scaffolds that do not constitute Selected Scaffolds, and neither Party shall have the right to publish the results of the activities under the Antibody Development Work Plan other than as part of a joint publication with the other Party. Except for disclosures permitted pursuant to **Article 9**, Merck, its employees or consultants wishing to make a publication of the results of its activities under the Agreement that contains Zymeworks Confidential Information, shall deliver to Zymeworks a copy of the proposed written publication

or an outline of an oral disclosure at least […***…] days prior to submission for publication or presentation. For clarity and notwithstanding anything in this Agreement to the contrary, Zymeworks may not limit Merck's rights to publish or disclose information with respect to Program Antibodies and Products (excluding sequence information specific to the Selected Scaffold) and Zymeworks acknowledges that such information does not constitute Zymeworks Confidential Information.

10.1.3 Subject to **Section 10.1.2**, Zymeworks shall have the right (a) to request the removal of Zymeworks' Confidential Information from any such publication or presentation, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If Zymeworks requests a delay, Merck shall delay submission or presentation for a period of […***…] days to enable patent applications protecting Zymeworks' rights in such information to be filed in accordance with **Article 8**. Upon expiration of such […***…] days, Merck shall be free to proceed with the publication or presentation.

10.2 Publicity. The Parties have mutually approved a press release attached hereto as Attachment 10.2(a) with respect to the Original Agreement, and either Party may make subsequent public disclosure of the contents of such press release. The Parties have mutually approved a press release attached hereto as Attachment 10.2(b) with respect to the execution of this Agreement, and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing execution of this Agreement, the terms hereof or any the activities under the Research Program conducted hereunder without the prior written consent of the other Party, provided however, that neither Party will be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding the achievement of any Milestone Payment, Zymeworks will provide Merck with no less than […***…] Business Days in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed. All Milestone Events prior to the second Clinical Milestone Event may only be referenced in public announcements in general terms and without specificity as to the particular milestone.

11. TERM AND TERMINATION

11.1 Term.

11.1.1 The term of this Agreement (the "**Term**") will commence on the Effective Date and (subject to earlier termination in accordance with **Section 11.2**, **Section 11.3**, or **Section 11.4**) will terminate (a) if Program Antibody Success is not achieved prior to expiration of the Research Program Term, or (b) if Program Antibody Success is achieved prior to expiration of the Research Program Term, then 120 days after expiration of the Research Program Term (such period constituting the "**120 Day Period**"), unless, during the Research Program Term or within the 120 Day Period, Merck provides Written Notice to Zymeworks that

Merck plans to progress or develop (or is progressing or developing) one or more Program Antibodies and/or Products.

11.1.2 Notwithstanding **Section 11.1.1**, in the event that Merck plans to progress or develop (or is progressing or developing) one or more Program Antibodies and/or Products within the 120 Day Period and has provided Zymeworks with the Written Notice in accordance with **Section 11.1.1** then subject to earlier termination in accordance with **Section 11.2**, **Section 11.3**, or **Section 11.4**, the Term shall terminate on the last to occur of:

(a) the expiry of the last to expire Valid Patent Claim; or

(b) the expiration of the last-to-expire Royalty due under **Section 6.3** and **Section 6.4**.

Upon termination of this Agreement under **Section 11.1.2**, the licenses under **Article 2** shall become non-exclusive, fully paid-up, perpetual licenses. For clarity, Merck's licenses and rights shall continue on a country-by-country and Product-by-Product basis in the Territory until such time that this Agreement fully terminates even if, in any such country with respect to the Product, both the last to expire Valid Patent Claim in such country covering such Product has expired and the last-to-expire Royalty in such country with respect to such Product has expired.

11.2 Termination by Merck.

11.2.1 During the Research Program Term.

(a) Merck has the right, during the Research Program Term, to terminate the Agreement upon […***…] prior Written Notice to Zymeworks if, in Merck's sole opinion, success under the Work Plan is not scientifically feasible or commercially viable.

(b) Merck has the right during the Research Program Term to terminate the Agreement (if such termination does not fall under **Section 11.2.1(a)**) in its sole discretion upon […***…] prior Written Notice to Zymeworks, subject to Merck paying Zymeworks, within […***…] of such termination, the amount of **USD $**[…***…]**.**

(c) In the event Merck decides internally to terminate the Research Program prior to completion of the Research Program Term (the "**Merck RP Termination Decision**"), (i) Merck shall promptly cease any and all activities under the Research Program, and (ii) as of the Merck RP Termination Decision, (y) Merck shall have no right or obligation to pursue or achieve any further Milestone Event (except as may occur as a result of completing an on-going experiment) and (z) notwithstanding anything in this Agreement to the contrary, Merck shall have no obligation to pay any further Milestone Payments for Milestone Events not achieved prior to the Merck RP Termination Decision, even if the Milestone Event is achieved thereafter as a result of an ongoing experiment.

11.2.2 After the Research Program Term. Notwithstanding anything contained in this Agreement to the contrary, Merck shall have the right, after the Research

Program Term, to terminate this Agreement at any time in its sole discretion upon […***…] advance Written Notice to Zymeworks.

11.3 Termination for Cause. If either Merck or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give Written Notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] after receipt of such Written Notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement immediately by giving Written Notice to the breaching Party to such effect; provided, however that if such breach is capable of being cured, but cannot be cured within such […***…] period and the breaching Party initiates actions to cure such breach within such period and thereafter diligently pursues such actions, the breaching Party shall have such additional period as is reasonable in the circumstances to cure such breach not to exceed an additional […***…] period, provided, however, that in the event of a good faith dispute with respect to the existence of a material breach, the cure period shall be tolled until such time as the dispute is resolved pursuant to **Section 15.6**. Notwithstanding the foregoing, Zymeworks shall only have the right to terminate this Agreement pursuant to this **Section 11.3** only following a final award by the arbitration panel pursuant to **Section 15.6** that Merck has materially breached this Agreement and such breach cannot be adequately remedied through monetary damages, equitable relief or specific performance.

11.4 Termination for Material Breach by Zymeworks after Insolvency. In the event that Zymeworks files for protection under the bankruptcy laws, makes an assignment for the benefit of creditors, appoints or suffers appointment of a receiver or trustee over its property, files a petition under any bankruptcy or insolvency act or has any such petition filed against it which is not discharged within […***…] days of the filing thereof, and thereafter is in material breach of any obligation hereunder, Merck may give Written Notice to Zymeworks specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] days after receipt of such Written Notice, Merck shall have the rights thereafter to terminate this Agreement immediately by giving Written Notice to Zymeworks to such effect; provided, however that if such breach is capable of being cured, but cannot be cured within such […***…] day period and Zymeworks initiates actions to cure such breach within such period and thereafter diligently pursues such actions, Zymeworks shall have such additional period as is reasonable in the circumstances to cure such breach not to exceed an additional […***…] day period.

12. EFFECTS OF TERMINATION

12.1 Termination of Agreement Pursuant to Section 11.1. If this Agreement terminates under **Section 11.1** (including as set forth in **Section 3.1**), then no later than […***…] days after the effective date of such termination, Merck shall pay all amounts then due and owing as of the termination date and each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may retain any Confidential Information reasonably necessary for such Party's continued practice under any license(s) which do not terminate pursuant to this **Section 12.1**, and may otherwise keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes.

12.1.1 In the event of termination of this Agreement under **Section 11.1** (which includes termination as set forth in **Section 3.1**), except as expressly set forth otherwise in this Agreement (including under the surviving provisions set forth in **Section 12.4**), the rights and obligations of the Parties hereunder shall terminate as of the date of such termination. In addition, each Party shall have the non-exclusive right, on a fully paid-up and royalty-free, perpetual, worldwide basis, (a) to use Joint Inventions as it deems appropriate for any and all purposes in and outside the Field, and (b) to grant licenses under its interest in any Joint Inventions and to assign its interest in Joint Inventions as it deems appropriate without the consent of and without accounting to the other Party.

12.2 Termination by Merck under Section 11.2 or Termination by Zymeworks under Section 11.3. In the event that Merck terminates this Agreement under **Section 11.2** or Zymeworks terminates this Agreement under **Section 11.3**, then, no later than […***…] days after the effective date of such termination, each Party shall return (or cause to be returned) to the originating Party, or destroy, all Confidential Information and Know-How in tangible form received from the originating Party and all copies thereof; provided, however, that each Party may retain any Confidential Information reasonably necessary for such Party's continued practice under any license(s) which do not terminate in the event of such termination and may keep one copy of Confidential Information received from the other Party in its confidential files for record purposes. In the event of termination by Merck under **Section 11.2** or by Zymeworks under **Section 11.3**, the rights and obligations of the Parties hereunder shall terminate as of the date of such termination, subject to **Section 12.4**, provided, however, Merck shall pay all amounts then due and owing as of the termination date. Notwithstanding anything in this Agreement to the contrary, in the event of termination by Zymeworks under **Section 11.3**, the licenses to Zymeworks under **Section 2.2** shall not terminate.

12.3 Termination by Merck under Section 11.3 or Section 11.4.

12.3.1 Due to Willfulness or Bad Faith under Section 11.3 or Insolvency by Zymeworks and then Material Breach under Section 11.4. Upon termination of this Agreement by Merck pursuant to (a) **Section 11.3** if it is determined pursuant to **Section 15.6** that Zymeworks' breach giving rise to such termination (i) was willful in nature or (ii) otherwise resulted from the bad faith activities of Zymeworks or (b) **Section 11.4** in the event of insolvency as set forth under **Section 11.4** and subsequent material breach of this Agreement by Zymeworks, then any licenses granted by Merck to Zymeworks under this Agreement will terminate (notwithstanding any other provision to the contrary in this Agreement) and revert to Merck and all licenses and other rights granted by Zymeworks to Merck under this Agreement (to the extent desired to continue by Merck) will remain in effect and become perpetual, subject to the obligation of Merck to pay Royalties in accordance with **Article 6**, except that (a) all Royalties shall be reduced by […***…] percent ([…***…]%) from those set forth in **Article 6** and (b) Merck shall be relieved of making any further Milestone Payments; otherwise in such a termination (except as expressly set forth otherwise under this Agreement (e.g., in **Section 12.4**)), all rights and licenses granted by either Party to the other Party shall terminate and be of no further effect. For clarity, if Merck does not wish to make any such payments, the licenses subject to such payments shall terminate.

12.3.2 Termination otherwise under Section 11.3 or Section 11.4. Upon termination of this Agreement by Merck pursuant to **Section 11.3** (except as set forth under **Section 12.3.1**) or **Section 11.4** (except as set forth under **Section 12.3.1**), any licenses granted by Merck to Zymeworks under this Agreement will terminate (notwithstanding any other provision to the contrary in this Agreement) and revert to Merck and (except as expressly set forth otherwise under this Agreement (e.g., in **Section 12.4**)) all licenses and other rights granted by Zymeworks to Merck under this Agreement (the "**Surviving License**") will remain in effect and become perpetual, subject to the obligation of Merck to pay Milestone Payments and Royalties in accordance with **Article 6**. Notwithstanding the foregoing, the Surviving License shall be subject to termination in the event of Merck's material breach of such ongoing obligations in accordance with **Section 11.3**.

12.3.3 Return of Confidential Information. No later than […***…] after the effective date of termination of this Agreement by Merck pursuant to **Section 11.3** or **Section 11.4**, each Party shall return (or cause to be returned) to the originating Party or destroy all Confidential Information in tangible form received from the originating Party and all copies thereof; provided, however, that Merck may retain any Confidential Information of Zymeworks reasonably necessary for Merck's continued practice under any licenses and rights which do not terminate, and in addition each Party may keep one copy of Confidential Information received from the other Party in its confidential files for record purposes.

12.4 Survival. Termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, **Article 1**, **Article 6** and **Article 7** (but only with respect to payments accrued prior to the effective date of termination or after a termination described in **Section 12.3.2**), **Article 10**, **Article 12**, **Article 14** and **Article 15**, and **Section 2.2**, **Section 2.2.1**, **Section 8.1.1, Section 8.1.2** and **Section 11.1.2** shall survive any expiration or termination of this Agreement. The provisions of **Section 9.1**, **Section 9.2**, **Section 9.3** and **Section 9.4** shall survive the termination of this Agreement for a period of […***…] years. Except as otherwise expressly provided herein, all other rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement.

12.5 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

12.6 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of

the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against a Party under the Code, the other Party shall be entitled to a complete duplicate of, or complete access to (as such other Party deems appropriate), any such intellectual property and all embodiments of such intellectual property, if not already in such other Party's possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by such other Party, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The foregoing provisions of **Section 12.6** are without prejudice to any rights a Party may have arising under the Code.

13. REPRESENTATIONS AND WARRANTIES

13.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

13.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

13.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by law and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

13.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

13.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (i) conflict with or result in a breach of any provision of its organizational documents, (ii) result in a breach of any agreement to which it is a party; or (iii) violate any law.

13.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and covenants to Merck as follows:

13.2.1 Attachment 1.68 sets forth a complete and accurate list of all Zymeworks Patent Rights in existence as of the Effective Date;

13.2.2 Zymeworks is the sole and exclusive owner of all of the Zymeworks Patent Rights listed on Attachment 1.68 as of the Effective Date and is listed (or is in the process

of becoming listed) in the records of the appropriate United States and/or foreign governmental agencies as the sole and exclusive owner of record or exclusive licensee for each registration, grant and application included in such Zymeworks Patent Rights;

13.2.3 Zymeworks has the right to grant to Merck the licenses under **Section 2.1** that it purports to grant hereunder including under the Zymeworks Know-How;

13.2.4 As of the Effective Date, (a) Zymeworks does not have any other Patent Rights or Know-How within the scope of the Zymeworks Intellectual Property not otherwise licensed to Merck under this Agreement to which Merck needs a license in order to practice the rights granted to Merck pursuant to **Section 2.1** and (b) Zymeworks does not Control any Patent Rights or Know-How other than the Zymeworks Intellectual Property necessary for Merck to make, have made, use, sell, offer to sell, have sold, export and import the Program Antibodies and Products in the Field in the Territory in accordance with this Agreement.

13.2.5 Zymeworks has the right to use and disclose and to enable Merck to use and disclose (in each case under appropriate conditions of confidentiality) the Zymeworks Intellectual Property in accordance with this Agreement;

13.2.6 Except to the extent not yet due, as of the Effective Date, all necessary and material application, registration, maintenance and renewal fees in respect of the Zymeworks Patent Rights in existence as of the Effective Date have been paid and, except to the extent not yet due, as of the Effective Date, all necessary documents and certificates have been filed with the relevant agencies for the purpose of maintaining such Zymeworks Patent Rights;

13.2.7 As of the Effective Date, there are no claims, judgments or settlements against Zymeworks relating to the Zymeworks Patent Rights;

13.2.8 To the knowledge of Zymeworks as of the Effective Date, there is no infringement of any Zymeworks Patent Rights by any Third Party or any misappropriation by a Third Party of any Zymeworks Know-How which is a trade secret or proprietary to Zymeworks or any of its Affiliates;

13.2.9 As of the Effective Date, Zymeworks has not licensed from any Third Party rights that constitute Zymeworks Intellectual Property;

13.2.10 As of the Effective Date, Zymeworks has not entered into a government funding relationship that would result in rights to the Zymeworks Scaffolds, Program Antibodies or Products residing in the U.S. Government, National Institutes of Health or other agency, and the licenses granted hereunder are not subject to overriding obligations to the U.S. Government as set forth in Public Law 96-517 (35 U.S.C. §§200-204), as amended, or any similar obligations under the laws of any other country;

13.2.11 Zymeworks has the sole and exclusive right (a) to use the Zymeworks Platform and (b) to use the Zymeworks Platform in generating and/or providing Zymeworks Scaffolds under this Agreement;

13.2.12 During the Term, Zymeworks will not grant any right, license or interest, that conflicts with the rights and licenses granted to Merck, under the terms of this Agreement;

13.2.13 During the Term, Zymeworks will not allow any Third Party rights to which Merck has a license pursuant to **Section 2.1** to lapse or terminate. Zymeworks further covenants that it will use Commercially Reasonable Efforts (a) not to undertake any action and not to fail to undertake any action that would cause Zymeworks to be in material breach of any obligation to any Third Party with respect to such Third Party rights and (b) to take all steps necessary to maintain such rights in full force and effect; and

13.2.14 To Zymeworks' knowledge as of the Effective Date except as otherwise expressly disclosed by Zymeworks' patent counsel to Merck's patent counsel, the exercise of the license granted to Merck under the Zymeworks Patent Rights and Zymeworks Know-How as contemplated hereunder, including without limitation the development, manufacture, use, sale and import of Program Antibodies and Products, does not infringe or misappropriate any intellectual property rights owned or possessed by any Third Party.

13.3 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS WITH REGARD TO A PROGRAM ANTIBODY OR PRODUCT WILL BE SUCCESSFUL.

13.4 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

14. INDEMNIFICATION AND LIABILITY

14.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold Merck and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Merck Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any Merck Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any Merck Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the negligence or willful misconduct of Zymeworks or its Related Parties pursuant to this Agreement, (b) Zymeworks' (or Zymeworks' Affiliate's or contractor's) use or employment of the Zymeworks Platform, or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to Merck under this Agreement. Zymeworks is only obliged to so indemnify and hold the Merck Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of Merck or its Related Parties.

14.2 Indemnification by Merck. Merck shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the research, development or commercialization of Program Antibodies and/or Products by Merck or its Affiliates, licensees or sublicensees (excluding Zymeworks and its Related Parties) under this Agreement; (b) the negligence or willful misconduct of Merck or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Merck to Zymeworks under this Agreement. Merck is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks or its Related Parties.

14.3 Indemnification Procedure.

14.3.1 Any Merck Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

14.3.2 Subject to the provisions of **Section 14.3.4** and **Section 14.3.5** below, the Indemnifying Party shall have the right, upon providing Written Notice to the Indemnified Party of its intent to do so within […***…] days after receipt of the Written Notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

14.3.3 The Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense. Notwithstanding the foregoing, in the event the Indemnifying Party fails to conduct the defense and handling of any Claim in good faith after having assumed such, then the provisions of **Section 14.3.5** below shall govern.

14.3.4 If the Indemnifying Party does not give Written Notice to the Indemnified Party, within […***…] days after receipt of the Written Notice from the Indemnified Party of any Claim with respect to which it has indemnification obligation sunder this **Article 14**, of the Indemnifying Party's election to assume the defense and handling of such Third Party Claim, or otherwise elects not to assume the defense and handling of such Claim, the provisions of **Section 14.3.5** below shall govern.

14.3.5 In the event that the Indemnifying Party fails to conduct the defense and handling of a claim in good faith as set forth in **Section 14.3.3** or elects not to assume the defense and handling of such Claim as set forth in **Section 14.3.4**, the Indemnified Party may, at the Indemnifying Party's expense, select counsel reasonably acceptable to the Indemnifying Party in connection with conducting the defense and handling of such Claim and defend or handle such Claim in such manner as it may deem appropriate, provided, however, that the Indemnified Party shall keep the Indemnifying Party timely apprised of the status of such Claim and shall not settle such Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. If the Indemnified Party defends or handles such Claim, the Indemnifying Party shall cooperate with the Indemnified Party, at the Indemnified Party's request but at no expense to the Indemnified Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

14.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF **ARTICLE 9**. NOTHING IN THIS **SECTION 14.4** SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER **ARTICLE 14**.

14.5 Insurance. Each Party, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request.

15. GENERAL PROVISIONS

15.1 Change of Control.

15.1.1 Notice. If Zymeworks enters into a binding definitive agreement that results or, if completed, would result, in a Change of Control of Zymeworks, Zymeworks shall provide Merck with prompt Written Notice describing such Change of Control in reasonable detail (the "**Zymeworks Change of Control Notice**"). The Zymeworks Change of Control Notice shall be provided by Zymeworks prior to consummating such transaction or agreement, if permitted under Applicable Laws and not prohibited by the terms of any agreement between Zymeworks and any Third Party, and otherwise promptly following the consummation of such transaction or agreement; provided, that, Zymeworks agrees to use Commercially Reasonable

Efforts to avoid including any such prohibition in any agreement negotiated by Zymeworks with any such Third Party.

15.1.2 Change of Control of Zymeworks Involving Competing Pharma Change of Control. If the Change of Control that is described in the Zymeworks Change of Control Notice results in a Competing Pharma Change of Control then, Zymeworks shall notify Merck in writing of the effective date of such Change of Control and following the effective date of such Change of Control, the rights granted herein remain in effect. However, and notwithstanding any provision in this Agreement to the contrary, Zymeworks or the surviving entity (as the case may be) shall only receive the following information with respect to activities under this Agreement: (a) Merck's achievement of a Milestone Event, and (b) commercial sales reports limited to worldwide aggregate sales for each Product. In addition, the SCC shall be immediately disbanded. Zymeworks shall only disclose the […***…], Merck Target Pairs or Merck Sequence Pairs to employees of the acquiring Competitive Entity on an as needed basis and subject to such employees being subject to confidentiality and non-use provisions as they apply to Zymeworks under this Agreement.

15.2 Assignment. Except as provided in this **Section 15.2**, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party, provided further that, subject to **Section 15.1** with respect to Zymeworks, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or Change of Control or similar transaction. In the event of such a transaction (whether this Agreement is actually assigned or is assumed by the acquiring party by operation of law (e.g., in the context of a reverse triangular merger)) then with respect to Zymeworks, if such assignment is to a Competitive Entity, the restrictions under **Section 15.1** with respect to information provided by Merck under this Agreement to a Competitive Entity shall apply. Any attempted assignment not in accordance with this **Section 15.2** shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

15.3 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and immunities granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and immunities. The Party extending the rights and immunities granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

15.4 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of law, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force

and effect, and the Parties will use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.

15.5 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws or renvoi. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

15.6 Dispute Resolution.

15.6.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including, without limitation, any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance and/or breach of this Agreement (each, a "**Dispute**"), arises between the Parties and the Parties cannot resolve such Dispute through their respective Relationship Liaisons or SCC, if and as applicable, within […***…] days of a written request by either Party to the other Party ("**Notice of Dispute**"), and such Dispute is not one for which a Party has final decision-making as expressly set forth in this Agreement, either Party may refer the Dispute to senior representatives of each Party for resolution. Each Party, within […***…] Business Days after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. If, after an additional […***…] days after the Notice of Dispute, such representatives have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Large Complex Disputes of the American Arbitration Association ("**AAA**"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof.

15.6.2 The arbitration shall be conducted by a panel of three (3) persons, including at least one (1) person experienced in the business of pharmaceuticals (including biologicals). Specifically, if the issues in dispute involve scientific, technical or commercial matters, at least one of the arbitrators chosen hereunder shall have educational training and/or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge. Within […***…] days after initiation of arbitration, each Party shall select one person to act as arbitrator; and the two Party-selected arbitrators shall select a third arbitrator within […***…] days of the appointment of the last of the two Party-selected arbitrators. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator within such […***…] day period, the third arbitrator shall be appointed by the AAA. The place of arbitration shall be San Francisco, California, and all proceedings and communications shall be in English.

15.6.3 Prior to the arbitration panel being in place, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final

resolution of the issue by the arbitration panel or other resolution of the controversy between the Parties. Once the arbitration panel is in place, either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitration panel. Any final award by the arbitration panel may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration, unless the arbitrators agree otherwise.

15.6.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

15.6.5 Subject to **Section 11.4**, the Parties agree that, in the event of a good faith dispute over the nature or quality of performance under this Agreement, neither Party may effectively terminate this Agreement until final resolution of the Dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the Dispute shall be refunded if an arbitrator or court determines that such payments are not due.

15.6.6 With respect to any Dispute as to whether Merck has materially breached this Agreement, the arbitrators shall determine whether such breach occurred and is uncured and whether such breach cannot be adequately remedied through monetary damages, equitable relief or specific performance. In the event that the arbitrators determine that such breach exists and cannot be adequately remedied through monetary damages, equitable relief or specific performance, then Zymeworks shall have the right to terminate this Agreement pursuant to **Section 11.3**; otherwise, in such circumstance, the arbitrators shall also determine the appropriate remedies to make Zymeworks with respect to such breach, including notwithstanding **Section 15.6.9** reimbursement of all costs and expenses (including attorneys' fees, expert fees, administrative fees and the like) incurred by Zymeworks to enforce its rights with respect to such breach.

15.6.7 As used in this **Section 15.6**, the term "**Excluded Claim**" shall mean a dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of a patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. Excluded Claims may be submitted by either Party to any court having jurisdiction.

15.6.8 Notwithstanding the provisions of this **Section 15.6** above, if the SCC and the Parties (through their senior representatives as set forth under **Section 15.6.1**) do not agree as to whether Research Milestone Event 1 has occurred, then such matter shall be resolved by binding arbitration in accordance with **Section 15.6.1** before one (1) arbitrator. In such

arbitration, the arbitrator shall be an independent expert in the area of antibody development mutually acceptable to the Parties. If the Parties are unable to agree on an arbitrator, the arbitrator shall be an independent expert as described in the preceding sentence selected by the chief executive of the San Francisco office of the AAA. Each Party shall prepare a written report setting forth its position with respect to the substance of Research Milestone Event 1. Any such arbitration shall be completed within […***…] days following a request by either Party for such arbitration. The Parties agree that, provided that the unsuccessful Party's position with respect to achievement of Research Milestone Event 1 is not based on bad faith, then the resolution of the arbitration under this **Section 15.6.8** shall not give grounds for termination of this Agreement by the other Party.

15.6.9 Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration.

15.7 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use commercially reasonable efforts to resume performance of its obligations and will keep the other Party informed of actions related thereto.

15.8 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

15.9 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and Merck, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

15.10 Notices. All notices, consents or waivers under this Agreement shall be in writing and will be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail

addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks: Zymeworks, Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
E-mail address: [... ***...]

and Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: [... ***...]
E-mail address: [... ***...]

If to Merck: Merck Sharp & Dohme Research GmbH
Weystrasse 20
6000 Lucerne 6
Switzerland
Attention: [... ***...]

and [... ***...]
c/o Merck Sharp & Dohme Corp.
One Merck Drive
P.O. Box 100, WS3A-65
Whitehouse Station, NJ 08889-0100
E-mail Address: [... ***...]

and

Merck Sharp & Dohme Corp.
One Merck Drive
P.O. Box 100, WS2A-30
Whitehouse Station, NJ 08889-0100
Attn: [... ***...]
E-mail Address: [... ***...]

Zymeworks shall also provide a copy of any Written Notice (via e-mail if available) to Merck's Relationship Liaison.

15.11 Further Assurances. Merck and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

15.12 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to,

undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

15.13 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including, without limitation, any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

15.14 Entire Agreement. This Agreement, together with its Attachments, sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter. In the event of any conflict between the main body of this Agreement and any Attachment hereto, the main body of this Agreement shall prevail. The Parties acknowledge and agree that, as of the Effective Date, all Confidential Information disclosed pursuant to the Confidentiality Agreement by a Party or its Affiliates shall be included in the Confidential Information subject to this Agreement and the Confidentiality Agreement is hereby superseded in its entirety; provided, that the foregoing shall not relieve any person of any right or obligation accruing under the Confidentiality Agreement prior to the Effective Date. "**Confidentiality Agreement**" means the Mutual Non-Disclosure Agreement between Zymeworks and Merck Sharp & Dohme Corp. (an Affiliate of Merck) dated […***…], as amended by Amendment No. 1 to Mutual Non-Disclosure Agreement (dated […***…]).

15.15 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.16 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

15.17 Effect of Laws. Nothing in this Agreement shall operate to exclude any provision implied into this Agreement by Applicable Laws and which may not be excluded by Applicable Laws.

15.18 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

15.19 Interpretation. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

15.20 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

15.21 Notification of Possible Sale. Until the earlier of (a) first achievement of Development Milestone Event 1 and (b) the […***…] anniversary of the Effective Date, Zymeworks shall notify Merck in writing within […***…] Business Days of (i) each time that Zymeworks […***…] contemplating a Sale. A "**Sale**" means (A) a sale or acquisition of (I) at least […***…] of the equity or voting stock of Zymeworks to a […***…], (II) at least […***…] of the equity or voting stock of Zymeworks to a Third Party (where such Third Party is not a […***…]), (III) a majority of Zymeworks' assets or (iv) a majority of Zymeworks' assets or business relating to this Agreement, or (B) the merger of Zymeworks and a Third Party.

15.22 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

15.23 Notification and Approval. In the event that this Agreement and/or the transaction(s) set forth herein are subject to notification and/or regulatory approval in one or more countries, then development and commercialization in such country(ies) will be subject to such notification and/or regulatory approval. The Parties will reasonably cooperate with each other with respect to such notification and the process required thereunder, including in the preparation of any filing. Merck will be responsible for any and all costs, expenses, and filing fees associated with any such filing.

[*Remainder of page left blank intentionally; signature page to follow*.]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

MERCK SHARP & DOHME RESEARCH GMBH

By: /s/ Christoph Brombacher
Name: Christoph Brombacher
Title: Director

ATTACHMENT 1.58
[…***…]

[…***…]

ATTACHMENT 1.69
ZYMEWORKS PATENT RIGHTS
As of the Restatement Effective Date

Zymeworks IP Update for Merck -November 2014

Title: […*…]**

	Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
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				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
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				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]

Title: […*…]**

	Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
				[…***…]	[…***…]	[…***…]
	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

Title:[…*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]		[…***…]	[…***…]	[…***…]

Title: […*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]		[…***…]	[…***…]	[…***…]

Title: […*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

Title:[…*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]		[…***…]	[…***…]	[…***…]
[…***…]	[…***…]		[…***…]	[…***…]	[…***…]

Title:[…*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

Title: […*…]**

Type	Filing Date (day/month/year)	Priority (day/month/year)	Country	Application Number	IP Right Status
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

ATTACHMENT 1.71
ZYMEWORKS PLATFORM

The Zymeworks Platform is Zymeworks' proprietary computational protein-engineering platform designed to provide proprietary insight into the sequence-structure-[…***…] relationships […***…] approach ("**Zymeworks' Protein Engineering Approach**").

Zymeworks' Protein Engineering Approach combines protein structural information with computational modeling and *in silico* simulation […***…] to create […***…].

Zymeworks' Platform (Fig. 1) includes a number of advanced algorithms that are used to (a) efficiently develop high quality models of protein structure and their complexes with other proteins, (b) […***…], and (c) […***…]. Zymeworks' advanced algorithms include […***…].

Structural characteristics of the protein are studied in the context of […***…]. The detailed treatment of […***…].

The platform is designed to […***…]. Quality software engineering procedure allows for the development of an extensible, reliable and secure platform […***…].

The following summarizes the various algorithms and features available in the Zymeworks Platform.

Molecular Models

High quality structural models of protein systems are a critical component in Zymeworks' Protein Engineering Approach. Zymeworks' Platform includes a number of proprietary tools used to build and refine the quality of models, incorporating structural data from multiple sources including […***…].

Conformational Dynamics

Zymeworks' Platform incorporates a number of […***…] simulation approaches to sample changes within the target systems, including protein (a) backbone, (b) sidechain, and (c) interdomain conformational changes. Proprietary simulation analysis results in the development of an understanding of the alternate conformational states of the protein of interest […***…]. This understanding is critical as many functionally important characteristics of proteins, including binding and stability, […***…].

Energy function and Scoring

Zymeworks developed and implemented proprietary energy and scoring functions that score and rank the stability of proteins and binding energies across protein interfaces. […***…]. This empirical ranking is used in various protein engineering tasks including […***…].

Hot Spot Determination

Identifying a specific subset of key amino acids in a protein or protein system is critical to determining its functional characteristic and overall stability. These amino acid residues play a role either independently or as part of a cluster of networked residues, […***…]. Zymeworks has developed proprietary algorithms that identify these critical residues (referred to as 'hot spots') based on […***…]. Additionally, Zymeworks has developed proprietary algorithms to […***…].

ATTACHMENT 3.1(a)
WORK PLAN

The Activities (described below) would be undertaken primarily by Merck to enable Merck:

[…***…]

ATTACHMENT 3.1(b)
ANTIBODY DEVELOPMENT WORK PLAN

The projected durations for each stage are provided as approximates and subject to change pending the initiation dates for each project and laboratory capacities.

[…***…]**:**

Part 1: […*…]**

[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	- […***…]	[…***…]	[…***…]	- […***…]
[…***…]				

Part 2: […*…]**

[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	- […***…]	[…***…]	[…***…]	- […***…]
[…***…]	- […***…]	[…***…]	[…***…]	- […***…]
[…***…]				
[…***…]	- - […***…]	[…***…]	[…***…]	- […***…]

Part 3: […*…]**

[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	- […***…]	[…***…]	[…***…]	- […***…]

-

[…***…] […***…] […***…] […***] -[…***…]
-
[…***…]
[…***…] -[…***…] […***…] […***…] -[…***…]

[…***…]:

Part 1: […*…]**

[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]				
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]

Part 2: […*…]**

[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]	[…***…]	[…***…]


Business
Confidential
use only

[…***…]
[…***…] […***…] […***…] […***…] […***…]

ATTACHMENT 3.1.1(c)
LIST OF THIRD PARTY SERVICE PROVIDERS

[…***…]

[…***…]
[…***…]
[…***…]

[…***…]

[…***…]
[…***…]

[…***…]

[…***…]
[…***…]
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[…***…]
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[…***…]
[…***…]
[…***…]
[…***…]
[…***…]
[…***…]

ATTACHMENT 3.2.2
[…*…]**

[…***…]

- **[…***…]**

ATTACHMENT 3.8
Budget and Payment Schedule

(All Figures in $USD)

Total Budget:[…*…]**

Total Budget:

[…***…]

Payment Schedule:

• […***…]

Payment may be made by wire transfer to the following account:

Name: […***…]

Bank: […***…]

Branch: […***…]

Address of Bank: […***…]

Account Number: […***…]

Swift Code: […***…]

IBAN:

BIC:

ATTACHMENT 10.2(a)
ORIGINAL AGREEMENT PRESS RELEASE

Zymeworks Inc. Announces Collaboration with Merck to Develop Bi-specific Antibody Therapeutics

Strategic Collaboration Advances Zymeworks' Proprietary Azymetric™ Platform for developing therapeutic antibodies

Vancouver, Canada (August XX, 2011) – Zymeworks Inc. today announced a research collaboration with Merck, known as MSD outside the United States and Canada, around Zymeworks' proprietary Azymetric™ platform for the development of novel bi-specific antibody therapeutic candidates. Bi-specific antibodies are designed to bind to two different drug targets for broad use in clinical applications such as oncology or autoimmune disease.

"We are delighted to establish a strategic collaboration with the exceptional biologics team at Merck to advance our revolutionary bi-specific antibody platform," Ali Tehrani, Ph.D., CEO of Zymeworks, said. "This is an important validation of our scientific leadership in the field of structure-guided protein engineering and we look forward to working with Merck to realizing the full value of this novel platform technology across a range of therapeutic indications."

Under the terms of the agreement Zymeworks has granted Merck, through a subsidiary, a worldwide license to develop and commercialize bi-specific antibodies generated through use of the Azymetric™ platform toward certain exclusive therapeutic targets. Both companies will collaborate to advance the technology platform, with Merck working to progress the bi-specific therapeutic antibody candidates through clinical development. Zymeworks will receive an upfront fee and is eligible to receive research, development and regulatory milestones with a potential value of up to US $187 million, as well as tiered royalty payments on sales of products. Merck will have exclusive worldwide commercialization rights to products derived from the collaboration.

"Zymeworks' technology platform has the potential to provide a unique solution for engineering novel antibodies," said Richard Murray, Ph.D., senior vice president, biologics research at Merck. "At Merck, we continue to build upon our portfolio of novel technologies aimed at developing a new generation of biologic candidates designed to provide improved therapeutic properties."

About the Azymetric™ Platform

Antibodies developed using the Azymetric™ platform, unlike native antibodies, consist of two different heavy chains engineered to exclusively assemble into a single molecule, thereby allowing bi-specific binding of two different antigens or drug targets. Due to having two

different but complementary heavy chain subunits, Azymetric antibodies are classified as “heterodimeric” antibodies. Similar to natural antibodies, heterodimeric antibodies retain long serum half-lives and the ability to induce effector function.

About Zymeworks Inc.

Zymeworks is a privately held biotechnology company that is developing best-in-class antibody therapeutics for the treatment of oncology, autoimmunity and inflammatory diseases. The company’s proprietary ZymeCAD™ structure-guided protein engineering technology and its novel Azymetric™ and AlbuCORE™ platforms enable the development of highly potent bi-specific antibodies and multivalent protein therapeutics targeted across a range of indications. Zymeworks is focused on growing its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

Contact:

Zymeworks Inc.
David Poon, Ph.D.
Senior Manager, External R&D and Business Development
info@zymeworks.com
Source: Zymeworks Inc.

ATTACHMENT 10.2(b)
AMENDED AGREEMENT PRESS RELEASE

Zymeworks Inc. and Merck & Co. Extend and Expand Bi-specific Antibody Therapeutics Collaboration

Vancouver, Canada (October XX, 2014) – Zymeworks Inc. today announced the extension of a research collaboration with Merck, known as MSD outside the United States and Canada, that was originally announced in August 2011. In addition, Merck gains expanded access to Zymeworks' proprietary Azymetric™ platform for the development of novel bi-specific antibody therapeutic candidates.

"We are extremely pleased with how the strategic collaboration is progressing with Merck and we are looking forward to working even closer together with the Merck biologics team in bringing groundbreaking therapies to the clinic," said Ali Tehrani, Ph.D., President & CEO of Zymeworks.

Under the terms of this agreement Zymeworks has granted Merck, through a subsidiary, a worldwide license to develop and commercialize bi-specific antibodies generated through use of the Azymetric™ platform towards certain therapeutic targets. Both Zymeworks and Merck will progress bi-specific therapeutic antibody candidates in pre-clinical developments with Merck responsible for clinical development and commercialization.

About the Azymetric™ Platform

Bi-specific antibodies developed using the Azymetric™ platform resemble conventional mono-specific antibodies while incorporating two different Fab domains to bind to different antigens or drug targets. Azymetric™ antibodies spontaneously assemble into a single molecule comprising two unique heavy and light chain pairs and are manufactured using conventional monoclonal antibody processes. The Azymetric™ platform can be used to rapidly screen target and sequence combinations for bi-specific activities in the final therapeutic format, significantly shortening drug development timelines.

About Zymeworks Inc.

Zymeworks is a privately held biotherapeutics company that is developing best-in-class Azymetric™ bi-specific antibodies and antibody drug conjugates for the treatment of oncology, autoimmunity and inflammatory diseases. The company's novel Azymetric™ and AlbuCORE™ platforms, and its proprietary ZymeCAD™ structure-guided protein engineering technology, enable the development of highly potent bi-specific antibodies and multivalent protein therapeutics targeted across a range of indications. Zymeworks is focused on accelerating its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

Contact:

Zymeworks Inc.
David Poon, Ph.D.
Director, External R&D and Alliances
info@zymeworks.com
Source: Zymeworks Inc.

Exhibit 10.17

CONFIDENTIAL

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

LICENSING AND COLLABORATION AGREEMENT

Between

ZYMEWORKS INC.

and

ELI LILLY AND COMPANY

December 17, 2013

Confidential

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(Continued)

TABLE OF CONTENTS
(Continued)

LICENSING AND COLLABORATION AGREEMENT

THIS LICENSING AND COLLABORATION AGREEMENT (the "**Agreement**"), effective as of December , 2013 (the "**Effective Date**"), by and between **ELI LILLY AND COMPANY**, a corporation organized and existing under the laws of Indiana, with its principal business office located at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. ("**Lilly**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and Lilly are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

A. Zymeworks controls a proprietary Fc/Fab heterodimerization and heavy-light chain pairing platform that was developed using Zymeworks' proprietary molecular simulation software suite, known as ZymeCAD™.

B. Lilly controls certain proprietary technology that includes, among other things, technology related to antibodies, including technology related to the Lilly Sequences, and the Lilly Target Pair.

C. Lilly and Zymeworks desire to enter into this Agreement under which Zymeworks will utilize such platform to generate and develop certain Antibodies (as defined below) based on antibody nucleic acid or amino acid sequences provided by Lilly.

D. Lilly desires to obtain certain licenses under certain intellectual property controlled by Zymeworks to develop certain products incorporating such Antibodies, and Zymeworks is willing to grant such rights, all on the terms and conditions as set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, the sufficiency which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires Zymeworks, or to which Zymeworks transfers all or substantially all of its assets to which this Agreement pertains.

1.2 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time.

1.3 "**Affiliate**" means with respect to either Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.3 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.4 "**Annual Net Sales**" means, with respect to a particular Product and Calendar Year, all Net Sales of such Product throughout the Territory during such Calendar Year.

1.5 "**Antibody"** means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the Lilly Sequences through the application of the Zymeworks Platform pursuant to the Research Program. For clarity, the Antibodies shall be Multi-Specific Antibodies Directed to the Lilly Target Pair.

1.6 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.7 "**Approved CRO**" means any contract research organization listed on Exhibit 1.7 and any other contract research organization selected by Zymeworks and approved by Lilly, such approval not to be unreasonably withheld, provided, however, that Zymeworks shall remain responsible for such performance of its CROs and shall cause such CROs to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use.

1.8 "**Audited Party**" means the Party that is the subject of an audit by the other Party under Section 6.4.2.

1.9 "**Auditing Party**" means the Party that is conducting an audit of the other Party under Section 6.4.2.

1.10 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York, U.S.A are authorized or required by Applicable Law to remain closed.

1.11 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.12 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.13 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.14 "**Combination Product**" means a Product that incorporates at least one clinically active component having independent biological or chemical activity in the Field when present alone ("**Other Active Component**") in addition to the Antibody(ies) incorporated in the Product and where the Antibody(ies) and Other Active Component(s) are sold as a single formulation for a single price. All references to "Product" in this Agreement shall be deemed to include Combination Products.

1.15 "**Commercially Reasonable Efforts**" means, with respect to particular objectives or tasks of a Party, that level of efforts and resources required to carry out a particular task or obligation in an active and sustained manner, consistent with the general practice followed by such Party in the exercise of its reasonable business discretion relating to other pharmaceutical products owned by it, or to which it has exclusive rights, which are of similar market potential at a similar stage in their development or product life, taking into account issues of patent coverage, safety and efficacy, product profile, the competitiveness of products in development and in the marketplace, supply chain management considerations, the proprietary position of the compound or product, the regulatory structure involved, the profitability of the applicable products (including, without limitation, pricing and reimbursement status achieved), and other relevant factors, including without limitation, technical, legal, scientific and/or medical factors.

1.16 "Compliance" shall mean the adherence by the Parties in all material respects to all Applicable Laws and Party Specific Regulations, in each case with respect to the activities to be conducted under this Agreement.

1.17 "**Confidential Information**" means all Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has provided or otherwise made available to the other Party whether made available orally, in writing, or in electronic form, including such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Exhibits and amendments constitute Confidential Information of both of the Parties.

1.18 "**Control**" or "**Controlled**" means, with respect to any material, Know-How, or intellectual property right (including Patent Rights), that a Party (a) owns or (b) has a license to such material, Know-How, or intellectual property right and, in each case, has the power to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and

conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, Know-How or intellectual property right owned or licensed by any Acquiring Entity immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity, and (ii) any materials, Know-How or intellectual property right that any Acquiring Entity subsequently develops without accessing or practicing the Zymeworks Platform or any Zymeworks Intellectual Property.

1.19 "**Covered**" or "**Cover**" means, with respect to a Product in a particular country, that the manufacture, use, sale or importation of such Product in such country would, but for the licenses granted herein, infringe a Valid Patent Claim.

1.20 "Directed To" means, with regard to an antibody or product, that such antibody or product (a) binds directly to a Target(s), and (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such binding or modifies the profile (e.g., PK, tissue penetration and distribution) of the antibody as a result of such binding, as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such antibody or product. When required grammatically, the defined term "Directed To" may be separated and shall have the same meaning set forth above; e.g., when discussing Targets To which an antibody is Directed.

1.21 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.22 "**Field**" means any and all uses and purposes, including, without limitation, diagnostic, prophylactic, and therapeutic uses, in humans and animal.

1.23 "**First Commercial Sale**" means, with respect to a Product in any country in the Territory, the first sale, transfer or disposition for value or for end use or consumption of such Product in such country after Marketing Authorization has been received in such country; provided, that any sale, transfer or disposition (i) to a Related Party will not constitute a First Commercial Sale unless the Related Party is the last Person in the distribution chain of the Product, (ii) of samples with respect to a Product will not constitute a First Commercial Sale, and (iii) for use in a Clinical Trial or for compassionate use in which such Product is sold at or below the cost of goods therefor will not constitute a First Commercial Sale. For clarity, with respect to the Key European Countries only, in the event Lilly receives Marketing Authorization for the first Key European Country but the pricing in such first country is not reasonably acceptable to Lilly for it to commercially launch with national reimbursement for such Product (even if Lilly merely makes such Product available in pharmacies without national reimbursement) then a "First Commercial Sale" shall not be deemed to occur with respect to such country unless and until the earlier of either: (i) Lilly receiving pricing in such country that is reasonably acceptable to Lilly for it to commercially launch such Product with national reimbursement in such country; or (ii) the first sale, transfer or disposition for value or for end use or consumption of a Product

occurs in any subsequent Major Market country after Marketing Authorization has been received in such country (subject to the exceptions set forth in (i) – (iii) above), including in any Key European Country other than the Key European Country that triggered the analysis as described in this sentence.

1.24 "FTE Rate" means the annual compensation rate for an FTE, which shall be $[…***…] (USD) as of the Effective Date, beginning with Calendar Year 2014. The FTE Rate shall be subject to an annual adjustment equal to the change in the consumer price index for such Calendar Year as reported by United States Bureau of Labor Statistics.

1.25 "Full Time Equivalent" or **"FTE"** means the equivalent of a full-time scientific or technical employee's work time over an accounting period (including normal vacations, sick days and holidays) based on […***…] ([…***…]) hours per year. The portion of an FTE year devoted by a scientist to activities under the Research Program shall be determined by dividing (a) the number of hours during any accounting period devoted by such individual to such activities by (b) the product of eight (8) hours * the number of Business Days during such accounting period. At minimum, […***…] percent ([…***…]%) of the FTE positions will be at the PhD scientist level and the ratio of technical to administrative activities shall be no less than […***…], respectively. For clarity, in no event shall any individual Zymeworks employee be considered more than a single FTE for any accounting period.

1.26 "**Generic Competition**" shall be deemed to exist with respect to a Product in a country in the Territory only if a Generic Product(s) represent a total unit volume of at least […***…] percent ([…***…]%) of the combined unit volume of the Product and such Generic Product(s) for all indications, in the aggregate, in such country for the one (1) preceding calendar quarters, determined by the number of prescriptions given for such Product and such Generic Product(s), in the aggregate, during such one (1) preceding calendar quarters (as measured by IMS Health Incorporated, Fairfield, Connecticut (or any of its affiliates) ("IMS") or similar independent source if IMS is unavailable).

1.27 "**Generic Product**" means a Product (regardless of whether such product dosage or formulation differs from Lilly's Product) that is commercialized by a Third Party that: (A) is approved for sale under Section 505(j) of the Act (or a successor or foreign equivalent Applicable Law) in reliance on the prior approval of a Product obtained or held by Lilly or its Affiliate or sublicensee or is biosimilar to such a Product; and (B) is legally marketed in the applicable country in the Territory by an entity other than, and which is not authorized to do so by, Lilly, its Affiliates or its sublicensees.

1.28 "Good Clinical Practices" or **"GCP"** means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of Clinical Trials, including, as applicable, (a) as set forth in the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (**"ICH"**) Harmonised Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on

medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

1.29 "Good Laboratory Practices" or **"GLP"** means all applicable Good Laboratory Practice standards, including, as applicable, (a) as set forth in the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58, and (b) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.30 "Good Research Practices" or **"GRP"** means all applicable Good Research Practices including, as applicable, (a) the research quality standards defining how Lilly's research laboratories conduct good science for non-regulated work as set forth in Exhibit 1.30 of this Agreement, (b) the BARQA Guidelines for Quality in Non-regulated Scientific Research, (c) the WHO Quality Practices in Basic Biomedical Research Guidelines or, (d) the equivalent Applicable Laws if any, in any relevant country, each as may be amended and applicable from time to time.

1.31 "Governmental Authority" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, state or local authority or any political subdivision thereof, or any association of countries.

1.32 "Internal Compliance Codes" means a Party's internal policies and procedures intended to ensure that a Party complies with Applicable Laws, Party Specific Regulations, and such Party's internal ethical, medical and similar standards.

1.33 "**IND**" means an investigational new drug application filed with the FDA with respect to a Product, or an equivalent application filed with a Regulatory Authority in a country other than the United States to commence a clinical trial of pharmaceutical product.

1.34 "Invention" means any Know-How, composition of matter, article of manufacture or other subject matter, whether patentable or not, that is conceived or reduced to practice under and as a result of, and within the scope of, any work performed under the Agreement.

1.35 "**Joint Invention**" means any Invention conceived or reduced to practice jointly by one or more employees of Lilly or its Affiliate or a Third Party acting on behalf of Lilly or its

Affiliate, on the one hand, and one or more employees of Zymeworks or its Affiliate or a Third Party acting on behalf of Zymeworks or its Affiliate, on the other hand.

1.36 "**Joint Know-How**" means all Know-How comprising a Joint Invention.

1.37 "**Joint Patent Rights**" means all Patent Rights claiming a Joint Invention.

1.38 "**Know-How**" means all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights and materials.

1.39 "**Lilly Target Pair**" means […***…], as more specifically referred to under […***…], and […***…], as more specifically referred to under […***…], or any Target with which it is replaced in accordance with Section 3.1.5, may be referred to herein as "**Target 2**".

1.40 "**Major Market**" means each of […***…]. For purposes of this Agreement the term "[…***…]" means […***…].

1.41 "**Marketing Authorization**" means all approvals (including, without limitation, any pricing, reimbursement or access approvals) from the relevant Regulatory Authority necessary to initiate marketing and selling a Product in any country.

1.42 "**Multi-Specific Antibody**" means an antibody or an antibody analogue, generated through the application of the Zymeworks Platform, that contains independent binding sites Directed to […***…].

1.43 "Net Sales" means, with respect to a Product, the gross amount invoiced by Lilly (including a Lilly Affiliate) or any sublicensee thereof to unrelated Third Parties, excluding any sublicensee, for the Product in the Territory, less:

a) […***…];

b) […***…];

c) […***…];

d) […***…];

e) […***…];

f) […***…];

g) […***…]; and

h) […***…] which are in accordance with U. S. Generally Accepted Accounting Principles (U.S. GAAP).

Such amounts shall be determined from the books and records of Lilly or sublicensee, maintained in accordance with U. S. GAAP or, in the case of sublicensees, such similar accounting principles, consistently applied. Lilly further agrees in determining such amounts, it will use Lilly's then current standard procedures and methodology, including Lilly's then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars or, in the case of sublicensees, such similar methodology, consistently applied.

In the event that the Product is sold as part of a Combination Product (where "Combination Product" means any pharmaceutical product which comprises the Product and other active compound(s) and/or ingredients), the Net Sales of the Product, for the purposes of determining royalty payments, shall be determined by multiplying the Net Sales of the Combination Product (as defined in the standard Net Sales definition) by the fraction, A / (A+B) where A is the weighted average sale price of the Product when sold separately in finished form, and B is the weighted average sale price of the other product(s) sold separately in finished form.

In the event that the weighted average sale price of the Product can be determined but the weighted average sale price of the other product(s) cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A / C where A is the weighted average sale price of the Product when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of the other product(s) can be determined but the weighted average sale price of the Product cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the following formula: one (1) minus (B / C) where B is the weighted average sale price of the other product(s) when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of both the Product and the other product(s) in the Combination Product cannot be determined, the Net Sales of the Product shall be deemed to be equal to the mutually agreed (by the Parties) percentage of the Net Sales of the Combination Product, based on the relative value and/or cost of the Product and other product(s) in such Combination Product provided; however, that in the event the Parties cannot, in spite of good faith efforts, mutually agree to such a percentage, then such percentage shall be equal to fifty percent (50%) of the Net Sales of the Combination Product.

The weighted average sale price for a Product, other product(s), or Combination Product shall be calculated once each Calendar Year and such price shall be used during all applicable royalty reporting periods for the entire following Calendar Year. When determining the weighted average sale price of a Product, other product(s), or Combination Product, the weighted average sale price shall be calculated by dividing the sales dollars (translated into U.S. dollars) by the units of active ingredient sold during the twelve (12) months (or the number of months sold in a partial calendar year) of the preceding Calendar Year for the respective Product, other product(s), or Combination Product. In the initial Calendar Year, a forecasted weighted average sale price will be used for the Product, other product(s), or Combination Product. Any over or under payment due to a difference between forecasted and actual weighted average sale prices will be paid or credited in the first royalty payment of the following Calendar Year.

1.44 "**Party Specific Regulations"** means all judgments, decrees, orders or similar decisions issued by any Governmental Authority specific to a Party, and all consent decrees, corporate integrity agreements, or other agreements or undertakings of any kind by a Party with any Governmental Authority, in each case as the same may be in effect from time to time and applicable to a Party's activities contemplated by this Agreement

1.45 "Patent Rights" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including, without limitation, pediatric exclusivity patent extensions), term restorations, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.46 "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.47 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.48 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.49 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular indication in a manner sufficient to file for Marketing Authorization, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.50 "Product" means a pharmaceutical preparation in final form containing one or more Antibody(ies). For clarity, a Product includes any formulation, delivery device, or dispensing device required for effective use of the Product (collectively the "**Product Delivery Mechanism**") provided, however, notwithstanding anything to the contrary herein, the Parties agree that any Patent Rights that claim solely the Product Delivery Mechanism and no other component or aspect of the Product shall be deemed to not Cover the Product for purpose of determining the Royalty Term as set forth in Section 5.5.2 of this Agreement.

1.51 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and pricing approvals for such sale.

1.52 "**Regulatory Exclusivity**" means any exclusive marketing rights or data exclusivity rights conferred by any applicable Regulatory Authority, other than an issued and unexpired Patent Right, including any new chemical entity exclusivity, pediatric exclusivity or orphan drug exclusivity.

1.53 "**Related Party**" means each Party, its Affiliates, and their respective licensees or sublicensees hereunder (which term excludes any Third Parties to the extent functioning as distributors), as applicable. In no event shall Zymeworks be a Related Party with respect to Lilly or Lilly be a Related Party with respect to Zymeworks.

1.54 "**Research Program Patent Rights**" means any and all Patent Rights claiming an Invention arising from the Research Program that are Controlled by either Party or their respective Affiliates.

1.55 "**Target**" means any clinically relevant […***…] (or portion thereof).

1.56 "**Territory**" means all of the countries and territories in the world.

1.57 "**Third Party**" means any Person other than Lilly or Zymeworks or an Affiliate of Lilly or Zymeworks.

1.58 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.59 "**USD**" and "**$**" means United States dollars.

1.60 "**Valid Patent Claim**" means any claim of (a) an issued and unexpired patent or (b) a pending patent application, in each case included within the Zymeworks Patent Rights or the Research Program Patent Rights which has not been abandoned, revoked or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction with no further possibility of appeal and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise.

1.61 "Zymeworks Internal Program" means a *bona fide* internal research, development or commercialization program undertaken by Zymeworks with respect to a Target, with respect to which, as of the date of Replacement Target nomination under Section 3.1.5 for such Target (the **"Receipt Date"**), a Zymeworks internal product candidate Directed To such Target has been generated and that (a) as of or prior to the Receipt Date, Zymeworks or an Affiliate of Zymeworks […***…] of such Zymeworks internal product candidate or (b) as of the Receipt Date, Zymeworks […***…] involving such internal product candidate under such Zymeworks Internal Program in a sustained manner consistent with Zymeworks' other internal programs at similar stages of research and development.

1.62 "**Zymeworks Intellectual Property**" means the Zymeworks Patent Rights and the Zymeworks Know-How.

1.63 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date and during the Term of the Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to Lilly in: (i) carrying out the activities assigned to it under the Research Program or (ii) developing, manufacturing or commercializing Products (including developing and manufacturing of any Antibody for inclusion in such Products).

1.64 "**Zymeworks Patent Rights**" means any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including without limitation Patent Rights Controlled by Zymeworks claiming Zymeworks Inventions) as of the Effective Date and during the Term of the Agreement, which (a) are necessary or reasonably useful for the use or exploitation of the Zymeworks Platform for carrying out the Research Program or (b) claim the manufacture, use, sale or importation of any Antibody (including, the make, use, offer to sell, sell, and import Antibodies).

1.65 "**Zymeworks Platform**" means Zymeworks' proprietary antibody engineering tools and capabilities and the amino acid mutations included therein used to generate antibodies consisting of […***…] and/or […***…].

1.66 Additional Definitions. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/Exhibit
Accounting Firm	6.4.2(a)
Agreement	Preamble
Agreement Payments	6.3
Challenge Countries	10.2.3
Claims	13.1
Code	11.4
Commercialization Milestone Event	5.4
Commercialization Milestone Payment	5.4
Confidentiality Agreement	15.13
Controlling Party	7.3.4
Development Milestone Event	5.3
Development Milestone Payment	5.3
Dispute	15.5.1
Effective Date	Preamble
Excluded Claim	15.5.5
Expenses and Payments	6.4.2(a)
Indemnified Party	13.3.1
Indemnifying Party	13.3.1
Infringement	7.3.1
JSC	4.3
Lilly Challenged Zymeworks Patent Rights	10.2.3
Lilly Indemnified Party	13.1
Lilly RP Termination Decision	10.2.1(b)
Lilly Sequences	3.1.3(a)
Losses	13.1
Notice of Dispute	15.5.1
Party	Preamble
Parties	Preamble
Project Leader	4.1
prosecution	7.2.1
Replacement Target	3.1.5
Research Plan	3.1.3
Research Program	3.1.1
Research Program Term	3.1.2
Royalty	5.5.1
Target 2	1.39
Target 2 Replacement Term	3.1.5
Taxes	6.3
Term	10.1
Third Party Expenses	5.2.2

Definition	Section/Exhibit
Third Party Expense Threshold	5.2.2
Zymeworks	Preamble
Zymeworks Indemnified Party	13.2

1.67 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “day” or “year” means a calendar day or year unless otherwise specified; (c) the word “notice” shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words “shall” and “will” have interchangeable meanings for purposes of this Agreement; (f) provisions that require that a Party, the Parties or a committee hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (h) words of any gender include the other gender; (i) words using the singular or plural number also include the plural or singular number, respectively; (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; and (h) neither Party shall be deemed to be acting on behalf of the other Party.

2. GRANT OF LICENSES

2.1 Licenses to Lilly. Subject to the terms and conditions of this Agreement,

2.1.1 Conduct of the Research Program. Zymeworks hereby grants to Lilly a license, including the right to sublicense to Affiliates of Lilly and Third Parties undertaking activities hereunder on Lilly’s behalf, under the Zymeworks Intellectual Property (including Zymeworks’ interest in Joint Inventions) solely for Lilly to perform those activities assigned to Lilly under the Research Program.

2.1.2 For Products. Zymeworks hereby grants to Lilly an exclusive license under the Zymeworks Intellectual Property (including Zymeworks’ interest in Joint Inventions) to (a) make, use and import Antibodies for incorporation into Products and (b) make, use, offer to sell, sell, and import Products in the Field in the Territory as of the Effective Date and during

the Term of the Agreement. Notwithstanding anything to contrary in this Agreement, during the Term of this Agreement, Zymeworks agrees that it shall neither: (i) make, use, offer to sell, sell, and import Products and/or Antibodies in the Field in the Territory; nor (ii) grant any rights to Zymeworks Intellectual Property to any Affiliate, sublicensee or other Third Parties to make, use, offer to sell, sell, and import Products and/or Antibodies in the Field in the Territory.

2.1.3 Modifications. The foregoing license shall include the right to modify the Antibodies; provided that such modifications shall in no event modify the amino acid mutations included in the Antibodies if such modification would infringe upon a Valid Claim of a Zymeworks Patent Right that claims subject matter that was not generated or conceived under the Research Program. Conversely, however, this license shall include the right to modify the Antibodies […***…] using Zymeworks Know-How and Zymeworks Patent Rights that were generated or conceived under the Research Program provided that such use would not infringe a Valid Claim of a Zymeworks Patent Right that claims subject matter that was not generated or conceived under the Research Program.

2.1.4 Sublicenses. The license granted to Lilly in Section 2.1.2 includes the right to grant sublicenses through multiple tiers, provided that each sublicense granted by Lilly shall be consistent with the terms and conditions of this Agreement. Lilly shall, upon Zymeworks' written request to Lilly, provide Zymeworks with prompt notice of any such sublicenses that it grants. Lilly shall be and remain responsible to Zymeworks for the performance of each sublicensee under such sublicense.

2.2 License to Zymeworks. During the Research Program Term and subject to the terms and conditions of this Agreement, Lilly hereby grants Zymeworks a non-exclusive license to make, use and otherwise exploit subject matter within the Know-How and Patents Controlled by Lilly or its Affiliates (including Lilly's interest in Joint Inventions) solely for Zymeworks to perform those activities assigned to it under the Research Program or otherwise cooperate with Lilly hereunder. The license granted under this Section 2.2 shall not include the right to sublicense; provided, however, that the use by Zymeworks of contractors shall not be construed as a sublicense.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other intellectual property rights Controlled by the other Party or its Affiliates. For clarity, except for rights necessary for Zymeworks to carry out its responsibilities under the Research Program as contemplated hereunder, Lilly is not granting Zymeworks any rights, implicitly, explicitly or otherwise to use the Lilly Target Pair for any purpose. Subject to the licenses explicitly granted to Lilly hereunder and the other terms and conditions of this Agreement, Zymeworks will retain all rights under the Zymeworks Intellectual Property. Without limiting the foregoing and notwithstanding anything herein to the contrary

(except as provided in this Section 2.3 or Section 8.4 below), the licenses granted to Lilly in this Agreement do not include the right to utilize or otherwise exploit the Zymeworks Platform to independently develop or modify Antibodies or to modify or improve the Zymeworks Platform. Furthermore, notwithstanding anything to the contrary in this Agreement, by entering into this Agreement with Zymeworks, Lilly is not forfeiting any rights that Lilly may have including, without limitation, its rights to perform research activities in compliance with 35 U.S.C. § 271(e)(1) or any experimental or research use exemption that may apply in any country.

3. RESEARCH PROGRAM AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Research Program.

3.1.1 General. Lilly and Zymeworks shall conduct a program to generate and optimize antibodies or antibody analogues Directed To the Lilly Target Pair using the Lilly Sequences and the Zymeworks Platform for applications in the Field on a collaborative basis and in accordance with the Research Plan (the "**Research Program**"). The Research Program shall be coordinated by the Parties through the JSC.

3.1.2 Research Term. The Research Program shall commence on the Effective Date and shall conclude twelve (12) months after the commencement of Part A – Project Initiation of the Research Plan (such period, the "**Research Program Term**") provided that the Parties agree, notwithstanding the foregoing, that commencement of the Research Program Term in no event shall be deemed to have occurred any earlier than such time as Lilly has delivered to Zymeworks at least one of the Lilly Sequences as described in Section 3.1.3(a) of this Agreement. The Research Program Term may be extended by up to six (6) additional months upon mutual written agreement of the Parties, and Zymeworks shall charge no additional upfront fee or milestone to Lilly in connection with such extension.

3.1.3 Research Plan. The Research Program shall cover the following activities, as set forth in further detail in a written research plan agreed to by the Parties in writing (the initial plan for the Research Program is attached hereto as Exhibit 3.1.3, which may be amended from time to time with the mutual written consent of the Parties, such consent not to be unreasonably withheld, conditioned or delayed) (collectively, the "**Research Plan**"):

(a) Lilly will provide to Zymeworks at least one (1) and up to three (3) antibody nucleic acid or amino acid sequences Directed To each Target in the Lilly Target Pair (the "**Lilly Sequences**"). Each Lilly Sequence shall consist […***…] sequence that encodes […***…] within the Lilly Target Pair. The Lilly Sequences shall be provided to Zymeworks within […***…] days after the Effective Date.

(b) Zymeworks will, subject to Section 5.2, apply the Zymeworks Platform to the Lilly Sequences as described in the Research Plan.

(c) Zymeworks or an Approved CRO of Zymeworks' choice will, subject to Section 5.2, perform the initial rounds of cloning, expression and characterization work with respect to each Antibody as described within Part B or C of the Research Plan.

(d) Lilly or a contract research organization of Lilly's choice will perform […***…].

3.1.4 Conduct of Research Program. Each Party:

(a) shall conduct its responsibilities under the Research Program, as assigned to it under the Research Plan and shall use Commercially Reasonable Efforts to achieve the objectives and timelines within the Research Plan.

(b) conduct the Research Program in compliance with all Applicable Laws and in accordance with GLPs, GCPs and GRPs to the extent applicable.

(c) may utilize the services of its Affiliates and, to the extent permitted under Sections 3.1.3(c), 3.1.3(d) or 3.2, Third Parties to perform those activities assigned to it under the Research Program.

3.1.5 Replacement of Target 2. During the period commencing on the Effective Date and ending […***…] (the "**Target 2 Replacement Term**"), Lilly may replace Target 2 by providing Zymeworks with written notice referencing this Section 3.1.5 and nominating such replacement Target (each, a "**Replacement Target**"); provided that the selection of any Replacement Target shall be subject to the provisions of this Section 3.1.5; and provided further than Lilly may nominate […***…] Replacement Targets during the Target 2 Replacement Term. Provided that a Replacement Target is available in accordance with this Section 3.1.5, such Replacement Target shall become Target 2 for purposes of this Agreement, and Lilly shall cease to have any rights under this Agreement (including Section 3.5) with respect to any Target previously selected as Target 2. The Lilly Sequences Directed To any replacement Target 2 selected pursuant to this Section 3.1.5 shall be provided to Zymeworks within […***…] after such Replacement Target is nominated by Lilly. […***…] of Zymeworks' receipt of Lilly's notice of a Replacement Target that Lilly proposes to select as Target 2 pursuant to Section 3.1.5, Zymeworks shall provide Lilly with notice that the proposed Replacement Target is available or unavailable, and the basis for such status.

(a) Available Replacement Target. A proposed Replacement Target shall be available for purposes of this Section 3.1.5; provided that, at the time that Lilly notifies Zymeworks of the selection of such Replacement Target, the following circumstances are not applicable:

(i) Zymeworks is […***…];

(ii) Zymeworks is […***…]; or

(iii) Zymeworks is […***…].

If any Replacement Target selected by Lilly to become Target 2 is so available, such Replacement Target shall become Target 2, and Lilly's exclusivity under Section 3.5 shall apply with respect to such Target 2 as part of a corresponding Target Pair.

(b) Unavailable Target. A proposed Replacement Target shall be unavailable if Zymeworks is subject to any of the circumstances set forth in Section 3.1.5(a)(i), (ii) or (iii) above with respect to products incorporating antibody nucleic acid or amino acid sequences developed or optimized using the Zymeworks Platform that are Directed To such Replacement Target. If any such Replacement Target is so unavailable, such Target shall not be Target 2, and Lilly may propose another Replacement Target(s) as Target 2, subject to this Section 3.1.5. For purposes of clarity, in the event a nominated Replacement Target is unavailable such nomination shall not be considered a nomination of a Replacement Target for the purpose of determining whether Lilly has exceeded the limitation for the nomination of Replacement Targets as described above in this Section 3.1.5 of this Agreement.

3.1.6 Exchange of Know-How and Materials.

(a) To the extent any physical materials need to be delivered to a Party as may be determined by the JSC under this Agreement to enable that Party to perform its obligations under the Research Program the delivering Party shall arrange for prompt delivery of such physical materials in the manner determined by the JSC. The Party receiving such physical materials shall use the same for the sole purpose of conducting activities under the Research Program or otherwise exercising its rights and fulfilling its obligations hereunder and treat all such physical materials as Confidential Information of the delivering Party. Unless expressly agreed otherwise, physical materials so supplied by a Party to another Party pursuant to this Agreement shall be "AS IS" without warranty of any kind and shall not be used in any human application.

(b) Zymeworks will only provide to Lilly (1) the Antibodies and the sequences thereof to be provided in accordance with the Research Plan and description of the mechanism to generate such Antibodies (the "**Research Program Work Product**") and (2) any additional Zymeworks Know-How that is reasonably required for Lilly to perform its obligations under the Research Program and progress the Products through preclinical development. For clarity (except as specifically provided in this Section 3.1.5(b), Zymeworks shall have no obligation to disclose or transfer to Lilly any Know-How or technology.

(c) Lilly will only provide to Zymeworks (1) the Lilly Sequences and (2) any additional Know-How Controlled by Lilly that is reasonably required for Zymeworks to perform its obligations under the Research Program, in each case (i) and (ii) as specified in the Research Plan. For clarity (except as specifically provided in this Section 3.1.5(c)), Lilly shall have no obligation to disclose or transfer to Zymeworks any Know-How or technology.

3.2 Affiliates, Sublicensees and Contractors. Lilly, in utilizing the services of its Affiliates, sublicensees and contractors under this Agreement, may sublicense its rights under this Agreement in accordance with Section 2.1.4 and share Confidential Information with such Affiliates, sublicensees and contractors in furtherance of the Research Program and in undertaking development and commercialization activities under this Agreement, in each case in accordance with Article 8; provided, however, that Lilly shall remain responsible for such performance of its Affiliates, sublicensees and contractors and shall cause such Affiliates, sublicensees and contractors to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use.

3.3 Records and Reports.

3.3.1 Records. Each Party shall maintain records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of intellectual property rights (including Patent Rights) in accordance with Article 7 below, regarding its conduct of the Research Program after the applicable activity, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect the work done and results achieved by such Party in the performance of the Research Program.

3.3.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.3.1, each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records referred to in Section 3.3.1, solely for purposes of exercising its rights or fulfilling its obligations under this Agreement. Upon reasonable request, each Party shall provide copies of the records described in Section 3.3.1, at the other Party's request and expense. Lilly shall have the right to arrange with Zymeworks for its employee(s) or consultant(s) involved in the activities contemplated hereunder to visit the offices and laboratories of Zymeworks and any of its contractors during normal business hours and upon reasonable notice, and to discuss the Research Program work and its results in detail with the technical personnel and consultant(s); provided that any such visits shall occur no more frequently than once per Calendar Quarter.

3.4 Development and Commercialization by Lilly. Subject to the terms and conditions of this Agreement, Lilly (itself or through its Affiliates or Third Parties) shall have the sole responsibility and exclusive right to further

develop, manufacture and commercialize any Products upon the conclusion of the Research Program (including, subject to Section 2.3, the right to develop and manufacture Antibodies for incorporation into Products). Until […***…], Lilly shall use Commercially Reasonable Efforts to develop and commercialize Product(s). Until […***…], Lilly shall provide Zymeworks with written reports summarizing the then current development status of each Product as set forth in this Section 3.4 below.

3.4.1 Development. After the expiration of the Research Program Term until the first Product achieves a First Commercial Sale in at least one Major Market, with respect to each Product hereunder, for so long as Lilly is conducting development activities with respect to such Product, Lilly, upon written request by Zymeworks (such request may not occur more than once in any one calendar year) shall, provide to Zymeworks a high-level written summary describing the status of development activities that it has conducted during the previous six-month period and the activities planned to be conducted during the twelve (12) month period immediately following such written request.

3.4.2 Safety and Regulatory Obligations. Upon first submission of an IND for a Product, the Parties, upon Lilly's request, will meet, if necessary, to evaluate safety and regulatory obligations related to the development of the Product.

3.5 Target Exclusivity. During the Research Program Term, the Parties will collaborate exclusively with each other (and not with any Third Party) with respect to developing antibodies Directed To the Lilly Target Pair. The Parties acknowledge and agree, without limiting the foregoing and without limiting the exclusive licenses explicitly granted to Lilly pursuant to Section 2.1 above, that each Party may, as of the Effective Date or in the future, […***…]. After the Research Program Term, Zymeworks shall collaborate exclusively with Lilly (and not with any Third Party) with respect to applying the Zymeworks Platform to antibodies Directed To the Lilly Target Pair, […***…]. Exclusivity with respect to antibodies Directed To the Lilly Target Pair under this Section 3.5 shall […***…]. Provided, however, that under no circumstances, shall Zymeworks use then Zymeworks Intellectual Property to make, use, sell, offer to sell or import Antibodies or Products or use any Antibodies to make, use, sell, offer to sell or import other products. For clarity, nothing in this Section 3.5 shall grant either Party any rights under any Patent Rights, Know-How or other intellectual property rights Controlled by the other Party or its Affiliates for purposes set forth in this Section 3.5.

3.6 Meeting upon Completion of Research Program. Within […***…] days of the completion of the Research Program, the Parties shall meet to discuss the results of the Research Program and Lilly's plans for progressing the development and commercialization of the Antibodies and the Products.

4. GOVERNANCE

4.1 Project Leader. Within […***…] days of the Effective Date, Lilly and Zymeworks will each assign one (1) employee to serve as primary point of contact between the Parties with respect to the Research Program (each, a "**Project Leader**"). The Project Leaders shall regularly communicate with each other to address Research Program-related issues, needs and updates. Either Party, upon prior notice to the other Party, may change its Project Leader. Except for those Disputes that are subject to the purview of the JSC, prior to submitting any Dispute to the dispute resolution mechanism set forth in Section 15.5, the Project Leaders shall attempt, for a period of […***…] days, to resolve such Dispute.

4.2 Alliance Manager. Within 30 days of the Effective Date, each Party shall also appoint an individual to act as the Alliance Manager for such Party. Each Alliance Manager shall thereafter be permitted to attend meetings of the JSC and any sub-committee as a nonvoting observer. The Alliance Managers shall be the primary point of contact for the Parties regarding the collaboration activities contemplated by this Agreement (other than the activities/responsibilities of the Project Leader outlined in Section 4.1. above) and shall help facilitate all such activities hereunder.

4.3 Joint Steering Committee. The Parties will establish, as soon as practicable after the Effective Date, a Joint Steering Committee (the "**JSC**") to oversee and coordinate the activities of the Parties under the Research Program. The JSC shall be comprised of two (2) employees from Lilly and two (2) employees from Zymeworks. Subject to the foregoing, each Party shall appoint its respective representatives to the JSC from time to time, and may change its representatives, in its sole discretion, effective upon notice to the other Party designating such change. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Program. One (1) of the members of the JSC appointed by Lilly shall be designated the JSC Chair. The JSC Chair will be responsible for calling meetings of the JSC, circulating agenda and performing administrative tasks required to assure efficient operation of the JSC. The JSC shall be promptly disbanded upon completion of the Research Program.

4.4 JSC Meetings. The JSC shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once every […***…] months until expiration of the Research Program Term. The location for meetings shall alternate between Zymeworks and Lilly facilities (or such other location as is determined by the JSC). Alternatively, the JSC may meet by means of teleconference, videoconference or other similar means. As appropriate, additional employees or consultants may from time to time attend the JSC meetings as nonvoting observers, provided that any such consultant shall agree in writing to comply with the confidentiality obligations under this Agreement; and provided further that no Third Party personnel may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the JSC meetings by its representatives. Each Party

may also call for special meetings to resolve particular matters requested by such Party. The JSC Chair or his/her designee shall keep minutes of each JSC meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. Lilly shall send meeting minutes to all members of the JSC promptly after a meeting for review. Each member shall have […***…] from receipt in which to comment on and to approve/provide comments to the minutes (such approval not to be unreasonably withheld, conditioned or delayed). If a member, within such time period, does not notify Lilly that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member.

4.5 JSC Functions. The JSC's responsibilities with respect to the Research Program are as follows:

(a) Overseeing and coordinating the activities of the Parties under the Research Program;

(b) Facilitating the exchange of Know-How and materials as required hereunder;

(c) Periodically reviewing the progress of the Research Program; and

(d) Updating or modifying the Research Plan.

(e) Approving the achievement of Development Milestone 1.

(f) JSC Disputes. The JSC will endeavor to make decisions by consensus, with each of Lilly and Zymeworks having one vote. If consensus is not reached by the Parties' representatives pursuant to such vote, then the matter may be escalated by either Party to designated officers of both Lilly and Zymeworks with appropriate decision making authority for resolution in accordance with Section 15.5. In the event the designated officers are unable to resolve the issue within […***…] days, Lilly has and shall have the right to make the final decision with respect to such dispute, provided that Lilly will not have the right to unilaterally revise the Research Plan or to obligate Zymeworks to perform any task or expend any resources outside of or beyond its express obligations under this Agreement. For clarity and notwithstanding the creation of the JSC, each Party shall retain the rights, powers and discretion granted to it hereunder, and the JSC shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The JSC shall not have the power to amend, waive or modify any term of this Agreement, and no decision of the SSC shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JSC are limited to those specific issues that are expressly provided in this Agreement to be decided by the JSC.

5. FINANCIAL PROVISIONS

5.1 Upfront Payment. In consideration of Zymeworks' granting of the licenses and rights to Lilly under this Agreement, Lilly shall pay to Zymeworks a one-time, non-refundable upfront payment of One Million US dollars (**USD $1,000,000**) within […***…] following the Effective Date.

5.2 Expenses. Zymeworks and Lilly shall each bear all expenses it incurs in performance under this Agreement, except as expressly set forth in this Agreement. Lilly shall provide FTE funding to Zymeworks in support of the Research Program and shall reimburse Zymeworks for all Third Party expenses incurred by Zymeworks but only to the extent as specifically provided for in the Research Plan and in accordance with the Research Plan and Section 5.2 of this Agreement.

5.2.1 FTE Funding. The FTE funding to be provided by Lilly shall be based on the FTE Rate and actual hours worked by Zymeworks FTEs on the Research Program, including for purposes of any needed design cycle iterations and any initial rounds of cloning and expression work in which Zymeworks participates, as supported by approved time sheets for such FTEs coded to the Research Program after review and approval by Lilly, such approval not to be unreasonably withheld. For clarity, Lilly shall provide Zymeworks funding for all Zymeworks FTEs engaged in the Research Program; provided that Lilly shall not be responsible for funding more than three (3) FTEs in any given month during the Research Program Term, unless otherwise agreed by Lilly in writing (such agreement not to be unreasonably withheld).

5.2.2 Third Party Expenses. Costs associated with subcontractors (including Approved CROs) and other Third Party expenses, including Project-specific reagents, instrumentation costs and laboratory costs, incurred by Zymeworks with respect to the Research Program (collectively, "**Third Party Expenses**") will be passed through to Lilly at cost without markup. Third Party Expenses shall not exceed (a) […***…] dollars ($[…***…]) prior to achievement of Gate 1 in the Research Plan or (b) […***…] dollars (USD $[…***…]) during the conduct of Part C(iv) of the Research Plan, in each case unless otherwise agreed by Lilly in writing (such agreement not to be unreasonably withheld) (each of (a) and (b), a "**Third Party Expense Threshold**"). Notwithstanding the foregoing, in the event that Lilly nominates […***…], the Third Party Expense Threshold(s) shall reset such that another […***…] dollars ($[…***…]) applies with respect to the applicable period or periods. Zymeworks shall invoice Lilly for Third Party Expenses on a quarterly basis and shall provide a report to Lilly setting forth such expenses in reasonable detail and any supporting invoices relating thereto, together with each such invoice provided to Lilly. Lilly shall pay such invoices within […***…] days of receipt.

5.3 Development Milestones. Within […***…] after the first achievement of each milestone event set forth in the table below for each Product (each, a "**Development Milestone Event**"), Lilly shall make the corresponding milestone payment to Zymeworks (each, a

"**Development Milestone Payment**"). For clarity, each Development Milestone Payment […***…].

	Development Milestone Events	Milestone Payments
1.	[***]	**USD $1.0 Million**
2.	[***]	**USD $2.0 Million**
3.	[***]	**USD $**[***]
4.	[***]	**USD $**[***]
	Total Possible Development Milestone Payments per Product	**USD $11.0 Million**

5.4 Commercialization Milestones. Within […***…] after the first achievement of each milestone event set forth in the table below for each Product (each, a "**Commercialization Milestone Event**"), Lilly shall make the corresponding milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**"):

	Commercial Milestone Events	Milestone Payments
1.	[***]	**USD $**[***]
2.	[***]	**USD $**[***]
3.	[***]	**USD $**[***]

For clarity, each of the foregoing Commercial Milestone Payments […***…].

5.5 Royalties.

5.5.1 Patent Royalty Payments. Lilly shall pay Zymeworks a royalty (each such royalty payment, a "**Royalty**") on Net Sales of each Product at the rates set forth below:

Annual Worldwide Net Sales on a Product-by-Product basis	**Royalty Rate**
USD $[***] to USD $[***]	[***]%
Above USD $[***]to USD $[***]	[***]%
Above USD $[***]	[***]%

5.5.2 Royalty Term. The Royalty will be payable on a Product-by-Product and country-by-country basis from First Commercial Sale in such country until (i) such Product is no longer Covered by a Valid Patent Claim in such country or (ii) ten (10) years after the First Commercial Sale of such Product in such country, whichever is later (the "Royalty Term"); provided that in the event of […***…], then the Royalty payable with respect to Product sales in such country shall be reduced by […***…] percent ([…***…]%) during the Royalty Term for so long as such […***…].

6. REPORTS AND PAYMENT TERMS

6.1 Payment Terms.

6.1.1 Milestone Payments. Within […***…] of the JSC determining (as reflected in its minutes) that Development Milestone Event 1 (in the table in Section 5.3) has been achieved, Lilly shall pay to Zymeworks the corresponding Milestone Payment. Lilly shall provide Zymeworks with notice of the achievement of each other Development Milestone Event and Commercial Milestone Event within […***…] thereafter and make the corresponding Milestone Payment within […***…] after such achievement.

6.1.2 Royalties. During the Term, following the First Commercial Sale of a Product, Lilly shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by Product sold by Lilly and its Related Parties during the reporting Calendar Quarter and the Royalties payable under this Agreement in sufficient detail to allow Zymeworks to verify the amount of Royalties paid by Lilly with respect to such Calendar Quarter, including, on a country-by-country and Product-by-Product basis, the Net Sales of each Product, and the Royalties (in US dollars) payable and in total for all Products and the manner and basis for any currency conversion in accordance with Section 6.2. Reports shall be due no later than […***…] following the end of each Calendar Quarter. Royalties shown to have accrued by each report provided under this Section 6.1.2 shall be due and payable on the date such report is due.

6.1.3 Invoices. Except as otherwise provided herein, amounts shall be due and payable within […***…] days of receipt of invoice therefor.

6.2 Payment Currency / Exchange Rate. All payments to be made by Lilly to Zymeworks under this Agreement shall be made in USD. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to Lilly. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with Lilly's normal practices used to prepare its audited financial statements for external reporting purposes; provided that such practices use a widely accepted source of published exchange rates.

6.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 6.3, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon any payments made by Lilly to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws require the withholding of Taxes, Lilly shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. Lilly shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. Lilly shall provide Zymeworks reasonable assistance in order to allow Zymeworks to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such Party shall be responsible for all such additional Taxes.

6.4 Records and Audit Rights.

6.4.1 Records. Lilly will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Royalties. Each Party will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail to allow the other Party to confirm those expenses incurred by the first Party and its Related Parties for which the other Party is obligated to pay under this Agreement. Each Party will keep such books and records for at least […***…] years following the end of the Calendar Year to which they pertain.

6.4.2 Audit Rights.

(a) Each Party (the "**Auditing Party**") shall have the right during the […***…] described in Section 6.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") reasonably acceptable to the other Party to inspect or audit the relevant records of the other Party (the "**Audited Party**") and its Affiliates to verify that the amount of such expenses and payments ("**Expenses and Payments**") were correctly determined. The Audited Party and its Related Parties shall each

make its records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from the Auditing Party, solely to verify the expenses and payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by the Auditing Party more than once in any Calendar Year and may cover a period ending not more than […***…] prior to the date of such request. All records made available for inspection or audit shall be deemed to be Confidential Information of the Audited Party. The results of each inspection or audit, if any, shall be binding on both Parties. The Auditing Party shall bear the full cost of such audit unless such audit discloses at least a […***…]percent ([…***…]%) shortfall that exceeds at least […***…] dollars ($[…***…]), in which case the Audited Party will bear all reasonable costs and expenses of the audit. The Auditing Party will be entitled to recover any shortfall in payments as determined by such audit. Similarly, if the audit reveals an overpayment, the Audited Party will be entitled to recover such overpayment as determined by such audit as actually received by the Auditing Party. Any underpayment or overpayment as determined under this Section 6.4.2(a) shall be promptly (but in any event no later than […***…] after the Audited Party's receipt of the Accounting Firm's report so concluding) paid to the Party entitled to payment hereunder.

(b) The Accounting Firm will disclose to the Auditing Party only whether the Expenses and Payments are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to the Auditing Party without the prior consent of the Audited Party unless disclosure is required by Applicable Laws or judicial order. The Audited Party is entitled to require the Accounting Firm to execute a reasonable confidentiality agreement prior to commencing any such audit. The Accounting Firm shall provide a copy of its report and findings to the Audited Party.

7. INTELLECTUAL PROPERTY RIGHTS

7.1 Ownership of Inventions. Ownership of all Inventions, including Patent Rights and other intellectual property rights with respect to such Inventions, shall be as set forth in this Article 7. Determination of inventorship of Inventions shall be made in accordance with US laws. Each Party will continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or created or obtained outside the scope of this Agreement, or which it licenses to the other Party under this Agreement. For clarity, as between the Parties and notwithstanding anything herein to the contrary, Lilly shall have and retain ownership of the Lilly Sequences and any Inventions related solely to the Lilly Sequences, and Zymeworks shall retain all rights in the Zymeworks Platform and any Inventions comprising improvements thereto. For clarity, all antibody mutations created or introduced by Zymeworks using the Zymeworks Platform will comprise improvements thereto and will be owned by Zymeworks, subject to the licenses set forth in Section 2.1; provided, however, that the physical embodiment of all Antibodies shall be owned by Lilly, subject to the rights and licenses granted to Zymeworks hereunder, including pursuant to Section 2.2. Except as otherwise provided in the foregoing sentence, Inventions that are made solely by Zymeworks (and all intellectual property rights therein, including the Patent Rights claiming

them) shall be owned solely by Zymeworks; Inventions that are made solely by Lilly (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Lilly; and Joint Inventions (and the Joint Patent Rights) shall be owned jointly by the Parties. Subject to Article 2 and Article 11, each Party has the right to grant licenses under such Joint Inventions (and the Joint Patent Rights) to any Third Party without the consent of, or accounting to, the other Party.

7.2 Patent Prosecution and Maintenance.

7.2.1 Definitions. As used in this Section 7.2, "prosecution" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

7.2.2 Zymeworks Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks agrees that its filings with respect to the Zymeworks Patent Rights will not incorporate data or information specific to the Antibodies. Zymeworks shall keep Lilly reasonably advised with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights and, upon Lilly's request, shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Zymeworks Patent Rights. Zymeworks shall promptly give notice to Lilly of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Patent Rights licensed to Lilly under this Agreement. Notwithstanding the foregoing, Lilly shall have the first right (but not the obligation) to control the preparation, filing, prosecution and maintenance of Patent Rights claiming subject matter generated or conceived under the Research Program to the extent such Patent Rights are specific to the Antibodies or the Products, including, without limitation, therapeutic methods, pharmaceutical compositions, methods of manufacture, product by process, and also including the genetic sequence of the Antibodies.

7.2.3 Joint Patent Rights.

(a) Lilly, at Lilly's expense, shall have the first right to control the preparation, filing, prosecution and maintenance of Joint Patent Rights. Lilly shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights and shall provide copies of material submissions to any patent office in any Major Market related to the filing, prosecution and maintenance of the Joint Patent Rights to Zymeworks for review and comment. Such copies shall be provided in advance of submission to the extent reasonably practicable. Lilly shall take into consideration any comments from Zymeworks; *provided, however*, that the Parties acknowledge and agree that if there is any dispute between the Parties regarding such patent matters, Lilly's decision shall be

final. Lilly shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

(b) Lilly may elect not to file or to cease prosecution or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, Lilly shall give timely notice to Zymeworks. Zymeworks may by notice to Lilly assume filing for, prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense, in which case Lilly shall promptly assign to Zymeworks all of its rights, title and interest (except as provided below) in and to such Joint Patents, and such Joint Patents shall no longer be subject to the exclusive licenses set forth in Section 2.1; provided, however, the Parties acknowledge and agree that Lilly shall still retain its joint ownership rights in such Joint Patents and, therefore, shall retain the right to use and otherwise exploit such Joint Patent Rights in a manner consistent with its joint ownership interest in such Joint Patent Rights; and provided further that claims within such Joint Patent Rights shall remain within the definition of Valid Patent Claim (subject to the limitation set forth in such definition) for purposes of determining the Royalty Term and whether a Royalty is owed on a particular Product pursuant to Section 5.5 of this Agreement.

7.2.4 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in Section 7.2, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information, subject to Article 8. For clarity, all such communications regarding the Zymeworks Patent Rights shall be the Confidential Information of Zymeworks and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties.

7.3 Enforcement and Defense.

7.3.1 Notice. Each Party shall provide prompt notice to the other Party of any infringement of Zymeworks Patent Rights or Joint Patent Rights which cover a Product then under development or being commercialized of which such Party becomes aware (an "**Infringement**"). Subject to the provisions of Sections 7.3.2, 7.3.3, 7.3.4, Lilly and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both Lilly and Zymeworks, to terminate any such Infringement of a Zymeworks Patent Right or Joint Patent Right; *provided*, *however*, if the Parties cannot agree to the specific course of action the provisions of Sections 7.3.2, 7.3.3 and 7.3.4 shall continue to apply.

7.3.2 Zymeworks Patent Rights. Except as otherwise provided below in this Section 7.3.2, Zymeworks shall have the first right to enforce the Zymeworks Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify Lilly of such enforcement actions. If Zymeworks fails to bring or defend any such action against an Infringement within (a) […***…] days following the notice of alleged Infringement or (b) […***…] days before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Lilly shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Notwithstanding the foregoing, for clarity, Lilly shall have the first right (but not the obligation) to control the enforcement of Patent Rights claiming subject matter generated or conceived under the Research Program solely to the extent such Patent Rights are specific to the Antibodies or the Products, including the genetic sequence of the Antibodies. If Lilly fails to bring or defend such an action within (a) […***…] days following the notice of the alleged infringement or (b) […***…] days before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice. In no event shall Lilly admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.2, fail to defend the validity of, any Zymeworks Patent Rights without Zymeworks' prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.3 Joint Patent Rights. Lilly shall have the first right to enforce Joint Patent Rights and to control the defense of any declaratory judgment action relating thereto, with respect to such Infringement at its own expense and by counsel of its own choice reasonably acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld, conditioned or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Lilly fails to bring or defend such action within (a) […***…] days following the notice of alleged Infringement or (b) […***…] days before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Lilly shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.3, fail to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

7.3.4 Infringement Action. In the event a Party brings an Infringement action in accordance with this Section 7.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, including by providing information and materials, at the Controlling Party's request and expense and if required to bring such action, the furnishing of a power of attorney or being named as a party. The other Party shall cooperate fully, including,

if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall have the right to settle any Infringement action under this Section 7.3 relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed.

7.3.5 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both Lilly and Zymeworks in connection with or as a result of any action contemplated by this Section 7.3 involving Product or Antibodies licensed to Lilly herein, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining, whether by settlement or judgment, that is allocable to an Infringement shall be shared between Lilly and Zymeworks in the same proportion to the share of profits each would have been entitled to under this Agreement had the remaining recovery represented Lilly sales of Product taking into consideration all costs and expenses Lilly would have incurred in making any such sales. For purposes of clarity, the provisions of this Section 7.3.5 shall not apply to infringement actions that are not involved with or based on the manufacture, use and/or sale (i.e., make, use, offer to sell, sell and/or import) the Products and/or Antibodies licensed under this Agreement, and all recoveries for such other infringement actions shall: (i) with respect to the Zymeworks Patent Rights, be retained by, or paid to, Zymeworks; and (ii) with respect to Joint Patent Rights, be retained by Lilly and Zymeworks equally (and in each case of (i) and (ii), above) after recovering costs and expenses in the same manner as described in subsections (a) and (b), above.

7.3.6 Notice. In the event that either Party (i) receives a copy of an application submitted to the FDA under subsection (k) of Section 351 of the PHSA (a "Biosimilar Application"), whether or not such notice or copy is provided under any Applicable Laws (including under the Biologics Price Competition and Innovation Act of 2009 (the "BPCIA"), the United States Patient Protection and Affordable Care Act or implementing FDA regulations and guidance) applicable to the approval or manufacture of any biosimilar or interchangeable biological product (a "Proposed Biosimilar Product") for which a Product is a "reference product," as such term is used in the BPCIA, or (ii) otherwise becomes aware that such a Biosimilar Application has been filed (such as in an instance described in Section 351(l)(9)(C) of the PHSA), then such Party shall promptly provide the other Party with written notice. If a Party with the right to initiate legal proceedings under this Agreement lacks standing to do so (or lacks the right under the BPCIA to do so) and the other Party has standing (or the sole right under the BPCIA) to initiate such legal proceedings, such Party with standing shall initiate such legal proceedings at the request and expense of the other Party.

7.3.7 Defense of Infringement Claims. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party intellectual property right based on the manufacture, use, sale or importation of the Antibodies or the Products, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall discuss entering into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties.

8. CONFIDENTIALITY

8.1 Duty of Confidence. During the Term and for […***…] years thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party.

8.2 Exceptions. The obligations under this Article 8 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

8.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

8.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

8.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

8.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

8.3 Authorized Disclosures. Subject to this Section 8.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

8.3.1 such disclosure is deemed necessary by counsel to the recipient Party to be disclosed to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

8.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 7 or disclosure by Lilly or a Lilly Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations; or

8.3.4 disclosure to potential or actual investors or potential or actual acquirers in connection with due diligence or similar investigations by such Third Parties (provided that, with respect to investors, Zymeworks remains a privately held company and has not been otherwise acquired by a Third Party); provided, in each case, that any such potential or actual investor or acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party. Notwithstanding the preceding, Zymeworks shall not disclose the Lilly Target Pair or other data generated by Lilly and disclosed to Zymeworks hereunder (in each case which is not within the scope of any of the exceptions set forth in Sections 8.2.1-8.2.4) to investors or prospective acquirers without Lilly's prior written permission; except that Zymeworks may disclose the Lilly Target Pair to a potential or actual acquirer as part of the advanced stages of diligence conducted in connection with an acquisition, the material terms of which have been proposed to the Zymeworks board of directors and the board has agreed to proceed with the negotiation of such acquisition, provided that the prospective acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to Zymeworks.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Article 8, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 8.3 shall remain otherwise

subject to the confidentiality and non-use provisions of this Article 8, and the Party disclosing Confidential Information as permitted by this Section 8.3 shall take all steps reasonably necessary, including without limitation obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

8.4 Lilly's Right to use Confidential Information for Research Purposes. Notwithstanding anything in this Article 8 to the contrary and without limiting license rights granted to Lilly under Article 2, beginning […***…] months after the initiation of the Research Program, Lilly will also have the right (i.e., a nonexclusive license) to use Zymeworks' Confidential Information disclosed in connection with the Research Program that comprises the Research Program Work Product solely for its own internal research and development purposes related to other products; provided that such use would not infringe a Valid Claim of a Zymeworks Patent Rights or any other Patent Rights Controlled by Zymeworks that claims subject matter that was not first conceived under the Research Program. For clarity, the foregoing provisions of this Section 8.4 shall not be deemed to grant Lilly any rights or licenses under any Valid Claim of any Patent Rights Controlled by Zymeworks or its Affiliates that claims subject matter first conceived outside of the Research Program.

9. PUBLICATIONS AND PUBLICITY

9.1 Publications.

9.1.1 Lilly shall have the right to publish the results of the Research Program with respect to the Products or Antibodies in accordance with this Section 9.1. Except for disclosures permitted pursuant to Article 8 or this Article 9, a Party, its employees or consultants wishing to make a publication of the results of its activities under this Agreement that contains the other Party's Confidential Information, shall deliver to such Party a copy of the proposed written publication or an outline of an oral disclosure at least […***…] days prior to submission for publication or presentation.

9.1.2 Notwithstanding Section 9.1.1, the reviewing Party shall have the right (a) to request the removal of its Confidential Information from any such publication or presentation by the other Party, and/or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If a reviewing Party requests such a delay, the other Party shall delay submission or presentation for a period of […***…] days to enable patent applications or other registrations protecting the reviewing Party's rights in such information to be filed in accordance with Article 7.

9.2 Publicity. The Parties have mutually approved a press release attached hereto as Exhibit 9.2 with respect to this Agreement and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any the activities under the Research Program conducted hereunder without the prior written consent of the other Party, provided however, that neither Party will be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding the achievement of any milestone event under Section 5.3 or 5.4, Zymeworks will provide Lilly with no less than […***…] in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

10. TERM AND TERMINATION

10.1 Term. The term of this Agreement (the "**Term**") will commence on the Effective Date and (subject to earlier termination in accordance with Section 10.2 or Section 10.3) will expire on the expiration of the last-to-expire Royalty due under Section 5.5. Upon expiration of this Agreement (but not termination), the licenses granted to Lilly under this Agreement shall become non-exclusive (with right to sublicense), fully paid-up, perpetual licenses.

10.2 Termination by Lilly.

10.2.1 During the Research Program Term.

(a) Lilly has the right during the Research Program to terminate the Agreement in its sole discretion upon […***…] days prior notice to Zymeworks**.**

(b) In the event Lilly decides to terminate the Research Program prior to the expiration of the Research Program (the "**Lilly RP Termination Decision**"), (i) Lilly shall promptly cease any and all activities under the Research Program, and (ii) as of the Lilly RP Termination Decision, (A) Lilly shall have no right or obligation under this Agreement, to pursue or achieve any further Milestone Event (except as may occur as a result of completing an on-going experiment), (B) Lilly shall pay any further Milestone Payments for Milestone Events achieved prior to the Lilly RP Termination Decision, or thereafter as a result of an ongoing experiment commenced prior to the Lilly RP Termination Decision, and (C) Lilly shall have no further rights under Section 8.4 to use Zymeworks' Confidential Information for internal research and development purposes.

10.2.2 After the Research Program Term. Notwithstanding anything contained in this Agreement to the contrary, Lilly shall have the right, after the Research Program Term, to terminate this Agreement at any time in its sole discretion upon […***…] days advance notice to Zymeworks.

10.2.3 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that Lilly or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of any Zymeworks Patent Rights (the specific Zymeworks Patent Rights challenged by Lilly or its Affiliates constituting the "**Lilly Challenged Zymeworks Patent Rights**"), then Zymeworks, at its discretion, may give notice to Lilly that Zymeworks will terminate the licenses granted to Lilly under Section 2.1 with respect to (and only to) the Lilly Challenged Zymeworks Patent Rights in any or all countries in the Territory in which Lilly or its Affiliates is specifically challenging the Lilly Challenged Zymeworks Patent Rights (collectively, the "**Challenge Countries**") unless such challenge is withdrawn, abandoned, or terminated (as appropriate) without prejudice within […***…] days. In the event that Lilly or its Affiliates (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] day period, Zymeworks may terminate the license granted to Lilly under Section 2.1 with respect to the Lilly Challenged Zymeworks Patent Rights in any or all Challenge Countries in the Territory.

10.3 Termination for Cause. If either Lilly or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within[…***…] days after receipt of such notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement immediately by giving notice to the breaching Party to such effect.

11. EFFECTS OF TERMINATION

11.1 Termination of Agreement. If this Agreement terminates for any reason, then no later than […***…] days after the effective date of such termination, Lilly shall pay all amounts then due and owing (except that Lilly shall have the right to offset any monies owed to Lilly by Zymeworks, if any) as of the termination date and each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes. In the event of termination of this Agreement, except as expressly set forth otherwise in this Agreement (including under the surviving provisions set forth in Section 11.2), the rights and obligations of the Parties hereunder shall terminate as of the date of such termination.

11.2 Survival. Termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Articles 1 (for interpretation purposes only), 6 (to the extent that any amounts payable accrued prior to the effective date of such expiration/termination and remain unpaid), 8, 9, 10.1, 11, 13 and 15 and Sections 2.3, 3.3, 7.1 and 12.3 shall survive to the extent applicable. Except as otherwise expressly provided herein, all other rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement.

11.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

11.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against a Party under the Code, the other Party shall be entitled to a complete duplicate of, or complete access to (as such other Party deems appropriate), any such intellectual property and all embodiments of such intellectual property, if not already in such other Party's possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by such other Party, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The foregoing provisions of this Section 11.4 are without prejudice to any rights a Party may have arising under the Code.

12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

12.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

12.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

12.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

12.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and covenants to Lilly as follows:

12.2.1 Zymeworks has the right to grant to Lilly the licenses under Section 2.1 that it purports to grant hereunder including under the Zymeworks Know-How;

12.2.2 Zymeworks has not granted, and will not grant during the Term, rights (or other encumbrances) to any Third Party under the Zymeworks Intellectual Property, or Joint Inventions that conflict with the rights granted to Lilly hereunder;

12.2.3 As of the Effective Date: (a) Zymeworks has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the Zymeworks Patent Rights or Zymeworks' rights therein; and (b) Zymeworks is not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that Zymeworks is infringing or has misappropriated or otherwise is violating any patent, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a material adverse effect upon the ability of Zymeworks to fulfill any of its obligations under this Agreement;

12.2.4 There are no claims, actions, or proceedings pending or, to Zymeworks' knowledge, threatened; nor, to Zymeworks' knowledge, are there any formal inquiries initiated or written notices received that may lead to the institution of any such legal proceedings, in each case (or in aggregate) against Zymeworks or its properties, assets or business, which if adversely decided, would, individually or in the aggregate, have a material adverse effect on, or prevent Zymeworks' ability to conduct the Research Program or to grant the licenses or rights granted to Lilly under this Agreement.

12.3 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS WITH REGARD TO ANY ANTIBODY OR PRODUCT WILL BE SUCCESSFUL.

12.4 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. INDEMNIFICATION AND LIABILITY

13.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold Lilly and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Lilly Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any Lilly Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any Lilly Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the research or development of the Antibodies by or on behalf of Zymeworks or its Affiliates under this Agreement (excluding Lilly and its Related Parties); (b) the negligence or willful misconduct of Zymeworks or its Affiliates pursuant to this Agreement, or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to Lilly under this Agreement. Zymeworks is only obliged to so indemnify and hold the Lilly Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of Lilly or its Related Parties.

13.2 Indemnification by Lilly. Lilly shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the research, development or commercialization of Antibodies or Products by or on behalf of Lilly or its Affiliates, licensees or sublicensees (excluding Zymeworks and its Related Parties) under this Agreement; (b) the negligence or willful misconduct of Lilly or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Lilly to Zymeworks under this Agreement. Lilly is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks or its Related Parties.

13.3 Indemnification Procedure.

13.3.1 Any Lilly Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

13.3.2 Subject to the provisions of Section 13.3.3 below, the Indemnifying Party shall have the right, upon providing notice to the Indemnified Party of its intent to do so within […***…] days after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

13.3.3 The Indemnifying Party shall select competent counsel in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 8. NOTHING IN THIS SECTION 13.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 13.

13.5 Zymeworks' Insurance. Zymeworks, at its own expense, shall maintain liability insurance in an amount adequate to cover its obligations under this Agreement during the Term. Zymeworks shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to Lilly upon request.

14. COMPLIANCE

14.1 Compliance with this Agreement. Each of the Parties shall, and shall cause their respective Affiliates to, comply in all material respects with the terms of this Agreement.

14.2 Compliance with Party Specific Regulations. In carrying out their respective obligations under this Agreement, the Parties agree to cooperate with each other as may reasonably be required to help ensure that each is able to fully meet its obligations with respect to the Party Specific Regulations applicable to it. Neither Party shall be obligated to pursue any course of conduct that would result in such Party being in material breach of any Party Specific Regulation applicable to it; provided that in the event that a Party refuses to fulfill its obligations under this Agreement in any material respect on such basis, the other Party shall have the right to terminate this Agreement in accordance with Section 10.3; however, under such circumstances, such termination shall be the sole remedy for such terminating-Party and such terminating-Party shall not be entitled to any other remedy under law or equity. All Party Specific Regulations are binding only in accordance with their terms and only upon the Party to which they relate.

14.3 Compliance with Internal Compliance Codes. All Internal Compliance Codes shall apply only to the Party to which they relate. The Parties agree to cooperate with each other to help insure that each Party is able to comply with the substance of its respective Internal Compliance Codes and, to the extent practicable, each Party shall operate in a manner consistent with its Internal Compliance Codes applicable to its performance under this Agreement.

14.4 Anti-Bribery Commitments. Without limiting the other obligations of the Parties set forth in this Section, in connection with any activities of the Parties under this Agreement, the Parties confirm that they have not given, offered, promised, or authorized, and will not give, offer, promise, or authorize, any payment, benefit, or gift of money or anything else of value, directly or through a third party, to (i) any Government or Public Official, as

defined below; (ii) any political party, party official or candidate for public or political office; (iii) any person while knowing or having reason to know that all or a portion of the value will be given, offered or promised, directly or indirectly, to anyone describe in terms (i) or (ii) above; or (iv) any owner, director, employee, representative or agent of any actual or potential customer of the Parties, for purposes of influencing any act or decision of such individual in his official capacity, inducing such individual to do or omit to do any act in violation of the individual's duty, inducing the individual to use the individual's official influence with a government to affect or influence an act or decision of the government, or to secure any improper advantage in order to assist in obtaining or retaining business. The Parties shall comply with all applicable anti-bribery laws of any jurisdiction, including any record keeping requirements of such laws, in the Countries where the Parties have their principal places of business and where they conduct any activities under this Agreement or any Related Agreements. For the purposes of this Section, **"Government or Public Official"** means any officer or employee or anyone acting in an official capacity on behalf of: a government or any department or agency thereof; a public international organization (such as the United Nations, the International Monetary Fund, the International Red Cross, and the World Health Organization), or any department, agency or institution thereof; or a government-owned or controlled company, institution, or other entity, including a government-owned hospital or university.

15. GENERAL PROVISIONS

15.1 Assignment. Except as provided in this Section 15.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party so long as such Party remains primarily liable for any acts or omissions of such Affiliate, provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 15.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

15.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and immunities granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and immunities. The Party

extending the rights and immunities granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

15.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties will use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.

15.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

15.5 Dispute Resolution.

15.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including, without limitation, any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "**Dispute**"), arises between the Parties and the Parties cannot resolve such Dispute through their respective Project Leaders or JSC, if and as applicable, within […***…] days of a written request by either Party to the other Party ("**Notice of Dispute**"), and such Dispute is not one for which Lilly has final decision-making as expressly set forth in section 4.5 (f) of this Agreement, either Party may refer the Dispute to senior representatives of each Party for resolution. Each Party, within […***…] after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. If, after an additional […***…] days after the Notice of Dispute, such representatives have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration JAMS pursuant to the Comprehensive Arbitration Rules and Procedures of JAMS then in effect, and judgment on the arbitration award may be entered in any court having jurisdiction thereof.

15.5.2 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific, technical or commercial matters, the arbitrator chosen hereunder shall engage experts that have educational training or industry experience sufficient to demonstrate a reasonable level of

relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] days after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] day period, the arbitrator shall be appointed by JAMS. The place of arbitration shall be New York, New York, and all proceedings and communications shall be in English.

15.5.3 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties. Once the arbitrator is in place, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrators agree otherwise.

15.5.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

15.5.5 As used in this Section 15.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. Any Excluded Claim may be submitted by either Party to any court of competent jurisdiction over such Excluded Claim.

15.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use commercially reasonable efforts to resume performance of its obligations and will keep the other Party informed of actions related thereto.

15.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

15.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and Lilly, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

15.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and will be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks:

Zymeworks, Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to Lilly:

Eli Lilly and Company

Lilly Corporate Center 46285
Indianapolis, Indiana 46285
Attention: […***…]
Fax (317) 651-3051

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285
Attention: […***…]
Fax (317) 433-3000

Zymeworks shall also provide a copy of any notice (via e-mail if available) to Lilly's Project Leader.

15.10 Further Assurances. Lilly and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

15.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

15.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including, without limitation, any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

15.13 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter. The Parties acknowledge and agree that, as of the Effective Date, all Confidential Information disclosed pursuant to the Confidentiality Agreement by a Party or its Affiliates shall be included in the

Confidential Information subject to this Agreement and the Confidentiality Agreement is hereby superseded in its entirety; provided, that the foregoing shall not relieve any Person of any right or obligation accruing under the Confidentiality Agreement prior to the Effective Date. "**Confidentiality Agreement**" means the Mutual Non-Disclosure Agreement between Zymeworks and Lilly dated […***…].

15.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

15.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

15.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

15.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

15.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

15.20 Notification and Approval. In the event that this Agreement or the transaction(s) set forth herein are subject to notification or regulatory approval in one or more countries, then development and commercialization in such country(ies) will be subject to such notification or regulatory approval. The Parties will reasonably cooperate with each other with respect to such notification and the process required thereunder, including in the preparation of any filing. Lilly will be responsible for any and all costs, expenses, and filing fees associated with any such filing.

[*Remainder of page left blank intentionally.*]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

ELI LILLY AND COMPANY

By: /s/ Jan Lundberg
Name: Jan Lundberg
Title: Executive Vice President Science and Technology and President LRL

EXHIBIT 1.7
APPROVED CRO

[…***…]

Exhibit 1.30

ELI LILLY AND COMPANY GOOD RESEARCH PRACTICES

Lilly's quality standards, along with the high level expectations for each standard, are listed below:

1. Facility / Organization

• Facility is suitable for the intended use.

• Facility is adequately protected for the work that is to be performed.

• Risk to continuation of the business identified and minimized in order to restore normal business operation.

2. Contracts / Work Agreements

• Legally binding work agreements are established.

3. Personnel

• Personnel for Study/project support are qualified and can perform Study/project tasks to meet expectations (e.g., curriculum vitae, training records, education records, experiences, etc.).

4. Equipment

• Equipment is adequate to meet the deliverables' expectations.

5. Computer Systems

• Computer systems are adequate to meet the deliverables' expectations.

6. Test Material

• Test materials must be identified, characterized and stored appropriately to ensure that they are suitable for the research purpose. Upon Study completion or termination, all materials should be disposed of appropriately in accordance with the terms of this Agreement.

7. Biological Sample Integrity

• Biological sample life cycle is managed to ensure integrity of their properties (e.g., urine samples, blood samples, tissue samples, cell lines, and genetically engineered mice (GEMs)).

8. Record / Data / Notebook Management

• Data is managed to ensure accuracy, completeness and retrievability.

• Storage areas for essential documents are configured such that the documents are identifiable, retrievable and protected. This includes both short-term and archival storage.

9. Reports

• All data included in reports must be reviewed to ensure that the reports accurately reflect the data.

10. In Vitro Assay

• In vitro assays are performed in a manner that meets scientific and statistical principles and requirements as defined in the work agreements.

11. In Vivo Assay

• In vivo assays are performed with a study design and data analysis plan that meets scientific and statistical principles and requirements.

12. Quality Systems

• Mechanisms exist to help personnel clearly understand their roles and responsibilities (e.g., work instructions, guidance documents, work plans, protocols, requirements, SOPs).

• Quality Control processes exist to show specifications are met.

EXHIBIT 3.1.3
THE INITIAL RESEARCH PLAN

[…***…]

[***]	[***]	[***]	[***]		[***]
[***]	[***]	[***]	[***]		[***]
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[…***…]

EXHIBIT 9.2
PRESS RELEASE

Zymeworks Inc. Announces Strategic Collaboration with Lilly Subsidiary ImClone Systems to Develop Bi-specific Antibodies Using Zymeworks' Azymetric™ Platform

Vancouver, Canada (December XX, 2013) – Zymeworks Inc. today announced that it has entered into a licensing and collaboration agreement with ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, to develop an undisclosed number of novel bi-specific antibody oncology therapeutics using Zymeworks' proprietary Azymetric™ platform. Bi-specific antibodies have the potential to provide improved outcomes for patients by simultaneously targeting two tumor associated antigens to induce a synergistic therapeutic response.

"We are excited to enter into a strategic collaboration with ImClone and its world class biologics team," said Ali Tehrani, Ph.D., president and CEO of Zymeworks. "This collaboration can help to advance and broaden the therapeutic utility of our novel bi-specific antibody platform and we are looking forward to working together to bring these groundbreaking therapies to the clinic and ultimately to patients with unmet medical needs."

Under the terms of the agreement, Zymeworks has granted Lilly and its subsidiaries, a worldwide license to the Azymetric™ platform to develop and commercialize an undisclosed number of bi-specific therapeutic candidates toward Lilly's therapeutic targets. This collaboration complements Lilly's bi-specifics program aimed at speeding the delivery of novel medicines to cancer patients with unmet needs. Zymeworks will receive an upfront fee and research support and is eligible to receive research, development, and commercial milestone as well as tiered royalty payments on future product sales. Lilly will have exclusive worldwide commercialization rights to the antibodies derived from the collaboration.

About the Azymetric™ Platform

Bi-specific antibodies developed using the Azymetric™ platform resemble conventional mono-specific antibodies while incorporating two different Fab domains to bind to different antigens or drug targets. Azymetric™ antibodies spontaneously assemble into a single molecule comprising two unique heavy and light chain pairs. Similar to natural IgG antibodies, therapeutics based on the Azymetric™ platform retain long serum half-life and the ability to induce effector function and can be manufactured using well established and validated processes.

About Zymeworks Inc.

Zymeworks is a privately held biotechnology company that is developing best-in-class antibody therapeutics for the treatment of oncology, autoimmunity and inflammatory diseases. The company's proprietary ZymeCAD™ structure-guided protein engineering technology and its novel Azymetric™ and AlbuCORE™ platforms enable the development of highly potent bi-specific antibodies and multivalent protein therapeutics targeted across a range of indications. Zymeworks is focused on growing its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

Contact:

Zymeworks Inc.
David Poon, Ph.D.
Director, External R&D and Alliances
info@zymeworks.com
Source: Zymeworks Inc.

FIRST AMENDMENT TO LICENSING AND COLLABORATION AGREEMENT

This First Amendment (the "**Amendment**") to that certain Licensing and Collaboration Agreement, dated December 17, 2013, (the "**Agreement**") by and between **ELI LILLY AND COMPANY**, a corporation organized and existing under the laws of Indiana, with its principal business office located at Lilly Corporate Center, Indianapolis, Indiana 46285 ("**Lilly**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"), is made effective as of May 30, 2014 (the "**Amendment Effective Date**"). Zymeworks and Lilly are each referred to individually as a "**Party**" and together as the "**Parties**."

BACKGROUND

A. Lilly and Zymeworks entered into the Agreement, pursuant to which the Parties are conducting the Research Program and Zymeworks granted certain licenses to Lilly under the Zymeworks Intellectual Property.

B. Lilly and Zymeworks now desire to amend the Agreement to reflect the Parties' agreement with respect to the inclusion of a second Target Pair in the Research Program, all as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows:

AGREEMENT

1. **Definitions**. Unless otherwise defined in this Amendment, initially capitalized terms used herein shall have the meanings given to them in the Agreement.

2. **Section 1.5. Antibody**. Section 1.5 of the Agreement is hereby deleted in its entirety and replaced with the following:

"1.5 "**Antibody**" means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the Lilly Sequences through the application of the Zymeworks Platform pursuant to the Research Program. For clarity, notwithstanding the

foregoing, the Antibodies as defined hereunder shall only include Multi-Specific Antibodies Directed to the Lilly Target Pair."

3. **Section 1.39. Lilly Target Pair**. Section 1.39 of the Agreement is hereby deleted in its entirety and replaced with the following:

"**1.39** "**Lilly Target Pair**" means (a) prior to the Research Program Completion Date, each of the following two pairs: (1) […***…], as more specifically referred to […***…], and […***…], as more specifically referred to […***…] (the "[…***…] **Target Pair**") and (2) […***…] and […***…] (the "[…***…] **Target Pair**"; each of the […***…] Target Pair and the […***…] Target Pair may be referred to herein as an "**Initial Target Pair**"); and (b) upon and after the Research Program Completion Date, solely the Selected Target Pair. […***…] may each be referred to herein as "**Target 2**"."

4. **Section 1.67. Interpretation**. The second Subsection (h) in Section 1.67 of the Agreement is hereby re-lettered as Subsection (k) and Subsection (l) is added as follows:

"and (l) all references to dollars or $ herein shall be to United States Dollars, whether or not so designated."

5. **Section 3.1.2. Research Term**. The following sentence is hereby added at the end of Section 3.1.2 of the Agreement:

"Notwithstanding the foregoing, the Research Program Term for the […***…] Target Pair shall commence on the Amendment Effective Date and conclude twelve (12) months after the commencement of Part A – Project Initiation of the Research Plan for the […***…]."

6. **Section 3.1.3(a). Research Plan**. The following sentence is hereby added at the end of Section 3.1.3(a) of the Agreement:

"Notwithstanding the foregoing, the Lilly Sequences Directed to […***…] shall be provided to Zymeworks within […***…] after the Amendment Effective Date. For avoidance of any doubt, the Parties agree that the Lilly Sequences Directed to […***…] that are provided within such […***…] period may not be the final version of such Lilly Sequences since the Parties acknowledge that Lilly is […***…]such Lilly Sequences by carrying out […***…] of […***…] and […***…] via […***…] and, therefore, upon Lilly's completing this […***…] work Lilly will provide to Zymeworks this […***…] version of such Lilly Sequences."

7. **Section 3.1.5. Replacement of Target 2**. The following sentence is hereby added at the end of the first paragraph of Section 3.1.5 of the Agreement (before clause (a)):

"For clarity, the addition of the […***…] Target Pair to the Agreement shall be deemed the first Replacement Target. Accordingly, after the Amendment Effective Date and until the expiration of the Target Replacement Term, Lilly shall have the right to nominate […***…] Replacement Target, which may be for either […***…] or […***…], in accordance with this Section 3.1.5."

8. **Sections 3.7 and 3.8. Product Selection and Additional Program Option**. Sections 3.7 and 3.8 are hereby added to the Agreement as follows:

"**3.7 Product Selection.**

3.7.1 Selected Target Pair. Upon the first achievement of […***…] of the Research Plan by an Antibody hereunder, (a) Lilly shall pay Zymeworks Development Milestone Payment 1 with respect to such Antibody in accordance with Section 5.3, and (b) unless within […***…] of achievement of […***…] with respect to such Antibody Lilly notifies Zymeworks in writing that the Initial Target Pair to which such Antibody is Directed (the "**First Initial Target Pair**") is not the Selected Target Pair, the First Initial Target Pair shall become the "**Selected Target Pair**." In either case, the Parties shall, for the remainder of the Research Program Term for the other Initial Target Pair (the "**Second Initial Target Pair**"), continue to conduct the Research Program with respect to the Second Initial Target Pair in accordance with Section 3.1.4. Furthermore, within […***…] after the achievement of […***…] of the Research Plan by an Antibody Directed To the Second Initial Target Pair, Lilly shall pay Zymeworks an additional Development Milestone Payment in the amount of […***…] dollars ($[…***…]), subject to Sections 6.2 and 6.3.

3.7.2 Unselected Target Pair. Upon achievement of […***…] of the Research Program by an Antibody Directed To the Second Initial Target Pair (the "**Research Program Completion Date**"), (a) in the event that the First Initial Target Pair is the Selected Target Pair pursuant to Section 3.7.1 above, then the Second Initial Target Pair shall become the "**Unselected Target Pair**" and shall be subject to the Second Program Option as set forth in Section 3.8 below, or (b) in the event that Lilly notifies Zymeworks that the First Initial Target Pair is not the Selected Target Pair pursuant to Section 3.7.1, then the Second Initial Target Pair shall become the Selected Target Pair, and the First Initial Target Pair shall become the Unselected Target Pair and shall be subject to the Second Program Option as set forth in Section 3.8 below. As of the Research Program Completion Date, the Selected Target Pair shall become the only Target Pair for all purposes of this Agreement, and the Unselected Target Pair shall cease to be a Target Pair for all purposes of this Agreement, unless and until the Unselected Target Pair is added to this Agreement in accordance with Section 3.8 below. Similarly, any and all antibo1dies Directed To the Unselected Target Pair shall cease to be Antibodies for all purposes of this Agreement (including for purposes of the definition of Product), unless and until the Unselected Target Pair is added to this Agreement in accordance with Section 3.8 below.

3.7.3 Expiration of Research Program Term. Notwithstanding anything herein to the contrary, in the event that no Antibody Directed To a particular Initial Target Pair achieves

[…***…] of the Research Plan prior to the expiration of the Research Program Term for such Initial Target Pair, such Initial Target Pair shall cease to be a Target Pair for all purposes of the Agreement. In such case, the other Initial Target Pair shall be the only Target Pair for all purposes of this Agreement; provided that an Antibody Directed To such Initial Target Pair achieves […***…] of the Research Plan prior to the expiration of the applicable Research Program Term.

3.8 Second Program Option. Zymeworks hereby grants Lilly the option to include the Unselected Target Pair as a Target Pair under the Agreement (the "**Second Program Option**"), subject to the terms and conditions of this Section 3.8. Lilly may exercise the Second Program Option at any time commencing on the Amendment Effective Date and expiring […***…] days after the earlier of (a) […***…] and (b) […***…] (the "**Option Period**") by providing written notice of such exercise (the "**Exercise Notice**") to Zymeworks. Upon Zymeworks' receipt of the Exercise Notice, the Parties shall negotiate in good faith the financial terms to apply with respect to the Unselected Target Pair. For clarity, in the event that the Second Program Option is exercised and the Parties come to terms prior to the designation of an Initial Target Pair as the Unselected Target Pair pursuant to Section 3.7, the terms that are agreed by the Parties pursuant to the foregoing sentence, if any, shall apply to the Initial Target Pair that is subsequently designated as the Unselected Target Pair upon such designation. In the event that the Parties fail to agree (in spite of negotiating in good faith) with respect to such terms within […***…] days after the date of the Exercise Notice and execute an amendment to the Agreement incorporating the Unselected Target Pair, Lilly's option with respect to the Unselected Target Pair shall immediately terminate and such Unselected Target Pair shall no longer be part of the Agreement, and, subject to Section 2.3, neither Party shall have any restrictions or limitations under the Agreement with respect to its ability to develop and commercialize antibodies and products Directed To the Unselected Target Pair, alone or in collaboration with one or more Third Parties; provided that neither Party shall, directly or indirectly, use, modify, develop or commercialize any Multi-Specific Antibodies Directed to such Unselected Target Pair that were generated pursuant to the Research Program prior to such date. Accordingly, any and all antibodies Directed To the Unselected Target Pair shall cease to be Antibodies for all purposes (except for Section 7.1) of this Agreement (including for purposes of the definition of Product). For purposes of clarity, nothing in the preceding sentence shall be interpreted as amending the ownership provisions of Section 7.1 of the Agreement.

9. **Section 5.2.1. FTE Funding**. The last sentence of Section 5.2.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

"For clarity, Lilly shall provide Zymeworks funding for all Zymeworks FTEs engaged in the Research Program; provided that Lilly shall not be responsible for funding more than […***…] with respect to each Initial Target Pair in any given month during the Research Program Term, unless otherwise agreed by Lilly in writing (such agreement not to be unreasonably withheld)."

10. **Section 5.2.2. Third Party Expenses**. The second sentence of Section 5.2.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Third Party Expenses shall not exceed (a) with respect to the […***…] Target Pair: (1) […***…] dollars ($[…***…]) prior to achievement of […***…] or (2) […***…] dollars ($[…***…]) during the conduct of […***…], and (b) […***…]: (1) […***…] dollars ($[…***…]) prior to achievement of […***…] or (2) […***…] dollars ($[…***…]) during […***…], in each case unless otherwise agreed by Lilly in writing (such agreement not to be unreasonably withheld) (each of (a)(1), (a)(2), (b)(1), and (b)(2), a "**Third Party Expense Threshold**")."

11. **Section 10.2.1. During the Research Program Term**. Section 10.2.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

"**10.2.1 During the Research Program Term.**

Lilly has the right during the Research Program Term to terminate the Agreement in whole (or in part with respect to a particular Lilly Target Pair) in its sole discretion upon […***…] days prior notice to Zymeworks**.** For clarity, termination of the Agreement with respect to one or more (but not all) Lilly Target Pairs, shall not change the financial terms applicable to any Antibodies to any Lilly Target Pair that remains subject to this Agreement.

In the event Lilly terminates the Agreement in whole (or in part with respect to a particular Lilly Target Pair) prior to the expiration of the Research Program Term (the "Lilly RP Termination Decision"), (i) Lilly shall promptly cease any and all activities under the Research Program with respect to any Antibodies Directed To the Lilly Target Pair(s) to which such termination applies, and (ii) as of the Lilly RP Termination Decision, (A) Lilly shall have no right or obligation under this Agreement with respect to any Antibodies Directed To the Lilly Target Pair(s) to which such termination applies to pursue or achieve any further Milestone Event (except as may occur as a result of completing an on-going experiment) and (B) Lilly shall pay, with respect to Antibodies Directed to the Lilly Target Pair(s) that are subject to such termination, any further unpaid Milestone Payments for Milestone Events achieved prior to the Lilly RP Termination Decision or thereafter as a result of an ongoing experiment commenced prior to the Lilly RP Termination Decision. For clarity, in the event of a termination of the Agreement in whole under this Section 10.2.1, the Agreement shall terminate with respect to all Lilly Target Pairs and all Antibodies Directed thereto. In the event of termination of the Agreement in part under this Section 10.2.1 with respect to a Lilly Target Pair(s), Antibody(ies) Directed To such terminated Lilly Target Pair(s) shall cease to be Antibodies for all purposes of this Agreement, including for purposes of the definition of Product, the licenses granted to Lilly under Section 2.1 and the exclusivity set forth in Section 3.5. Finally, in the event of a termination of the Agreement in whole under this Section 10.2.1, Lilly shall have no further rights under Section 8.4 to use Zymeworks' Confidential Information for internal research and development purposes (which is

in contrast to a termination in part, where Lilly's rights under Section 8.4 would continue pursuant to the terms therein)."

12. **Section 10.2.2. After the Research Program Term**. Section 10.2.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "**10.2.2. After the Research Program Term.** "Notwithstanding anything contained in this Agreement to the contrary, Lilly shall have the right, after the Research Program Term, to terminate this Agreement in whole (or in part with respect to a particular Lilly Target Pair) at any time in its sole discretion upon […***…] days advance notice to Zymeworks. In the event of termination of the Agreement in part with respect to a Lilly Target Pair(s), Antibody(ies) Directed To such terminated Lilly Target Pair(s) shall cease to be Antibodies for all purposes of this Agreement, including for purposes of the definition of Product, the licenses granted to Lilly under Section 2.1 and the exclusivity set forth in Section 3.5."

13. **No Other Modifications**. Except as specifically set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect. No waiver of the performance of any obligation under this Amendment shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Amendment may be amended or modified other than by a written document signed by authorized representatives of each Party.

    THIS AMENDMENT AND THE AGREEMENT AS AMENDED BY THIS AMENDMENT SET FORTH THE ENTIRE AGREEMENT AND UNDERSTANDING OF LILLY AND ZYMEWORKS WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND SUPERCEDES ALL PRIOR DISCUSSIONS, AGREEMENTS AND WRITINGS IN RELATION THERETO.

14. **Miscellaneous**. This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without reference to any rules of conflict of laws.

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Amendment to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer
Date: 6/4/2015

ELI LILLY AND COMPANY

By: /s/ Greg Plowman
Name: Greg Plowman
Title: VP Oncology Research,
Eli Lilly & Co.
Date: 5/31/2014

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

LICENSING AND COLLABORATION AGREEMENT

THIS LICENSING AND COLLABORATION AGREEMENT (the "**Agreement**"), effective as of October 22, 2014 (the "**Effective Date**"), by and between **ELI LILLY AND COMPANY**, a corporation organized and existing under the laws of Indiana, with its principal business office located at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. ("**Lilly**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and Lilly are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

A. Zymeworks controls proprietary (i) Fc/Fab heterodimerization and heavy-light chain pairing platform and (ii) engineered heterodimeric albumin, each of which were developed using Zymeworks' proprietary molecular simulation software suite, known as ZymeCAD™.

B. Lilly controls certain proprietary technology that includes, among other things, technology related to antibodies, including technology related to the Lilly Sequences, and the Lilly Target Pairs.

C. Lilly and Zymeworks desire to enter into this Agreement under which Zymeworks will utilize such platform to generate and develop certain Antibodies (as defined below) based on antibody nucleic acid or amino acid sequences provided by Lilly and Zymeworks.

D. Lilly desires to obtain certain licenses under certain intellectual property controlled by Zymeworks to develop certain products incorporating such Antibodies, and Zymeworks is willing to grant such rights, all on the terms and conditions as set forth below.

E. Concurrently with the execution of this Agreement, Lilly desires to purchase certain equity securities of Zymeworks to provide funding to Zymeworks.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires a Party, or to which a Party transfers all or substantially all of its assets to which this Agreement pertains (such transaction, an "**Acquisition Transaction**").

1.2 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time.

1.3 "**Affiliate**" means with respect to a Person, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.3 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.4 "**Annual Net Sales**" means, with respect to a particular Product and Calendar Year, all Net Sales of such Product throughout the Territory during such Calendar Year.

1.5 "**Antibody"** means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the Lilly Sequences or Approved Zymeworks Sequences through the application of the Zymeworks Platform pursuant to the Research Program. For clarity, the Antibodies shall be Multi-Specific Antibodies Directed To a Lilly Target Pair.

1.6 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.7 "**Approved CRO**" means any contract research organization listed on Exhibit 1.7 and any other contract research organization selected by Zymeworks and approved by Lilly, such approval not to be unreasonably withheld, provided, however, that Zymeworks shall remain responsible for such performance of its CROs and shall cause such CROs to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use.

1.8 "**Audited Party**" means the Party that is the subject of an audit by the other Party under Section 6.4.2.

1.9 "**Auditing Party**" means the Party that is conducting an audit of the other Party under Section 6.4.2.

1.10 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York, U.S.A are authorized or required by Applicable Law to remain closed.

1.11 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.12 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.13 "**Change of Control**" means with respect to Zymeworks, (a) the sale or disposition to a Third Party of all or substantially all of the assets of Zymeworks to which the subject matter of this Agreement relates; or (b) (i) the acquisition by a Third Party (acting alone or in concert with one or more other Persons) of more than fifty percent (50%) of the issued voting shares of Zymeworks, (ii) the acquisition, merger or consolidation of Zymeworks with or into a Third Party, or (iii) the sale or disposition to a Third Party of all or substantially all of the assets of Zymeworks. A Change of Control will not include an acquisition or a merger or consolidation of Zymeworks in which the holders of the voting shares of Zymeworks immediately prior to such acquisition, merger or consolidation will beneficially own, directly or indirectly, and at least fifty percent (50%) of the voting shares of the acquiring Third Party or the surviving entity in such acquisition, merger or consolidation, as the case may be, immediately after such acquisition, merger or consolidation, and in the same relative proportion among such holders as immediately prior to such acquisition, merger or consolidation.

1.14 "Clinical Trial" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.15 "**Combination Product**" means a Product that incorporates at least one clinically active component having independent biological or chemical activity in the Field when present alone ("**Other Active Component**") in addition to the Antibody(ies) incorporated in the Product and where the Antibody(ies) and Other Active Component(s) are sold as a single formulation for a single price. All references to "Product" in this Agreement shall be deemed to include Combination Products.

1.16 "**Commercially Reasonable Efforts**" means, with respect to particular objectives or tasks of a Party, that level of efforts and resources required to carry out a particular task or obligation in an active and sustained manner, consistent with the general practice followed by such Party in the exercise of its reasonable business discretion relating to other pharmaceutical products owned by it, or to which it has exclusive rights, which are of similar market potential at a similar stage in their development or product life, taking into account issues of patent coverage, safety and efficacy, product profile, the competitiveness of products in development and in the marketplace, supply chain management considerations, the proprietary position of the compound or product, the regulatory structure involved, the profitability of the applicable products (including, without limitation, pricing and reimbursement status achieved), and other relevant factors, including without limitation, technical, legal, scientific and/or medical factors.

1.17 "Compliance" shall mean the adherence by the Parties in all material respects to all Applicable Laws and Party Specific Regulations, in each case with respect to the activities to be conducted under this Agreement.

1.18 "**Confidential Information**" means all Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has provided or otherwise made available to the other Party whether made available orally, in writing, or in electronic form, including such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Exhibits and amendments constitute Confidential Information of both of the Parties.

1.19 "**Control**" or "**Controlled**" means, with respect to any material, Know-How, or intellectual property right (including Patent Rights), that a Party (a) owns or (b) has a license to such material, Know-How, or intellectual property right and, in each case, has the power to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by a Party: (i) any materials, Know-How or intellectual property right owned or licensed by any Acquiring Entity of such Party immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity of such Party, and (ii) any materials, Know-How or intellectual property right that any Acquiring Entity of a Party subsequently develops without accessing or practicing the Zymeworks Platform or any Zymeworks Intellectual Property.

1.20 "**Covered**" or "**Cover**" means, with respect to a Product in a particular country, that the manufacture, use, sale or importation of such Product in such country would, but for the licenses granted herein, infringe a Valid Patent Claim.

1.21 "Critical Success Criteria Point" or "CSCP" the point at which an Antibody has successfully completed Gate 5 of a Research Plan.

1.22 "**Directed To**" means, with regard to an antibody or product, that such antibody or product (a) binds directly to a Target(s), and (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such binding or modifies the profile (e.g., PK, tissue penetration and distribution) of the antibody as a result of such binding, as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such antibody or product. When required grammatically, the defined term "Directed To" may be separated and shall have the same meaning set forth above; e.g., when discussing Targets To which an antibody is Directed.

1.23 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.24 "**Field**" means any and all uses and purposes, including, without limitation, diagnostic, prophylactic, and therapeutic uses, in humans and animal.

1.25 "**First Commercial Sale**" means, with respect to a Product in any country in the Territory, the first sale, transfer or disposition for value or for end use or consumption of such Product in such country after Marketing Authorization has been received in such country; provided, that any sale, transfer or disposition (i) to a Related Party will not constitute a First Commercial Sale unless the Related Party is the last Person in the distribution chain of the Product, (ii) of samples with respect to a Product will not constitute a First Commercial Sale, and (iii) for use in a Clinical Trial or for compassionate use in which such Product is sold at or below the cost of goods therefor will not constitute a First Commercial Sale. For clarity, with respect to the Key European Countries only, in the event Lilly receives Marketing Authorization for the first Key European Country but the pricing in such first country is not reasonably acceptable to Lilly for it to commercially launch with national reimbursement for such Product (even if Lilly merely makes such Product available in pharmacies without national reimbursement) then a "First Commercial Sale" shall not be deemed to occur with respect to such country unless and until the earlier of either: (i) Lilly receiving pricing in such country that is reasonably acceptable to Lilly for it to commercially launch such Product with national reimbursement in such country; or (ii) the first sale, transfer or disposition for value or for end use or consumption of a Product occurs in any subsequent Major Market country after Marketing Authorization has been received in such country (subject to the exceptions set forth in (i) – (iii) above), including in any Key European Country other than the Key European Country that triggered the analysis as described in this sentence.

1.26 "**FTE Rate**" means the annual compensation rate for an FTE, which shall be $[…***…] (USD) as of the Effective Date, beginning with Calendar Year 2014. The FTE Rate shall be subject to an annual adjustment equal to the change in the consumer price index for such Calendar Year as reported by United States Bureau of Labor Statistics.

1.27 "**Full Time Equivalent**" or "**FTE**" means the equivalent of a full-time Project Manager's, or scientific or technical employee's work time over an accounting period (including normal vacations, sick days and holidays) based on […***…] ([…***…]) hours per year. The portion of an FTE year devoted by a scientist or Project Managers, as applicable, to activities under the Research Program shall be determined by dividing (a) the number of hours during any accounting period devoted by such individual to such activities by (b) the product of eight (8) hours * the number of Business Days during such accounting period. For clarity, in no event shall any individual Zymeworks employee be considered more than a single FTE for any accounting period.

1.28 "**Generic Competition**" shall be deemed to exist with respect to a Product in a country in the Territory only if a Generic Product(s) represent a total unit volume of at least […***…] percent ([…***…]%) of the combined unit volume of the Product and such Generic Product(s) for all indications, in the aggregate, in such country for the one (1) preceding calendar quarters, determined by the number of prescriptions given for such Product and such Generic Product(s), in the aggregate, during such one (1) preceding calendar quarters (as measured by IMS Health Incorporated, Fairfield, Connecticut (or any of its affiliates) ("IMS") or similar independent source if IMS is unavailable).

1.29 "**Generic Product**" means a Product (regardless of whether such product dosage or formulation differs from Lilly's Product) that is commercialized by a Third Party that: (A) is

approved for sale under Section 505(j) of the Act (or a successor or foreign equivalent Applicable Law) in reliance on the prior approval of a Product obtained or held by Lilly or its Affiliate or sublicensee or is biosimilar to such a Product; and (B) is legally marketed in the applicable country in the Territory by an entity other than, and which is not authorized to do so by, Lilly, its Affiliates or its sublicensees.

1.30 "Good Clinical Practices" or **"GCP"** means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of Clinical Trials, including, as applicable, (a) as set forth in the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (**"ICH"**) Harmonised Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

1.31 "Good Laboratory Practices" or **"GLP"** means all applicable Good Laboratory Practice standards, including, as applicable, (a) as set forth in the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58, and (b) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.32 "**Good Research Practices**" or "**GRP**" means all applicable Good Research Practices including, as applicable, (a) the research quality standards defining how Lilly's research laboratories conduct good science for non-regulated work as set forth in Exhibit 1.32 of this Agreement, (b) the BARQA Guidelines for Quality in Non-regulated Scientific Research, (c) the WHO Quality Practices in Basic Biomedical Research Guidelines or, (d) the equivalent Applicable Laws if any, in any relevant country, each as may be amended and applicable from time to time.

1.33 "Governmental Authority" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, state or local authority or any political subdivision thereof, or any association of countries.

1.34 "Internal Compliance Codes" means a Party's internal policies and procedures intended to ensure that a Party complies with Applicable Laws, Party Specific Regulations, and such Party's internal ethical, medical and similar standards.

1.35 "**IND**" means an investigational new drug application filed with the FDA with respect to a Product, or an equivalent application filed with a Regulatory Authority in a country other than the United States to commence a clinical trial of pharmaceutical product.

1.36 "**Invention**" means any Know-How, composition of matter, article of manufacture or other subject matter, whether patentable or not, that is conceived or reduced to practice under and as a result of, and within the scope of, any work performed under the Agreement.

1.37 "**Joint Invention**" means any Invention conceived or reduced to practice jointly by one or more employees of Lilly or its Affiliate or a Third Party acting on behalf of Lilly or its Affiliate, on the one hand, and one or more employees of Zymeworks or its Affiliate or a Third Party acting on behalf of Zymeworks or its Affiliate, on the other hand.

1.38 "**Joint Know-How**" means all Know-How comprising a Joint Invention.

1.39 "**Joint Patent Rights**" means all Patent Rights claiming a Joint Invention.

1.40 "**Know-How**" means all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights and materials.

1.41 "**Major Market**" means […***…]. For purposes of this Agreement the term "[…***…]" means […***…].

1.42 "**Marketing Authorization**" means all approvals (including, without limitation, any pricing, reimbursement or access approvals) from the relevant Regulatory Authority necessary to initiate marketing and selling a Product in any country.

1.43 "**Multi-Specific Antibody**" means an antibody or an antibody analogue, generated through the application of the Zymeworks Platform, that contains independent binding sites Directed To […***…].

1.44 "Net Sales" means, with respect to a Product, the gross amount invoiced by Lilly (including a Lilly Affiliate) or any sublicensee thereof to unrelated Third Parties, excluding any sublicensee, for the Product in the Territory, less:

a) […***…];

b) […***…];

c) […***…];

d) […***…];

e) […***…];

f) […***…];

g) […***…]; and

h) […***…] which are in accordance with U. S. Generally Accepted Accounting Principles (U.S. GAAP).

Such amounts shall be determined from the books and records of Lilly or sublicensee, maintained in accordance with U.S. GAAP or, in the case of sublicensees, such similar accounting principles, consistently applied. Lilly further agrees in determining such amounts, it will use Lilly's then current standard procedures and methodology, including Lilly's then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars or, in the case of sublicensees, such similar methodology, consistently applied.

In the event that the Product is sold as part of a Combination Product (where "Combination Product" means any pharmaceutical product which comprises the Product and other active compound(s) and/or ingredients), the Net Sales of the Product, for the purposes of determining royalty payments, shall be determined by multiplying the Net Sales of the Combination Product (as defined in the standard Net Sales definition) by the fraction, A / (A+B) where A is the weighted average sale price of the Product when sold separately in finished form, and B is the weighted average sale price of the other product(s) sold separately in finished form.

In the event that the weighted average sale price of the Product can be determined but the weighted average sale price of the other product(s) cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A / C where A is the weighted average sale price of the Product when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of the other product(s) can be determined but the weighted average sale price of the Product cannot be determined, Net Sales for purposes of determining royalty payments shall be calculated by multiplying the Net Sales of the Combination Product by the following formula: one (1) minus (B / C) where B is the weighted average sale price of the other product(s) when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of both the Product and the other product(s) in the Combination Product cannot be determined, the Net Sales of the Product shall be deemed to be equal to the mutually agreed (by the Parties) percentage of the Net Sales of the Combination Product, based on the relative value and/or cost of the Product and other product(s) in such Combination Product provided; however, that in the event the Parties cannot, in spite of good faith efforts, mutually agree to such a percentage, then such percentage shall be equal to fifty percent (50%) of the Net Sales of the Combination Product.

The weighted average sale price for a Product, other product(s), or Combination Product shall be calculated once each Calendar Year and such price shall be used during all applicable royalty reporting periods for the entire following Calendar Year. When determining the weighted average sale price of a Product, other product(s), or Combination Product, the weighted average sale price shall be calculated by dividing the sales dollars (translated into U.S. dollars) by the units

of active ingredient sold during the twelve (12) months (or the number of months sold in a partial calendar year) of the preceding Calendar Year for the respective Product, other product(s), or Combination Product. In the initial Calendar Year, a forecasted weighted average sale price will be used for the Product, other product(s), or Combination Product. Any over or under payment due to a difference between forecasted and actual weighted average sale prices will be paid or credited in the first royalty payment of the following Calendar Year.

1.45 "**Party Specific Regulations"** means all judgments, decrees, orders or similar decisions issued by any Governmental Authority specific to a Party, and all consent decrees, corporate integrity agreements, or other agreements or undertakings of any kind by a Party with any Governmental Authority, in each case as the same may be in effect from time to time and applicable to a Party's activities contemplated by this Agreement

1.46 "Patent Rights" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including, without limitation, pediatric exclusivity patent extensions), term restorations, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.47 "[…***…]" means […***…].

1.48 "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.49 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.50 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.51 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular indication in a manner sufficient to file for Marketing Authorization, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.52 "**Product**" means a pharmaceutical preparation in any form containing one or more Antibody(ies). For clarity, a Product includes any formulation, delivery device, or dispensing device required for effective use of the Product (collectively the **"Product Delivery Mechanism"**) provided, however, notwithstanding anything to the contrary herein, the Parties

agree that any Patent Rights that claim solely the Product Delivery Mechanism and no other component or aspect of the Product shall be deemed to not Cover the Product for purpose of determining the Royalty Term as set forth in Section 5.5.2 of this Agreement. "**Project Manager**" means a project management employee of Zymeworks who is a senior manager or **a** manager with a post-graduate degree.

1.53 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and pricing approvals for such sale.

1.54 "**Regulatory Exclusivity**" means any exclusive marketing rights or data exclusivity rights conferred by any applicable Regulatory Authority, other than an issued and unexpired Patent Right, including any new chemical entity exclusivity, pediatric exclusivity or orphan drug exclusivity.

1.55 "**Related Party**" means each Party, its Affiliates, and their respective licensees or sublicensees hereunder (which term excludes any Third Parties to the extent functioning as distributors), as applicable. In no event shall Zymeworks be a Related Party with respect to Lilly or Lilly be a Related Party with respect to Zymeworks.

1.56 "**Research Program Patent Rights**" means any and all Patent Rights claiming an Invention arising from the Research Program that are Controlled by either Party or their respective Affiliates.

1.57 "**Target**" means any clinically relevant […***…] (or portion thereof).

1.58 "**Territory**" means worldwide including, without limitation, all of the countries, possessions and territories in the world.

1.59 "**Third Party**" means any Person other than Lilly or Zymeworks or an Affiliate of Lilly or Zymeworks.

1.60 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.61 "**USD**" and "**$**" means United States dollars.

1.62 "**Valid Patent Claim**" means any claim of (a) an issued and unexpired patent or (b) a pending patent application, in each case included within the Zymeworks Patent Rights or the Research Program Patent Rights which has not been abandoned, revoked or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction with no further possibility of appeal and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise.

1.63 "Zymeworks Internal Program" means a *bona fide* internal research, development or commercialization program undertaken by Zymeworks with respect to a proposed Target Pair, with respect to which, as of the date of Target Pair Selection Notice (the **"Receipt Date"**), a Zymeworks internal product candidate Directed To such proposed Target Pair has been generated and that (a) as of or prior to the Receipt Date, Zymeworks or an Affiliate of Zymeworks […***…] of such Zymeworks internal product candidate or (b) as of the Receipt Date, Zymeworks […***…] involving such internal product candidate under such Zymeworks Internal Program in a sustained manner consistent with Zymeworks' other internal programs at similar stages of research and development.

1.64 "**Zymeworks Intellectual Property**" means the Zymeworks Patent Rights and the Zymeworks Know-How.

1.65 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date and during the Term of the Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to Lilly in: (i) carrying out the activities assigned to it under the Research Program or (ii) developing, manufacturing or commercializing Products (including developing and manufacturing of any Antibody for inclusion in such Products).

1.66 "**Zymeworks Patent Rights**" means any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including without limitation Patent Rights Controlled by Zymeworks claiming Zymeworks Inventions) as of the Effective Date and during the Term of the Agreement, which (a) are necessary or reasonably useful for the use or exploitation of the Zymeworks Platform for carrying out the Research Program or (b) claim the manufacture, use, sale or importation of any Antibody (including, the make, use, offer to sell, sell, and import Antibodies).

1.67 "**Zymeworks Platform**" means Zymeworks' proprietary antibody engineering tools and capabilities and the amino acid mutations and modifications used to generate 1) antibodies consisting of […***…] and/or […***…], and 2) […***…]. This platform was developed using the Company's proprietary molecular simulation software suite, known as ZymeCAD™.

1.68 Additional Definitions. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/Exhibit
Accounting Firm	6.4.2(a)
Additional Antibody Research	4.6
Additional Investment Amount	5.1(b)
Agreement	Preamble
Agreement Payments	6.3
Approved Zymeworks Sequences	3.1.5
Authorized Expenses	4.6
Available Development Funds	5.1(b)
Challenge Countries	10.3
Claims	13.1
Code	11.4

Definition	Section/Exhibit
Collaboration Exclusivity Period	3.5.2
Commercialization Milestone Event	5.5
Commercialization Milestone Payment	5.5
Confidentiality Agreement	15.13
Controlling Party	7.3.4
Current Assets	5.1(b)
Current Liabilities	5.1(b)
Development Funds	5.1(b)
Development Milestone Event	5.4
Development Milestone Payment	5.4
Dispute	15.5.1
Effective Date	Preamble
Excluded Claim	15.5.5
Expenses	5.2
Expenses and Payments	6.4.2
FTE Costs	5.2.1
Gatekeeping Default	3.1.2(b)
Indemnified Party	13.3.1
Indemnifying Party	13.3.1
Infringement	7.3.1
Intitial Development Funds	5.1(a)
Initial Investment	5.1(a)
Initial License Fee	5.3
JSC	4.3
Law Firm	3.1.2(e)
License	2.1.2
Lilly Challenged Zymeworks Patent Rights	10.3
Lilly Indemnified Party	13.1
Lilly RP Termination Decision	10.2.1
Lilly Sequences	3.1.5
Lilly Target Pair	3.1.2(a)
Losses	13.1
Minimum Working Capital Amount	5.1(b)
Notice of Dispute	15.5.1
Outstanding Program	5.1(b)
Party	Preamble
Parties	Preamble
[... ***...]	3.1.2
Project Leader	4.1
prosecution	7.2.1
Qualifying Exchange	5.1(b)
Research Plan	3.1.4
Research Program	3.1.1
Research Program Term	3.1.3

Definition	Section/Exhibit
Research Program Work Product	3.1.7(b)
Royalty	5.6.1
Royalty Term	5.6.2
RP Default	10.4
Shortfall Investment Amount	5.1(b)
Shortfall Investment Price	5.1(b)
Subscription Agreement	5.1(a)
Target Pair	3.1.2
Target Pair Selection Notice	3.1.2
Target Pair Unavailable Notice	3.1.2(b)(i)
Taxes	6.3
Term	10.1
Terminated Target Pairs	11.1.2
Third Party Expenses	5.2.2
Unavailable Target Pair	3.1.2(b)
Unrestricted Working Capital	5.1(b)
Zymeworks	Preamble
Zymeworks Indemnified Party	13.2
Zymeworks Sequences	3.1.5

1.69 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “day” or “year” means a calendar day or year unless otherwise specified; (c) the word “notice” shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words “shall” and “will” have interchangeable meanings for purposes of this Agreement; (f) provisions that require that a Party, the Parties or a committee hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (g) words of any gender include the other gender; (h) words using the singular or plural number also include the plural or singular number, respectively; (i) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; and (j) neither Party shall be deemed to be acting on behalf of the other Party.

2. GRANT OF LICENSES

2.1 Licenses to Lilly. Subject to the terms and conditions of this Agreement,

2.1.1 Conduct of the Research Program. Zymeworks hereby grants to Lilly a license, including the right to sublicense to Affiliates of Lilly and Third Parties undertaking activities hereunder on Lilly's behalf, under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) solely for Lilly to perform those activities assigned to Lilly under the Research Program.

2.1.2 For Products. With respect to each Lilly Target Pair, Zymeworks hereby grants to Lilly an exclusive license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) to (a) make, use and import Antibodies Directed To such Lilly Target Pair for incorporation into Products and (b) make, use, offer to sell, sell, and import Products that incorporate such Antibodies in the Field in the Territory as of the Effective Date and during the Term of the Agreement (the "**License**"). Notwithstanding anything to contrary in this Agreement, during the Term of this Agreement, Zymeworks agrees that it shall neither: (i) make, use, offer to sell, sell, and import Products and/or Antibodies in the Field in the Territory; nor (ii) grant any rights to Zymeworks Intellectual Property to any Affiliate, sublicensee or other Third Parties to make, use, offer to sell, sell, and import Products and/or Antibodies in the Field in the Territory.

2.1.3 Modifications. The foregoing license shall include the right to modify the Antibodies; provided that such modifications shall in no event modify the amino acid mutations included in the Antibodies if such modification would infringe upon a Valid Claim of a Zymeworks Patent Right that claims subject matter that was not generated or conceived under the Research Program. Conversely, however, this license shall include the right to modify the Antibodies (and amino acid mutations included in the Antibodies) using Zymeworks Know-How and Zymeworks Patent Rights that were generated or conceived under the Research Program provided that such use would not infringe a Valid Claim of a Zymeworks Patent Right that claims subject matter that was not generated or conceived under the Research Program.

2.1.4 Sublicenses. The license granted to Lilly in Section 2.1.2 includes the right to grant sublicenses through multiple tiers, provided that each sublicense granted by Lilly shall be consistent with the terms and conditions of this Agreement. Lilly shall, upon Zymeworks' written request to Lilly, provide Zymeworks with prompt notice of any such sublicenses that it grants. Lilly shall be and remain responsible to Zymeworks for the performance of each sublicensee under such sublicense.

2.2 License to Zymeworks. During the Research Program Term and subject to the terms and conditions of this Agreement, Lilly hereby grants Zymeworks a non-exclusive license to make, use and otherwise exploit subject matter within the Know-How and Patents Controlled by Lilly or its Affiliates (including Lilly's interest in Joint Inventions) solely for Zymeworks to perform those activities assigned to it under the Research Program or otherwise cooperate with Lilly hereunder. The license granted under this Section 2.2 shall not include the right to sublicense; provided, however, that the use by Zymeworks of contractors shall not be construed as a sublicense.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other intellectual property rights Controlled by the other Party or its Affiliates. For clarity, except for rights necessary for Zymeworks to carry out its responsibilities under the Research Program as contemplated hereunder or as otherwise specifically granted herein, Lilly is not granting Zymeworks any rights, implicitly, explicitly or otherwise to use the Lilly Target Pair or Lilly Sequences for any purpose. Subject to the licenses explicitly granted to Lilly hereunder and the other terms and conditions of this Agreement, Zymeworks will retain all rights under the Zymeworks Intellectual Property. Without limiting the foregoing and notwithstanding anything herein to the contrary (except as provided in this Section 2.3 or Section 8.4 below), the licenses granted to Lilly in this Agreement do not include the right to utilize or otherwise exploit the Zymeworks Platform to independently develop or modify Antibodies or to modify or improve the Zymeworks Platform. Furthermore, notwithstanding anything to the contrary in this Agreement, by entering into this Agreement, neither Party is (except as set forth below) forfeiting any rights that it may have including, without limitation, its rights to perform research activities in compliance with 35 U.S.C. § 271(e)(1) or any experimental or research use exemption that may apply in any country, provided, however, that Zymeworks will not exercise such rights to perform activities that would violate the exclusive rights granted to Lilly pursuant to Sections 2.1.2 or 3.5 hereof.

3. RESEARCH PROGRAM AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Research Program.

3.1.1 General. Lilly and Zymeworks shall, with respect to each Lilly Target Pair, conduct a program to generate and optimize Antibodies Directed To such Lilly Target Pair on a collaborative basis and in accordance with the Research Plan (each such program, a "**Research Program**"). Each Research Program shall be coordinated by the Parties through the JSC.

3.1.2 Target Pair Selection. Lilly will be responsible for identifying its desired Targets for each Antibody's domain pair (each pair of Targets are referred to herein as a "**Target Pair**"), including the […***…] ("[…***…]"). Within […***…] of the Effective Date (the "Selection Period"), Lilly shall notify Zymeworks of its selection of the second and third Target Pair; provided that in any event Lilly's right to select additional Target Pairs, and the Selection Period, shall terminate once […***…], if they have not previously expired. Each such notification shall be referred to herein as a "**Target Pair Selection Notice**." For clarity, if Lilly fails to notify Zymeworks of its selection of the first Target Pair within […***…] of the Effective Date (subject to extension pursuant to clause (ii) of Section 3.1.2(d)), it shall have no further right to select such Target Pair, but shall retain its right to select the second and third Target Pairs.

(a) Target Pair Gatekeeping. Each designated Target Pair shall be subject to gatekeeping pursuant to **Section 3.1.2(b)** below, and if a designated Target Pair is not an Unavailable Target Pair in accordance with such gatekeeping, it shall become a "**Lilly Target Pair**."

(b) Unavailable Target Pair. Subject to Section 3.1.2.(c), a designated Target Pair shall only be an "Unavailable Target Pair" if at the time that Lilly provides the respective Target Pair Selection Notice:

(i) Zymeworks is subject to any of the following circumstances with respect to such Target Pair or products that are Directed To such Target Pair:

(1) Zymeworks is […***…];

(2) Zymeworks is […***…]; or

(3) Zymeworks is […***…].

Zymeworks shall notify Lilly of such circumstances (a "**Target Pair Unavailable Notice**") as soon as practicable, and in any event […***…]of the date of the respective Target Pair Selection Notice. In the event Zymeworks, with respect to any designated Target Pair, fails to notify Lilly of such circumstances within such […***…] period, such Target Pair shall automatically be deemed a Lilly Target Pair.

In the event Zymeworks fails to correctly determine that a proposed Target Pair is an Unavailable Target Pair and does not notify Lilly of the same […***…] of the date of the Target Pair Unavailable Notice (a "Gatekeeping Breach"), then, upon Lilly's written request provided […***…] of Lilly's becoming aware of such failure, either as a result of notice from Zymeworks during the Selection Period or pursuant to an audit pursuant to Section 3.1.2(e) below, (i) such Unavailable Target Pair shall […***…], (ii) at Lilly's sole discretion and request, […***…] (with respect to such Lilly Target Pair) covering Antibodies Directed To such Lilly Target Pair and (iii) the terms of this Agreement shall […***…], as applicable, in accordance with Section 3.1.2(d), the […***…]solely to […***…] as set forth in Section […***…]; provided that the […***…] shall be available […***…]). The occurrence of a Gatekeeping Breach anytime following the first Gatekeeping Breach shall be deemed an incurable material breach of this Agreement (a "**Gatekeeping Default**") for which Lilly may terminate this Agreement pursuant to Section 10.4.

(c) **Gatekeeping with Respect to** […***…] **and** […***…]. Notwithstanding anything to the contrary herein, any Target Pair where […***…] shall be subject to the gatekeeping provisions set forth in Section 3.1.2(b) solely with respect to the […***…], and such Target Pair shall only be an Unavailable Target Pair under the sole circumstances where such […***…] was subject to the circumstances set forth in Sections 3.1.2(b)(i)(1), 3.1.2(b)(i)(2) or 3.1.2(b)(i)(3) above prior to the Effective Date. For purposes of clarity, the […***…] of any Target Pair (as opposed to the […***…] of Section 3.1.2(b) of this Agreement.

(d) **Replacement Target Pairs**. If any Target Pair designated by Lilly is an Unavailable Target Pair, (i) Lilly shall propose a replacement Target Pair […***…] of the date of the Target Pair Unavailable Notice and (ii) the Selection Period shall be extended by […***…]; provided that in the event such Unavailable Target Pair was a Target Pair proposed by Lilly as the first Target Pair, then the […***…] period during which Lilly may select the first Target Pair (and not the Selection Period except in the case that one of the Target Pairs designated by Lilly to be the second or third Lilly Target Pair was also an Unavailable Target Pair, in which case the Selection Period shall also be extended by such […***…] period) shall be extended by […***…]. For clarity,

each of the initial […***…] period and the Selection Period may be extended pursuant to this Section 3.1.2(d) each time a Target Pair designated by Lilly is an Unavailable Target Pair. All Lilly Target Pairs shall be selected prior to the expiration of the Selection Period (as extended, per the terms set forth above), and Lilly shall have no further rights to designate Target Pairs as potential Lilly Target Pairs after the expiration of the Selection Period (as extended, per the terms set forth above).

(e) Audit. During Research Term and for […***…] Lilly shall have the right to appoint at its expense an independent law firm of nationally recognized standing (the "**Law Firm**") reasonably acceptable to Zymeworks to inspect or audit the relevant records of Zymeworks to verify that Zymeworks correctly determined that a proposed Target Pair was an Unavailable Target Pair. Zymeworks shall make its records available for inspection or audit by the Law Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from Lilly, solely for such purposes. Such inspection or audit right shall not be exercised by Lilly more than once in any Calendar Year. All records made available for inspection or audit shall be deemed to be Confidential Information of Zymeworks, and Zymeworks may require the Law Firm to sign a confidentiality agreement prior to conducting an audit pursuant to this Section 3.1.2(e). The Law Firm shall disclose to Lilly only whether Zymeworks correctly determined that a proposed Target Pair was an Unavailable Target Pair and under which specific provision of Section 3.1.2(b)(i), (ii) or (iii) such determination was made, and shall provide to Zymeworks a copy of any report provided to Lilly as a result of an inspection or audit performed pursuant to this Section 3.1.2(e). The results of each inspection or audit, if any, shall be binding on both Parties. Lilly shall bear the full cost of such audit unless such audit discloses a failure of Zymeworks to correctly determine that a proposed Target Pair was an Unavailable Target Pair, in which case Zymeworks will bear all reasonable costs and expenses of the audit.

3.1.3 Research Term. The Research Program with respect to a Lilly Target Pair shall commence on the Effective Date and shall conclude upon the earliest of (i) completion of all tasks set forth in the Research Plans, and (ii) termination of such Research Program in accordance with this Agreement (such period, the "**Research Program Term**"), regardless of whether the Development Funds have been exhausted. Notwithstanding the foregoing, in the event of Additional Antibody Research, the Research Program Term shall terminate when the Development Funds have been exhausted, unless Lilly notifies Zymeworks in writing within thirty (30)- days of the date that Zymeworks notifies Lilly that the Development Funds have been exhausted, that it will reimburse Zymeworks for Expenses incurred in excess of the Development Funds pursuant to Sections 4.6 and 5.2, in which case the Research Program will continue until the completion of any Additional Antibody Research for which Lilly has agreed to reimburse Zymeworks. For purposes of clarity, Zymeworks shall be solely responsible for any costs it may incur in carrying out its obligations under the Research Programs provided, however, that in the event there is any Additional Antibody Research then its financial obligation to carry out the Research Programs shall not exceed the Development Funds except to the extent Lilly agrees to reimburse Zymeworks for Authorized Expenses.

3.1.4 Research Plan. The activities covered by each Research Program shall be set forth in a detailed written research plan established by the JSC (the initial plan for each Research

Program is attached hereto as Exhibit 3.1.4, which may be amended from time to time by the JSC in accordance with Section 4.6) (collectively, the "**Research Plans**").

(a) Without limiting the generality of the foregoing, each Research Plan shall set forth, with respect to the applicable Lilly Target Pair: (i) that Zymeworks will apply the Zymeworks Platform to the Lilly Sequences as described in the Research Plan, (ii) reasonable criteria for determining the Antibodies (and back-up Antibodies, if applicable) selected for research pursuant to the Research Plan, (iii) reasonable criteria for determining whether an Antibody progresses through the different stages of the Research Plan; (iv) all research and development activities, and allocation of responsibilities, reasonably believed to be necessary to advance development of an Antibody to Critical Success Criteria Point, including, without limitation, the initial rounds of […***…] with respect to each Antibody; and (v) reasonable timeline and budget associated with all activities set forth in the Research Plan.

3.1.5 Sequences. With respect to each Lilly Target Pair, Lilly will, unless otherwise set forth in the Research Plan, provide to Zymeworks at least […***…] antibody nucleic acid or amino acid sequences Directed To each Target in such Lilly Target Pair (the "**Lilly Sequences**"). Each Lilly Sequence shall consist of […***…] sequence or a sequence applicable for other antigen binding domains, such as[…***…], that encodes an antibody […***…] that recognizes and binds to one Target within such Lilly Target Pair. The Lilly Sequences shall be provided to Zymeworks in accordance with the Research Plan for such Lilly Target Pair. To the extent provided in a Research Plan for a Lilly Target Pair, Zymeworks will identify antibody nucleic acids or amino acid sequences Directed To a Target within such Lilly Target Pair (the "**Zymeworks Sequences**"). Lilly will, within […***…] days of such identification, notify Zymeworks of any Zymeworks Sequences that it approves for use in connection with the respective Lilly Target Pair ("**Approved Zymeworks Sequences**").

3.1.6 Conduct of Research Program. Each Party:

(a) shall conduct its responsibilities under the Research Program, as assigned to it under the Research Plan and shall use Commercially Reasonable Efforts to achieve the objectives and timelines within the Research Plan.

(b) conduct the Research Program in compliance with all Applicable Laws and in accordance with GLPs, GCPs and GRPs to the extent applicable.

(c) may utilize the services of its Affiliates and Third Parties to perform those activities assigned to it under the Research Program, provided that Zymeworks shall not use any Third Party other than an Approved CRO of its choice.

3.1.7 Exchange of Know-How and Materials.

(a) To the extent any physical materials need to be delivered to a Party as may be determined by the JSC under this Agreement to enable that Party to perform its obligations under the Research Program the delivering Party shall arrange for prompt delivery of such physical materials in the manner determined by the JSC. The Party receiving such physical materials shall use the same for the sole purpose of conducting activities under the Research Program or otherwise exercising its rights and fulfilling its obligations hereunder and treat all such physical materials as

Confidential Information of the delivering Party. Unless expressly agreed otherwise, physical materials so supplied by a Party to another Party pursuant to this Agreement shall be "AS IS" without warranty of any kind and shall not be used in any human application.

(b) Zymeworks will only provide to Lilly (1) the Antibodies and the sequences thereof to be provided in accordance with the Research Plan and description of the mechanism to generate such Antibodies (the "**Research Program Work Product**") and (2) any additional Zymeworks Know-How that is reasonably required for Lilly to perform its obligations under the Research Program and progress the Products through preclinical development. For clarity (except as specifically provided in this Section 3.1.7(b), Zymeworks shall have no obligation to disclose or transfer to Lilly any Know-How or technology.

(c) Lilly will only provide to Zymeworks (1) the Lilly Sequences and (2) any additional Know-How Controlled by Lilly that is reasonably required for Zymeworks to perform its obligations under the Research Program, in each case (i) and (ii) as specified in the Research Plan. For clarity (except as specifically provided in this Section 3.1.7(c)), Lilly shall have no obligation to disclose or transfer to Zymeworks any Know-How or technology.

3.2 Affiliates, Sublicensees and Contractors. Lilly, in utilizing the services of its Affiliates, sublicensees and contractors under this Agreement, may sublicense its rights under this Agreement in accordance with Section 2.1.4 and share Confidential Information with such Affiliates, sublicensees and contractors in furtherance of the Research Program and in undertaking development and commercialization activities under this Agreement, in each case in accordance with Article 8; provided, however, that Lilly shall remain responsible for such performance of its Affiliates, sublicensees and contractors and shall cause such Affiliates, sublicensees and contractors to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use.

3.3 Records and Reports.

3.3.1 Records. Each Party shall maintain paper and electronic scientific records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of intellectual property rights (including Patent Rights) in accordance with Article 7 below, regarding its conduct of the Research Program after the applicable activity, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect the work done and results achieved by such Party in the performance of the Research Program.

3.3.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.3.1, each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records referred to in Section 3.3.1, solely for purposes of exercising its rights or fulfilling its obligations under this Agreement. Upon reasonable request, each Party shall provide copies of the records described in Section 3.3.1, at the other Party's request and expense. Lilly shall have the right to arrange with Zymeworks for its employee(s) or consultant(s) involved in the activities contemplated hereunder to visit the offices and laboratories of Zymeworks and any of its contractors during normal business hours and upon reasonable notice, and to discuss the Research Program work and its

results in detail with the technical personnel and consultant(s); provided that any such visits shall occur no more frequently than once per Calendar Quarter. Lilly shall have the right, not more than once per Calendar Year during the Research Program Term, to conduct compliance audits per applicable GLPs, GCPs and GRPs to ensure activities performed under a Research Program are being conducted in compliance with such practices as applicable and to ensure the integrity of data generated in connection therewith. Costs and expenses incurred by Zymeworks in connection with any audits conducted by Lilly pursuant to this Agreement shall be included in Expenses.

3.3.3 Research Reports. As soon as practicable, and in any event within […***…] days, following the last day of each Calendar Quarter, Zymeworks will provide to Lilly: (i) reasonably detailed scientific and operational progress reports with respect to each Research Plan and (ii) reasonably detailed six-month forecasts with respect to Zymeworks' progress towards achievement of the objectives set forth in each Research Plan.

3.3.4 Expense Reports. Within […***…] days following the last day of each Calendar Quarter, Zymeworks will provide to Lilly an Expense report detailing all FTE Costs and Third Party Expenses incurred during such Calendar Quarter.

3.4 Development and Commercialization by Lilly. Subject to the terms and conditions of this Agreement, Lilly (itself or through its Affiliates or Third Parties) shall have the sole responsibility and exclusive right to further develop, manufacture and commercialize any Products upon the conclusion of the Research Program (including, subject to Section 2.3, the right to develop and manufacture Antibodies for incorporation into Products). With respect to each Lilly Target Pair, until […***…], Lilly shall use Commercially Reasonable Efforts to develop and commercialize such Product. With respect to each Lilly Target Pair, until […***…], Lilly shall provide Zymeworks with written reports summarizing the then current development status of such Product as set forth in this Section 3.4 below.

3.4.1 Development. After the expiration of the Research Program Term with respect to a Lilly Target Pair until the first Product Directed To such Lilly Target Pair achieves a First Commercial Sale in at least one Major Market, with respect to such Product, for so long as Lilly is conducting development activities with respect to such Product, Lilly, upon written request by Zymeworks (such request may not occur more than once in any one calendar year) shall, provide to Zymeworks a high-level written summary describing the status of development activities that it has conducted during the previous six-month period and the activities planned to be conducted during the […***…] period immediately following such written request.

3.4.2 Safety and Regulatory Obligations. Upon first submission of an IND for a Product directed to a Lilly Target Pair, the Parties, upon Lilly's request, will meet, if necessary, to evaluate safety and regulatory obligations related to the development of such Product.

3.5 Target Exclusivity.

3.5.1 Selection Period Exclusivity. During the Selection Period, Zymeworks will collaborate exclusively with Lilly to generate antibodies Directed To […***…]) such that Zymeworks will not directly or indirectly (i) generate antibodies Directed To […***…] for Third Parties or itself, (ii) enter into any agreements or other arrangements regarding antibodies Directed

To […***…] or (iii) provide a Third Party with access or rights to antibodies Directed To […***…]. Moreover, during the Selection Period, Zymeworks also agrees that it will […***…] to any other Third Party with respect to the generation, access or rights to antibodies. Notwithstanding the foregoing, this Section 3.5.1 shall not apply to (a) any activities conducted by an Acquiring Entity of Zymeworks or its Affiliates with respect to […***…] or any other assets owned or Controlled by Zymeworks […***…] or (b) such Acquiring Entity and its Affiliate's right to […***…] with respect to such antibodies.

3.5.2 Collaboration Exclusivity. Upon Lilly selecting a Lilly Target Pair, Zymeworks shall collaborate exclusively with Lilly (and not with any Third Party) with respect to applying the Zymeworks Platform to antibodies Directed To such Lilly Target Pair, until the first to occur of (i) termination of the License for such Lilly Target Pair and (ii) Lilly's ceasing to actively develop or commercialize Antibodies or Products Directed To such Lilly Target Pair pursuant to this Agreement (such period, the "**Collaboration Exclusivity Period**"). Moreover, during such period, Zymeworks will also not apply the Zymeworks Platform to antibodies Directed To a Lilly Target Pair other than pursuant to a Research Plan or (b) for internal research pre-approved in writing by Lilly. Exclusivity with respect to antibodies Directed To the Lilly Target Pair under this Section 3.5.2 shall not prevent Zymeworks from developing or commercializing, alone or in collaboration with one or more Third Parties, (a) monovalent antibodies Directed To either Target in the Lilly Target Pair, except as prohibited under Section 3.5.1, or (b) Multi-Specific Antibodies that are Directed To one of the Targets within the Lilly Target Pair and one or more other Targets that are not Targets within the Lilly Target Pair. Provided, however, notwithstanding the foregoing, that under no circumstances, shall Zymeworks use Zymeworks Intellectual Property to make, use, sell, offer to sell or import Antibodies or Products or use any Antibodies to make, use, sell, offer to sell or import other products during the term of this Agreement. For clarity, nothing in this Section 3.5.2 shall grant either Party any rights under any Patent Rights, Know-How or other intellectual property rights Controlled by the other Party or its Affiliates for purposes set forth in this Section 3.5.2.

3.6 Meeting upon Completion of Research Programs. Within […***…] days of the completion of a Research Program, the Parties shall meet to discuss the results of such Research Program and Lilly's plans for progressing the development and commercialization of the respective Antibodies and the Products.

4. GOVERNANCE

4.1 Project Leader. Within […***…] days of the Effective Date, Lilly and Zymeworks will each assign one (1) employee to serve as primary point of contact between the Parties with respect to the Research Programs (each, a "**Project Leader**"). The Project Leaders shall regularly communicate with each other to address Research Program-related issues, needs and updates. Either Party, upon prior notice to the other Party, may change its Project Leader. Except for those Disputes that are subject to the purview of the JSC, prior to submitting any Dispute to the dispute resolution mechanism set forth in Section 15.5, the Project Leaders shall attempt, for a period of […***…] days, to resolve such Dispute.

4.2 Alliance Manager. Within 30 days of the Effective Date, each Party shall also appoint an individual to act as the Alliance Manager for such Party. Each Alliance Manager shall

thereafter be permitted to attend meetings of the JSC and any sub-committee as a nonvoting observer. The Alliance Managers shall be the primary point of contact for the Parties regarding the collaboration activities contemplated by this Agreement (other than the activities/responsibilities of the Project Leader outlined in Section 4.1. above) and shall help facilitate all such activities hereunder.

4.3 Joint Steering Committee. The Parties will establish, as soon as practicable after the Effective Date, a Joint Steering Committee (the "**JSC**") to oversee and coordinate the activities of the Parties under the Research Programs. The JSC shall be comprised of two (2) employees from Lilly and two (2) employees from Zymeworks. Subject to the foregoing, each Party shall appoint its respective representatives to the JSC from time to time, and may change its representatives, in its sole discretion, effective upon notice to the other Party designating such change. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Program. One (1) of the members of the JSC appointed by Lilly shall be designated the JSC Chair. The JSC Chair will be responsible for calling meetings of the JSC, circulating agenda and performing administrative tasks required to assure efficient operation of the JSC. The JSC shall be promptly disbanded upon completion of the Research Programs.

4.4 JSC Meetings. The JSC shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once every […***…] months until expiration of the Research Program Term with respect to all Lilly Target Pairs. The location for meetings shall alternate between Zymeworks and Lilly facilities (or such other location as is determined by the JSC). Alternatively, the JSC may meet by means of teleconference, videoconference or other similar means. As appropriate, additional employees or consultants may from time to time attend the JSC meetings as nonvoting observers, provided that any such consultant shall agree in writing to comply with the confidentiality obligations under this Agreement; and provided further that no Third Party personnel may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the JSC meetings by its representatives. Each Party may also call for special meetings to resolve particular matters requested by such Party. The JSC Chair or his/her designee shall keep minutes of each JSC meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. Lilly shall send meeting minutes to all members of the JSC promptly after a meeting for review. Each member shall have […***…] from receipt in which to comment on and to approve/provide comments to the minutes (such approval not to be unreasonably withheld, conditioned or delayed). If a member, within such time period, does not notify Lilly that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member.

4.5 JSC Functions. The JSC's responsibilities with respect to the Research Program are as follows:

(a) Overseeing and coordinating the activities of the Parties under the Research Program;

(b) Facilitating the exchange of Know-How and materials as required hereunder;

(c) Establishing reasonable, objective criteria for determining whether Antibodies (and back-up Antibodies, if applicable) selected for research pursuant to the Research Plan;

(d) Determining that an Antibody has failed and, if it has failed, whether it should be replaced with a backup Antibody;

(e) Establishing reasonable, objective criteria for determining whether an Antibody progresses through the different stages of a Research Plan;

(f) Periodically reviewing the progress of the Research Programs;

(g) Preparing, updating or modifying a Research Plan, including without limitation to provide for new or additional research to be conducted in connection with failures of an Antibody to meet success criteria; and

(h) Approving the occurrence of a CSCP.

4.6 JSC Disputes. The JSC will endeavor to make decisions by consensus, with each of Lilly and Zymeworks having one vote. If consensus is not reached by the Parties' representatives pursuant to such vote, then the matter may be escalated by either Party to designated officers of both Lilly and Zymeworks with appropriate decision making authority for resolution in accordance with Section 15.5. In the event the designated officers are unable, in good faith, to resolve the issue within […***…] days, Lilly has and shall have the right to make the final decision with respect to such dispute (including the final decision to determine whether the CSCP with respect to a Lilly Target Pair has occurred). In the context of such final decision-making authority, Lilly will have the right to make decisions with respect to proposed revisions of the Research Plan (including, without limitation, to (i) provide for Zymeworks to replace an Antibody that has failed with a backup Antibody and re-perform the respective Research Plan using such backup Antibody and (ii) obligate Zymeworks to perform tasks or expend resources pursuant to such revised Research Plan); provided, however that (x) such revisions reasonably relate to the conduct of research and development relating to Lilly Target Pairs that are consistent with activities outlined through Gate 5 of the Initial Research Plan and relate to the Antibodies generated pursuant to the Initial Research Plan and (y) in the event Zymeworks is required, after the achievement of Gate 2 in the Research Plan, to conduct additional research under such Research Plan using a backup Antibody ("**Additional Antibody Research**"), Zymeworks shall not be required to incur Expenses in connection with the performance of the Research Programs in excess of the Development Funds, except to the extent Lilly agrees in writing to reimburse Zymeworks for such excess Expenses in accordance with Section 5.2 ("**Authorized Expenses**"); provided that Authorized Expenses shall not exceed […***…] U.S. Dollars ($[…***…]) and Zymeworks shall not be obligated to incur Expenses in the conduct of Additional Antibody Research in excess of an amount equal to the sum of the Development Funds and Authorized Expenses. In the event, in connection with the foregoing sentence, Zymeworks disputes in good faith whether Gate 2 of the Research Plan has been achieved, such dispute shall be deemed a Dispute subject to the terms and conditions of Section 15.5. Notwithstanding anything to the contrary in this Agreement, Lilly's right, through its final decision-making authority, to require the use of a backup Antibody may not (except as the Parties may otherwise agree in writing) be

exercised more than three (3) times during the term of this Agreement across all Research Plans (e.g., Lilly may propose a backup Antibody […***…] times for the same Research Plan, or […***…] time for each Research Plan). For clarity, (a) once Zymeworks has completed (i) Gate 4 of the Research Plan with respect to each of the three original Antibodies and (ii) any and all Additional Antibody Research, if requested by Lilly, Zymeworks shall not be obligated to conduct any additional work under the Research Programs, and (b) in no event, except as the parties may otherwise agree in writing, shall Zymeworks be obligated to conduct any activities under the Research Plans beyond Gate 4 (or incur Expenses related thereto). For clarity and notwithstanding the creation of the JSC, each Party shall retain the rights, powers and discretion granted to it hereunder, and the JSC shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The JSC shall not have the power to amend, waive or modify any term of this Agreement (except as expressly set forth above with respect to the Research Plans), and no decision of the JSC shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JSC are limited to those specific issues that are expressly provided in this Agreement to be decided by the JSC.

5. FINANCIAL PROVISIONS

5.1 Investment.

(a) On the Effective Date, Zymeworks will, pursuant to a Subscription Agreement to be executed by the Parties in substantially the form attached hereto as Exhibit 5.1 (the "**Subscription Agreement**"), issue to Lilly four million nine hundred nine thousand ninety-one (4,909,091) Common Shares of Zymeworks, at a per share price of CDN$5.50, for an aggregate purchase price of CAD $27,000,000.50 (the "**Initial Investment**"). Of the Initial Investment, $[…***…] will be deemed the "**Initial Development Funds**."

(b) Working Capital. If at any point through Gate 4 of the Research Plan, for each of the three Antibodies, Zymeworks' Unrestricted Working Capital available to advance the objectives of the Research Plans (the "**Available Development Funds**") is less than the applicable minimum threshold amount as set forth below (each, a "**Minimum Working Capital Amount**") and Zymeworks fails to increase its Unrestricted Working Capital to the Minimum Working Capital Amount within one (1) month of Lilly's notice of its desire to purchase Common Shares equal to the Shortfall Investment Amount, Lilly will have the right to purchase an amount of Common Shares of Zymeworks at the Shortfall Investment Price (as defined below), equal to the difference between (a) the applicable Minimum Working Capital Amount, and (b) the then-current Available Development Funds (any such investment, the "**Shortfall Investment Amount**," and together with all other such Shortfall Investment Amounts, the "**Additional Investment Amount**"). The Additional Investment Amount and the Initial Development Funds are collectively referred to herein as the "**Development Funds**." The "**Shortfall Investment Price**," shall be a price per share of $5.50 CAD (subject to adjustment for share splits, combinations, recapitalizations and similar events); provided, that, if the Common Stock of Zymeworks is listed and posted for trading on a Qualifying Exchange, the Shortfall Investment Price shall be as follows: the price per share shall equal the greater of (i) the average closing price per share over the […***…] days prior to the purchase date, each such daily closing prices calculated using a volume-weighted average price formula and (ii) the minimum price per share allowed by the

Qualifying Exchange. Until the earlier of (x) termination of all activities under the Research Programs and (y) the point each of three Antibodies advance through Gate 4 of the Research Plan, Zymeworks shall send to Lilly within […***…] days after the end of each quarterly reporting period, a report, certified by the Zymeworks Chief Financial Officer, summarizing by category the Zymeworks Unrestricted Working Capital, based on balances derived from Zymeworks financial statements that have been subject to a review engagement conducted by the Company's external auditors. Any purchase of shares for a Shortfall Investment Amount shall be completed pursuant to a form of subscription agreement in the form attached hereto as Exhibit 5.1.

Minimum Working Capital:

Outstanding Programs	Working Capital Minimum
3	$ [...***...]
2	$ [...***...]
1	$ [...***...]
0	$ [...***...]

For the purposes of this Section 5.1(b), the following defined terms shall have the specified meanings:

"**Outstanding Program**" means an Antibody that has not yet achieved Gate 4 of the applicable Research Plan. For clarity, there are a maximum of three Outstanding Programs, such that if one Antibody achieves Gate 4 there are two Outstanding Programs; if two Antibodies achieve Gate 4 there is one Outstanding Program; and if three Antibodies achieves Gate 4 there are zero Outstanding Programs.

"**Unrestricted Working Capital**" shall mean the Zymeworks Current Assets less its Current Liabilities, determined as follows:

"**Current Assets**" shall mean the following current assets of Zymeworks: (i) accounts receivable, (ii) prepaid expenses, (iii) cash and cash equivalents and (iv) short term investments, to the extent for each of (i), (ii), (iii) and (iv), no such amounts are subject any restriction on expenditure, segregation requirement, or any security interest, lien or encumbrance, other than the working capital restrictions under this Agreement or any lien or encumbrance that would not materially interfere with their use.

"**Current Liabilities**" include the following current liabilities of Zymeworks: (i) accounts payable, (ii) accrued expenses and liabilities, excluding non-cash accruals, and (iii) the current portion of any indebtedness, long term liabilities, and capital lease liabilities; provided that Current

Liabilities shall exclude derivative instruments created by this Agreement and shall exclude the current portion of any debt arising from convertible debt securities, preferred stock, or other securities convertible into or exercisable for equity securities.

"**Qualifying Exchange**" shall mean Toronto Stock Exchange, the New York Stock Exchange, the NYSE MKT (formerly known as the American Stock Exchange), the London Stock Exchange, the Alternative Investment Market, the Frankfurt Stock Exchange, NASDAQ or such other stock exchange approved in writing by Lilly.

5.2 Expenses. Zymeworks and Lilly shall each bear all expenses it incurs in performance under this Agreement, except as expressly set forth in this Agreement. Notwithstanding anything herein to the contrary, Zymeworks shall not be required to incur Expenses in excess of the Development Funds and Authorized Expenses in connection with Additional Antibody Research; provided, however, that if there is no Additional Antibody Research then Zymeworks shall be solely responsible for and expend such funds as may be necessary to complete the portions of the Research Programs assigned to Zymeworks (i.e., through Gate 4, unless such Research Program is assumed by Lilly pursuant to Section 11.1.2, 11.1.3, or 11.1.4 prior to Gate 4) as contemplated in Section 3.1.2, unless and until, on a Research Program-by-Research Program basis, the JSC has determined that the Antibody being developed pursuant to such Research Program has failed. Lilly shall reimburse Zymeworks for all Authorized Expenses incurred in compliance with the Research Plan as set forth in Section 4.6 and this Section 5.2. Within […***…] days after the last day of each Calendar Quarter in which Authorized Expenses are incurred, Zymeworks shall provide to Lilly (i) a report reasonably detailing all Authorized Expenses incurred by Zymeworks during such Calendar Quarter, (ii) an invoice for an amount equal to the total Authorized Expenses incurred by Zymeworks during such Calendar Quarter and (iii) documentation supporting Third Party Expenses included in such Authorized Expenses. Lilly shall pay such invoice within […***…] days of receipt of all of the foregoing. "**Expenses**" means the sum of all FTE Costs and Third Party Expenses.

5.2.1 FTE Costs. "**FTE Costs**" means an amount equal to the product of the FTE Rate and actual hours worked by Zymeworks FTEs on the Research Programs, including for purposes of any needed design cycle iterations and any initial rounds of cloning and expression work in which Zymeworks participates, as supported by approved time sheets for such FTEs coded to the Research Program after review and approval by Lilly, such approval not to be unreasonably withheld.

5.2.2 Third Party Expenses. "**Third Party Costs**" means the actual documented costs associated with subcontractors (including Approved CROs) and other Third Party expenses, including Project-specific reagents, instrumentation costs and laboratory costs, incurred by Zymeworks with respect to the Research Program (collectively, "**Third Party Expenses**"). With respect to each Research Plan, Third Party Expenses shall not exceed […***…] U.S. Dollars ($[…***…]) per month during the conduct of such Research Plan, in each case unless otherwise agreed by Lilly in writing (such agreement not to be unreasonably withheld).

5.3 Initial License Payments. Within […***…] days of the JSC determining that the CSCP with respect to a Lilly Target Pair has occurred for the first time with respect to such Lilly

Target Pair, Lilly shall pay Zymeworks an Initial License Fee in the amount of Two Million U.S. Dollars ($2,000,000 USD) (the "**Initial License Fee**").

5.4 Development Milestones. With respect to each Lilly Target Pair, within […***…] days after the first achievement of each milestone event set forth in the table below […***…] Product Directed To such Lilly Target Pair to achieve such milestone (each, a "**Development Milestone Event**"), Lilly shall make the corresponding milestone payment to Zymeworks (each, a "**Development Milestone Payment**"). For clarity, each Development Milestone Payment […***…] Product Directed To each Lilly Target Pair that achieves the particular Development Milestone Event at issue […***…] with respect to such Product or subsequent Products Directed To such Lilly Target Pair.. For example, […***…], Zymeworks will […***…] that achieves the particular Development Milestone Event at issue.

	Development Milestone Events	Milestone Payments
1.	[…***…]	**USD $**[…***…]
2.	[…***…]	**USD $**[…***…]
3.	[…***…]	**USD $**[…***…]

5.5 Commercialization Milestones. Within […***…] days after the first achievement of each milestone event set forth in the table below with respect to each Lilly Target Pair (each, a "**Commercialization Milestone Event**"), Lilly shall make the corresponding milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**") (For clarity, with respect to each Lilly Target Pair, […***…] Product Directed to such Lilly Target Pair shall be eligible for a Commercialization Milestone Payment except that (with respect to each Lilly Target Pair), […***…] will be eligible for a Commercialization Milestone Payment upon achievement of Commercialization Milestone Events 4, 6 and 8, set forth below):

	Commercial Milestone Events	Milestone Payments
1.	[…***…]	**USD $**[…***…]
2.	[…***…]	**USD $**[…***…]
3.	[…***…]	**USD $**[…***…]
4.	[…***…]	**USD $**[…***…]
5.	[…***…]	**USD $**[…***…]
6.	[…***…]	**USD $**[…***…]
7.	[…***…]	**USD $**[…***…]
8.	[…***…]	**USD $**[…***…]

For purposes of the Commercial Milestone Payments, each Product containing a different Antibody or other active pharmaceutical ingredient shall be considered a distinct Product.

5.6 Royalties.

5.6.1 Patent Royalty Payments. Lilly shall pay Zymeworks a royalty (each such royalty payment, a "Royalty") on Net Sales of each Product at the rates set forth below:

Annual Worldwide Net Sales on a Product-by-Product basis	Royalty Rate
USD $[…***…]to USD $[…***…]	[…***…]%
Above USD $[…***…]to USD $[…***…]	[…***…]%
Above USD $[…***…]	[…***…]%

5.6.2 Royalty Term. The Royalty will be payable on a Product-by-Product and country-by-country basis from First Commercial Sale in such country until (i) such Product is no longer Covered by a Valid Patent Claim in such country or (ii) ten (10) years after the First Commercial Sale of such Product in such country, whichever is later (the "Royalty Term"); provided that in the event of […***…], then the Royalty payable with respect to Product sales in such country shall be reduced by […***…] during the Royalty Term for so long as such […***…].

6. REPORTS AND PAYMENT TERMS

6.1 Payment Terms.

6.1.1 Milestone Payments. Lilly shall provide Zymeworks with notice of the achievement of each Development Milestone Event and Commercial Milestone Event within […***…] days thereafter and make the corresponding Milestone Payment within […***…] days after such achievement.

6.1.2 Royalties. During the Term, following the First Commercial Sale of a Product, Lilly shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by Product sold by Lilly and its Related Parties during the reporting Calendar Quarter and the Royalties payable under this Agreement in sufficient detail to allow Zymeworks to verify the amount of Royalties paid by Lilly with respect to such Calendar Quarter, including, on a country-by-country and Product-by-Product basis, the Net Sales of each Product, and the Royalties (in US dollars) payable and in total for all Products and the manner and basis for any currency conversion in accordance with Section 6.2. Reports shall be due no later than […***…] days following the end of each Calendar Quarter. Royalties shown to have accrued by each report provided under this Section 6.1.2 shall be due and payable on the date such report is due.

6.2 Payment Currency / Exchange Rate. All payments to be made by Lilly to Zymeworks under this Agreement shall be made in USD; provided that any payments made pursuant to the purchase of shares or other equities of Zymeworks shall be made in Canadian Dollars or such other currency in which such shares or equities are trading. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to Lilly. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with Lilly's then-current standard exchange rate methodology for the translation of foreign currency sales into United States dollars.

6.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 6.3, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon any payments made by Lilly to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws require the withholding of Taxes, Lilly shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. Lilly shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. The Parties shall reasonably cooperate with each other in order to allow the Parties to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such Party shall be responsible for all such additional Taxes.

6.4 Records and Audit Rights.

6.4.1 Records. Each party will keep (and will cause its Related Parties to keep) complete and accurate books and records in sufficient detail to ascertain properly and to verify the payments owed hereunder. Each Party will keep such books and records for at least […***…] years following the end of the Calendar Year to which they pertain.

6.4.2 Audit Rights.

(a) Each Party (the "**Auditing Party**") shall have the right during the […***…]-year period described in Section 6.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") reasonably acceptable to the other Party to inspect or audit the relevant records of the other Party (the "**Audited Party**") and its Affiliates to verify that the amount of Expenses and payments ("**Expenses and Payments**") were correctly determined. The Audited Party and its Related Parties shall each make its records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from the Auditing Party, solely to verify the expenses and payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by the Auditing Party more than once in any Calendar Year and may cover a period ending not more than […***…] months prior to the date of such request. No period will be audited more than once. The Auditing Party shall submit an audit plan, including audit scope, to the Audited Party for the Audited Party's review and comment, which the Auditing Party shall consider in good faith if provided within […***…] Business Days,

prior to audit implementation. All records made available for inspection or audit shall be deemed to be Confidential Information of the Audited Party, and only amounts of underpayment or overpayment to each party shall be reported. The results of each inspection or audit, if any, shall be binding on both Parties. The Auditing Party shall bear the full cost of such audit unless such audit discloses at least […***…] percent ([…***…]%) shortfall that exceeds at least […***…] dollars ($[…***…]), in which case the Audited Party will bear all reasonable costs and expenses of the audit. The Auditing Party will be entitled to recover any shortfall in payments as determined by such audit. Similarly, if the audit reveals an overpayment, the Audited Party will be entitled to recover such overpayment as determined by such audit as actually received by the Auditing Party. Any underpayment or overpayment as determined under this Section 6.4.2(a) shall be promptly (but in any event no later than […***…] days after the Audited Party's receipt of the Accounting Firm's report so concluding) paid to the Party entitled to payment hereunder.

(b) The Accounting Firm will disclose to the Auditing Party only whether the Expenses and Payments are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to the Auditing Party without the prior consent of the Audited Party unless disclosure is required by Applicable Laws or judicial order. The Audited Party is entitled to require the Accounting Firm to execute a reasonable confidentiality agreement prior to commencing any such audit. The Accounting Firm shall provide a copy of its report and findings to the Audited Party.

7. INTELLECTUAL PROPERTY RIGHTS

7.1 Ownership of Inventions. Ownership of all Inventions, including Patent Rights and other intellectual property rights with respect to such Inventions, shall be as set forth in this Article 7. Determination of inventorship of Inventions shall be made in accordance with US laws. Each Party will continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or created or obtained outside the scope of this Agreement, or which it licenses to the other Party under this Agreement. For clarity, as between the Parties and notwithstanding anything herein to the contrary, Lilly shall have and retain ownership of the Lilly Sequences and any Inventions related solely to the Lilly Sequences, and Zymeworks shall retain all rights in the Zymeworks Platform and Approved Zymeworks Sequences and any Inventions comprising improvements thereto. For clarity, all antibody mutations created or introduced by Zymeworks using the Zymeworks Platform will comprise improvements thereto and will be owned by Zymeworks, subject to the rights and licenses granted to Lilly hereunder including pursuant to Sections 2.1 and 8.4; provided, however, that the physical embodiment of all Antibodies shall be owned by Lilly, subject to the rights and licenses granted to Zymeworks hereunder, including pursuant to Sections 2.2, 5.3, 11.1.2 and 11.1.3. Except as otherwise provided in the foregoing sentence, Inventions that are made solely by Zymeworks (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Zymeworks; Inventions that are made solely by Lilly (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Lilly; and Joint Inventions (and the Joint Patent Rights) shall be owned jointly by the Parties. Subject to Article 2 and Article 11, each Party has the right to grant licenses under such Joint Inventions (and the Joint Patent Rights) to any Third Party without the consent of, or accounting to, the other Party.

7.2 Patent Prosecution and Maintenance.

7.2.1 Definitions. As used in this Section 7.2, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

7.2.2 Zymeworks Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks agrees that its filings with respect to the Zymeworks Patent Rights will not incorporate data or information specific to the Antibodies. Zymeworks shall keep Lilly reasonably advised with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights and, upon Lilly's request, shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Zymeworks Patent Rights. Zymeworks shall promptly give notice to Lilly of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Patent Rights licensed to Lilly under this Agreement. Notwithstanding the foregoing, Lilly shall have the first right (but not the obligation) to control the preparation, filing, prosecution and maintenance of Patent Rights claiming subject matter generated or conceived under the Research Program to the extent such Patent Rights are specific to the Antibodies or the Products, including, without limitation, therapeutic methods, pharmaceutical compositions, methods of manufacture, product by process, and also including the genetic sequence of the Antibodies.

7.2.3 Joint Patent Rights.

(a) Lilly, at Lilly's expense, shall have the first right to control the preparation, filing, prosecution and maintenance of Joint Patent Rights. Lilly shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights and shall provide copies of material submissions to any patent office in any Major Market related to the filing, prosecution and maintenance of the Joint Patent Rights to Zymeworks for review and comment. Such copies shall be provided in advance of submission to the extent reasonably practicable. Lilly shall take into consideration any comments from Zymeworks; *provided*, *however*, that the Parties acknowledge and agree that if there is any dispute between the Parties regarding such patent matters, Lilly's decision shall be final. Lilly shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

(b) Lilly may elect not to file or to cease prosecution or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, Lilly shall give timely notice to Zymeworks. Zymeworks may by notice to Lilly assume filing for, prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense, in which case Lilly shall promptly assign to Zymeworks all of its rights, title and interest (except as provided below) in and to such Joint Patents, and such Joint Patents shall no longer be subject to the exclusive licenses set forth in Section 2.1; provided, however, the Parties acknowledge and agree that Lilly shall still retain its joint ownership rights in such Joint Patents and, therefore, shall retain the right to use and otherwise exploit such Joint Patent Rights in a manner consistent with its joint ownership interest in such Joint Patent Rights; and provided further that claims within such Joint Patent Rights shall remain within the definition of Valid Patent Claim (subject to the limitation set forth in such

definition) for purposes of determining the Royalty Term and whether a Royalty is owed on a particular Product pursuant to Section 5.5 of this Agreement.

7.2.4 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in Section 7.2, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information, subject to Article 8. For clarity, all such communications regarding the Zymeworks Patent Rights shall be the Confidential Information of Zymeworks and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties.

7.3 Enforcement and Defense.

7.3.1 Notice. Each Party shall provide prompt notice to the other Party of any infringement of Zymeworks Patent Rights or Joint Patent Rights which cover a Product then under development or being commercialized of which such Party becomes aware (an "Infringement"). Subject to the provisions of Sections 7.3.2, 7.3.3, 7.3.4, Lilly and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both Lilly and Zymeworks, to terminate any such Infringement of a Zymeworks Patent Right or Joint Patent Right; provided, however, if the Parties cannot agree to the specific course of action the provisions of Sections 7.3.2, 7.3.3 and 7.3.4 shall continue to apply.

7.3.2 Zymeworks Patent Rights. Except as otherwise provided below in this Section 7.3.2, Zymeworks shall have the first right to enforce the Zymeworks Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify Lilly of such enforcement actions. If Zymeworks fails to bring or defend any such action against an Infringement within (a) […***…] days following the notice of alleged Infringement or (b) […***…] days before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Lilly shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Notwithstanding the foregoing, for clarity, Lilly shall have the first right (but not the obligation) to control the enforcement of Patent Rights claiming subject matter generated or conceived under the Research Program solely to the extent such Patent Rights are specific to the Antibodies or the Products, including the genetic sequence of the Antibodies. If Lilly fails to bring or defend such an action within (a) […***…] days following the notice of the alleged infringement or (b) […***…] days before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice. In no event shall Lilly admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.2, fail to defend the validity of, any

Zymeworks Patent Rights without Zymeworks' prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.3 Joint Patent Rights. Lilly shall have the first right to enforce Joint Patent Rights and to control the defense of any declaratory judgment action relating thereto, with respect to such Infringement at its own expense and by counsel of its own choice reasonably acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld, conditioned or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Lilly fails to bring or defend such action within (a) […***…] days following the notice of alleged Infringement or (b) […***…] days before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Lilly shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.3, fail to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

7.3.4 Infringement Action. In the event a Party brings an Infringement action in accordance with this Section 7.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, including by providing information and materials, at the Controlling Party's request and expense and if required to bring such action, the furnishing of a power of attorney or being named as a party. The other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall have the right to settle any Infringement action under this Section 7.3 relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed.

7.3.5 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both Lilly and Zymeworks in connection with or as a result of any action contemplated by this Section 7.3 involving Product or Antibodies licensed to Lilly herein, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining, whether by settlement or judgment, that is allocable to an Infringement shall be shared between Lilly and Zymeworks in the same proportion to the share of profits each would have been entitled to under this Agreement had the remaining recovery represented Lilly sales of Product taking into consideration all costs and expenses Lilly would have incurred in making any such sales. For purposes of clarity, the provisions of this Section 7.3.5 shall not apply to infringement actions that are not involved with or based on the manufacture, use and/or sale (i.e., make, use, offer to sell, sell and/or import) the Products and/or Antibodies licensed under this Agreement, and all recoveries for such other infringement actions

shall: (i) with respect to the Zymeworks Patent Rights, be retained by, or paid to, Zymeworks; and (ii) with respect to Joint Patent Rights, be retained by Lilly and Zymeworks equally (and in each case of (i) and (ii), above) after recovering costs and expenses in the same manner as described in subsections (a) and (b), above.

7.3.6 Notice. In the event that either Party (i) receives a copy of an application submitted to the FDA under subsection (k) of Section 351 of the PHSA (a "Biosimilar Application"), whether or not such notice or copy is provided under any Applicable Laws (including under the Biologics Price Competition and Innovation Act of 2009 (the "BPCIA"), the United States Patient Protection and Affordable Care Act or implementing FDA regulations and guidance) applicable to the approval or manufacture of any biosimilar or interchangeable biological product (a "Proposed Biosimilar Product") for which a Product is a "reference product," as such term is used in the BPCIA, or (ii) otherwise becomes aware that such a Biosimilar Application has been filed (such as in an instance described in Section 351(l)(9)(C) of the PHSA), then such Party shall promptly provide the other Party with written notice. If a Party with the right to initiate legal proceedings under this Agreement lacks standing to do so (or lacks the right under the BPCIA to do so) and the other Party has standing (or the sole right under the BPCIA) to initiate such legal proceedings, such Party with standing shall initiate such legal proceedings at the request and expense of the other Party.

7.3.7 Defense of Infringement Claims. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party intellectual property right based on the manufacture, use, sale or importation of the Antibodies or the Products, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall discuss entering into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties.

8. CONFIDENTIALITY

8.1 Duty of Confidence. During the Term and for […***…] years thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party.

8.2 Exceptions. The obligations under this Article 8 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

8.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

8.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

8.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

8.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

8.3 Authorized Disclosures. Subject to this Section 8.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

8.3.1 such disclosure is deemed necessary by counsel to the recipient Party to be disclosed to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

8.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 7 or disclosure by Lilly or a Lilly Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations;

8.3.4 disclosure to potential or actual investors or potential or actual acquirers in connection with due diligence or similar investigations by such Third Parties (provided that, with respect to investors, Zymeworks remains a privately held company and has not been otherwise acquired by a Third Party); provided, in each case, that any such potential or actual investor or acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party. Notwithstanding the preceding, Zymeworks shall not disclose any Lilly Target Pair or other data generated by Lilly and disclosed to Zymeworks hereunder (in each case which is not within the scope of any of the exceptions set forth in Sections 8.2.1-8.2.4) to investors or prospective acquirers without Lilly's prior written permission; except that Zymeworks may disclose a Lilly Target Pair to a potential or actual acquirer as part of the advanced stages of diligence conducted in connection with an acquisition, the material terms of which have been proposed to the Zymeworks board of directors and the board has agreed to proceed with the negotiation of such acquisition, provided that the prospective acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to Zymeworks; or

8.3.5 disclosure as reasonably necessary in conducting the activities contemplated, or exercising rights (including the licenses granted under Article 2) or performing obligations under this Agreement.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Article 8, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 8.3 shall remain otherwise subject to the confidentiality and non-use provisions of this Article 8, and the Party disclosing Confidential Information as permitted by this Section 8.3 shall take all steps reasonably necessary, including without limitation obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

8.4 Lilly's Right to use Confidential Information for Research Purposes. Notwithstanding anything in this Article 8 to the contrary and without limiting license rights granted to Lilly under Article 2, beginning […***…] months after the initiation of the Research Program, Lilly will also have the right (i.e., a nonexclusive license) to use Zymeworks' Confidential Information disclosed in connection with the Research Program that comprises the Research Program Work Product solely for its own internal research and development purposes related to other products; provided that such use would not infringe a Valid Claim of a Zymeworks Patent Rights or any other Patent Rights Controlled by Zymeworks that claims subject matter that was not first conceived under the Research Program. For clarity, the foregoing provisions of this Section 8.4 shall not be deemed to grant Lilly any rights or licenses under any Valid Claim of any Patent Rights Controlled by Zymeworks or its Affiliates that claims subject matter first conceived outside of the Research Program.

9. PUBLICATIONS AND PUBLICITY

9.1 <u>Publications</u>.

9.1.1 Lilly shall have the right to publish the results of the Research Program with respect to the Products or Antibodies in accordance with this Section 9.1. Except for disclosures permitted pursuant to Article 8 or this Article 9, a Party, its employees or consultants wishing to make a publication of the results of its activities under this Agreement that contains the other Party's Confidential Information, shall deliver to such Party a copy of the proposed written publication or an outline of an oral disclosure at least […***…] days prior to submission for publication or presentation.

9.1.2 Notwithstanding Section 9.1.1, the reviewing Party shall have the right (a) to request the removal of its Confidential Information from any such publication or presentation by the other Party, and/or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If a reviewing Party requests such a delay, the other Party shall delay submission or presentation for a period of […***…] days to enable patent applications or other registrations protecting the reviewing Party's rights in such information to be filed in accordance with Article 7.

9.2 Publicity. The Parties have mutually approved a press release attached hereto as Exhibit 9.2 with respect to this Agreement and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any the activities under the Research Program conducted hereunder without the prior written consent of the other Party, provided however, that neither Party will be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding the achievement of any milestone event under Section 5.4 or 5.5, Zymeworks will provide Lilly with no less than […***…] in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

10. TERM AND TERMINATION

10.1 Term. The term of this Agreement (the "**Term**") will commence on the Effective Date and (subject to earlier termination in accordance with Section 10.2 or Section 10.3) will expire on the expiration of the last-to-expire Royalty due under Section 5.6. Upon expiration of this Agreement (but not termination), the licenses granted to Lilly under this Agreement shall become non-exclusive (with right to sublicense), fully paid-up, perpetual licenses.

10.2 Termination by Lilly.

10.2.1 Scientific Failure. In the event that Lilly, based on current scientific practices, reasonably believes that it is not commercially reasonable to continue a Research Program at any time prior to paying the Initial License Fee, Lilly shall have the right to terminate such Research Program upon […***…] days prior written notice to Zymeworks. In the event Lilly terminates a particular Research Program (as opposed to the entire Agreement) prior to the expiration of such Research Program (the "**Lilly RP Termination Decision**") pursuant to this Section 10.2.1, (i) Lilly shall promptly cease any and all activities under such Research Program, and (ii) as of the Lilly RP Termination Decision, Lilly shall have no rights or obligations under this Agreement with respect to the Lilly Target Pair that is the subject of such Research Program, to pursue or achieve any further Milestone Event with respect to a Product Directed To the Lilly Target Pair that is the subject of such Research Program (except as may occur as a result of completing an on-going experiment). In the event that Lilly terminates a Research Program pursuant to this Section 10.2, neither Party shall be subject to any further obligations to carry out any activities under such Research Program. Notwithstanding the foregoing, nothing in this Section 10.2.1 is intended to limit or modify any ownership rights in intellectual property under Section 7.1 that existed or accrued prior to the effective date of the Lilly RP Termination Decision. If an Antibody fails and Lilly does not select a backup Antibody for such failed Antibody within […***…] days of the JSC's determination that such Antibody failed, Zymeworks shall have the right to terminate this Agreement with respect to the Research Program pursuant to which such Antibody was generated, upon […***…] days' prior written notice to Lilly. Termination by Zymeworks pursuant to this Section 10.2.1 shall have the same effects of termination as a Lilly RP Termination Decision.

10.2.2 Convenience. Any time after Lilly pays the Initial License Fee with respect to a Lilly Target Pair, Lilly may, in its sole discretion, terminate the License with respect to any such Lilly Target Pair upon […***…] days prior written notice to Zymeworks. In the event Lilly terminates the License with respect to a particular Target Pair pursuant to this Section 10.2.2, as of the effective date of such termination (i) Lilly shall promptly cease any and all activities with respect to such Target Pair, and (ii) Lilly shall have no rights or obligations under this Agreement with respect to the Target Pair (except for milestone payments and royalties accruing prior to such termination). Notwithstanding the foregoing, nothing in this Section 10.2.2 is intended to limit or modify any ownership rights in intellectual property under Section 7.1 that existed or accrued prior to the effective date of the Lilly RP Termination Decision.

10.3 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that Lilly or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of any Zymeworks Patent Rights (the specific Zymeworks Patent Rights challenged by Lilly or its Affiliates constituting the "**Lilly Challenged Zymeworks Patent Rights**"), then Zymeworks, at its discretion, may give notice to Lilly that Zymeworks will terminate the licenses granted to Lilly under Section 2.1 with respect to (and only to) the Lilly Challenged Zymeworks Patent Rights in any or all countries in the Territory in which Lilly or its Affiliates is specifically challenging the Lilly Challenged Zymeworks Patent Rights (collectively, the "**Challenge Countries**") unless such challenge is withdrawn, abandoned, or terminated (as appropriate) without prejudice within […***…] days. In the event that Lilly or its Affiliates (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] day period, Zymeworks may terminate the license granted to Lilly under Section 2.1 with respect to the Lilly Challenged Zymeworks Patent Rights in any or all Challenge Countries in the Territory.

10.4 Termination for Cause. If Lilly is in material breach of any obligation hereunder, then Zymeworks may give notice to Lilly specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] days after receipt of such notice, Zymeworks shall have the rights thereafter to terminate this Agreement immediately by giving notice to Lilly to such effect. If Zymeworks is in material breach of any obligation hereunder, then Lilly may give notice to Zymeworks specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] days after receipt of such notice, Lilly has the right to terminate, in its sole discretion (i) the Agreement in its entirety under all circumstances or (ii) in the event such breach relates to the performance of a Research Program (an "**RP Default**"), either such Research Program or this Agreement in its entirety.

10.5 Change of Control. Zymeworks shall notify Lilly at least […***…] days after to the effectiveness of a Change of Control. In the event a Change of Control occurs during the Research Program Term of a Research Program, Lilly shall have the right to terminate (i) this Agreement with respect to such Research Program or (ii) terminate this Agreement in its entirety if all Research Plans are in effect, effective upon […***…] days prior written notice to Zymeworks; provided that such notice is provided within […***…] months after the effectiveness of such Change of Control.

10.6 Termination of all Research Programs. For clarity, in the event that this Agreement is terminated with respect to all Research Programs, the Agreement shall be deemed to be terminated in its entirety.

11. EFFECTS OF TERMINATION

11.1 Termination of Agreement.

11.1.1 If this Agreement expires or terminates for any reason, then no later than […***…] days after the effective date of such expiration or termination, Lilly shall pay all amounts then due and owing (except that Lilly shall have the right to offset any monies owed to Lilly by Zymeworks, if any) as of the termination date and each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes. In the event of termination of this Agreement, except as expressly set forth otherwise in this Agreement (including under the surviving provisions set forth in Section 11.2 and as set forth in Sections 11.1.2, 11.1.3 and 11.1.4), the rights and obligations of the Parties hereunder shall terminate as of the date of such termination. In no event shall Zymeworks be obligated to reimburse Lilly for any portion of the Development Funds, or repurchase any Common Shares or other equity interest purchased by Lilly pursuant to the Subscription Agreement or otherwise, in connection with the expiration or termination of this Agreement.

11.1.2 In the event this Agreement is terminated by Lilly, in its entirety or with respect to one or more Research Programs, pursuant to Section 10.4 in connection with a Gatekeeping Default or RP Default, or pursuant to Section 10.5: (i) except for the obligation to pay Initial License Fees, Development Milestone Payments, Commercial Milestone Payments and Royalties, adjusted as described in Section 11.1.3, 11.1.4 and 11.1.5 below, Lilly shall have no further obligations (a) under this Agreement (if terminated in its entirety) or (b) under this Agreement with respect to the terminated Research Programs, including, without limitation, diligence obligations to develop or commercialize Antibodies or Products Directed to the Lilly Target Pairs that are subject to such Research Programs (such Lilly Target Pairs, or the Lilly Target Pairs that are subject to the terminated Research Programs described in Section 11.1.3 below, as applicable, the "**Terminated Target Pairs**"; for the avoidance of doubt, if this Agreement is terminated in its entirety, all Lilly Target Pairs shall be deemed Terminated Target Pairs), (ii) Zymeworks hereby grants to Lilly a worldwide perpetual, irrevocable, exclusive license (with rights to sublicense through multiple tiers of sublicensees) under the Zymeworks Intellectual Property to: (a) generate antibodies Directed To the Terminated Target Pairs, solely to the extent contemplated under this Agreement and otherwise perform the Research Plans for the terminated Research Programs, (b) make, have made, use and import such antibodies Directed To the Terminated Target Pairs for incorporation into Products and (c) make, have made, use, offer to sell, sell, and import Products that incorporate such antibodies in the Field in the Territory; (iii) during the […***…] following such termination, Zymeworks shall take all actions reasonably requested by Lilly to enable Lilly to utilize the Zymeworks Intellectual Property, including, without limitation, delivering to Lilly sequence modifications for each Terminated Target Pair consistent with the phases of the Research

Plan; and (iv) during such […***…] period, Zymeworks shall promptly and fully respond to Lilly's reasonable questions regarding use of the Zymeworks Intellectual Property for purposes of exercising the license set forth in clause (ii) above.

11.1.3 Notwithstanding anything to the contrary in this Agreement, in the event this Agreement is terminated in its entirety by Lilly pursuant to Section 10.4 in connection with a Gatekeeping Default, the Initial License Fees, Development Milestone Payments, Commercial Milestone Payments and Royalties with respect to Products Directed To the Lilly Targets shall be reduced by […***…]percent ([…***…]%).

11.1.4 Notwithstanding anything to the contrary in this Agreement, in the event this Agreement or any Research Plan is terminated by Lilly pursuant to Section 10.4 in connection with an RP Default, the Initial License Fees, Development Milestone Payments, Commercial Milestone Payments and Royalties with respect to Products Directed To the Lilly Target Pair(s) that were the subject of the Research Program(s) under which the RP Default occurred, shall be reduced by […***…]percent ([…***…]%). For the avoidance of doubt, in the event this Agreement is terminated in its entirety in connection with an RP Default, the Initial License Fees, Development Milestone Payments, Commercial Milestone Payments and Royalties with respect to Products Directed To a Lilly Target Pair that was the subject of a Research Plan under which no RP Default occurred shall not be reduced.

11.1.5 Notwithstanding anything to the contrary in this Agreement, in the event this Agreement or a Research Program is terminated by Lilly pursuant to Section 10.5, the Initial License Fees, Development Milestone Payments, Commercial Milestone Payments and Royalties with respect to Products Directed To the Lilly Target Pair that was the subject of the terminated Research Program (or all Research Programs in the event all Research Programs were in effect at the time of termination) shall be reduced as follows:

	Stage of the Respective Research Program at Time of Termination	**Adjustment**
1.	Prior to successful achievement of [...***...]	**75%**
2.	Prior to successful achievement of [...***...]	**50%**
3.	Prior to successful achievement of [...***...]	**25%**
4.	After successful achievement of [...***...]	**0%**

11.2 Survival. Termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Articles 1 (for interpretation purposes only), 6 (to the extent that any amounts payable accrued prior to the effective date of such expiration/termination and remain unpaid), 8, 9,

10.1, 11, 13 and 15 and Sections 2.3, 3.3, 7.1, 11.2 and 12.3 shall survive to the extent applicable. Except as otherwise expressly provided herein, all other rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement.

11.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

11.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against a Party under the Code, the other Party shall be entitled to a complete duplicate of, or complete access to (as such other Party deems appropriate), any such intellectual property and all embodiments of such intellectual property, if not already in such other Party's possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by such other Party, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The foregoing provisions of this Section 11.4 are without prejudice to any rights a Party may have arising under the Code.

12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

12.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

12.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

12.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

12.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and covenants to Lilly as follows:

12.2.1 Zymeworks has the right to grant to Lilly the licenses under Section 2.1 that it purports to grant hereunder including under the Zymeworks Know-How;

12.2.2 Zymeworks has not granted, and will not grant during the Term, rights (or other encumbrances) to any Third Party under the Zymeworks Intellectual Property, or Joint Inventions that conflict with the rights granted to Lilly hereunder;

12.2.3 As of the Effective Date: (a) Zymeworks has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the Zymeworks Patent Rights or Zymeworks' rights therein; and (b) Zymeworks is not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that Zymeworks is infringing or has misappropriated or otherwise is violating any patent, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a material adverse effect upon the ability of Zymeworks to fulfill any of its obligations under this Agreement;

12.2.4 There are no claims, actions, or proceedings pending or, to Zymeworks' knowledge, threatened; nor, to Zymeworks' knowledge, are there any formal inquiries initiated or written notices received that may lead to the institution of any such legal proceedings, in each case (or in aggregate) against Zymeworks or its properties, assets or business, which if adversely decided, would, individually or in the aggregate, have a material adverse effect on, or prevent Zymeworks' ability to conduct the Research Programs or to grant the licenses or rights granted to Lilly under this Agreement.

12.3 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS WITH REGARD TO ANY ANTIBODY OR PRODUCT WILL BE SUCCESSFUL.

12.4 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. INDEMNIFICATION AND LIABILITY

13.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold Lilly and its Affiliates, and their respective officers, directors, employees, contractors, agents and

assigns (each, a "**Lilly Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any Lilly Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any Lilly Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the research or development of the Antibodies by or on behalf of Zymeworks or its Affiliates under this Agreement (excluding Lilly and its Related Parties); (b) the negligence or willful misconduct of Zymeworks or its Affiliates pursuant to this Agreement, or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to Lilly under this Agreement. Zymeworks is only obliged to so indemnify and hold the Lilly Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of Lilly or its Related Parties.

13.2 Indemnification by Lilly. Lilly shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including without limitation product liability claims) arising or resulting from: (a) the research, development or commercialization of Antibodies or Products by or on behalf of Lilly or its Affiliates, licensees or sublicensees (excluding Zymeworks and its Related Parties) under this Agreement; (b) the negligence or willful misconduct of Lilly or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Lilly to Zymeworks under this Agreement. Lilly is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks or its Related Parties.

13.3 Indemnification Procedure.

13.3.1 Any Lilly Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

13.3.2 Subject to the provisions of Section 13.3.3 below, the Indemnifying Party shall have the right, upon providing notice to the Indemnified Party of its intent to do so within […***…] days after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

13.3.3 The Indemnifying Party shall select competent counsel in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior

written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 8. NOTHING IN THIS SECTION 13.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 13.

13.5 Zymeworks' Insurance. Zymeworks, at its own expense, shall maintain liability insurance in an amount adequate to cover its obligations under this Agreement during the Term. Zymeworks shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to Lilly upon request.

14. COMPLIANCE

14.1 Compliance with this Agreement. Each of the Parties shall, and shall cause their respective Affiliates to, comply in all material respects with the terms of this Agreement.

14.2 Compliance with Party Specific Regulations. In carrying out their respective obligations under this Agreement, the Parties agree to cooperate with each other as may reasonably be required to help ensure that each is able to fully meet its obligations with respect to the Party Specific Regulations applicable to it. Neither Party shall be obligated to pursue any course of conduct that would result in such Party being in material breach of any Party Specific Regulation applicable to it; provided that in the event that a Party refuses to fulfill its obligations under this Agreement in any material respect on such basis, the other Party shall have the right to terminate this Agreement in accordance with Section 10.4; however, under such circumstances, such termination shall be the sole remedy for such terminating-Party and such terminating-Party shall not be entitled to any other remedy under law or equity. All Party Specific Regulations are binding only in accordance with their terms and only upon the Party to which they relate.

14.3 Compliance with Internal Compliance Codes. All Internal Compliance Codes shall apply only to the Party to which they relate. The Parties agree to cooperate with each other to help insure that each Party is able to comply with the substance of its respective Internal Compliance Codes and, to the extent practicable, each Party shall operate in a manner consistent with its Internal Compliance Codes applicable to its performance under this Agreement.

14.4 Anti-Bribery Commitments. Without limiting the other obligations of the Parties set forth in this Section, in connection with any activities of the Parties under this Agreement, the Parties confirm that they have not given, offered, promised, or authorized, and will not give, offer,

promise, or authorize, any payment, benefit, or gift of money or anything else of value, directly or through a third party, to (i) any Government or Public Official, as defined below; (ii) any political party, party official or candidate for public or political office; (iii) any person while knowing or having reason to know that all or a portion of the value will be given, offered or promised, directly or indirectly, to anyone describe in terms (i) or (ii) above; or (iv) any owner, director, employee, representative or agent of any actual or potential customer of the Parties, for purposes of influencing any act or decision of such individual in his official capacity, inducing such individual to do or omit to do any act in violation of the individual's duty, inducing the individual to use the individual's official influence with a government to affect or influence an act or decision of the government, or to secure any improper advantage in order to assist in obtaining or retaining business. The Parties shall comply with all applicable anti-bribery laws of any jurisdiction, including any record keeping requirements of such laws, in the Countries where the Parties have their principal places of business and where they conduct any activities under this Agreement or any Related Agreements. For the purposes of this Section, **"Government or Public Official"** means any officer or employee or anyone acting in an official capacity on behalf of: a government or any department or agency thereof; a public international organization (such as the United Nations, the International Monetary Fund, the International Red Cross, and the World Health Organization), or any department, agency or institution thereof; or a government-owned or controlled company, institution, or other entity, including a government-owned hospital or university.

15. GENERAL PROVISIONS

15.1 Assignment. Except as provided in this Section 15.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party so long as such Party remains primarily liable for any acts or omissions of such Affiliate, provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 15.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

15.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and immunities granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and immunities. The Party extending the rights and immunities granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

15.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and

effect, and the Parties will use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.

15.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

15.5 Dispute Resolution.

15.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including, without limitation, any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "**Dispute**"), arises between the Parties and the Parties cannot resolve such Dispute through their respective Project Leaders or JSC, if and as applicable, within […***…] days of a written request by either Party to the other Party ("**Notice of Dispute**"), and such Dispute is not one for which Lilly has final decision-making as expressly set forth in section 4.6 of this Agreement, either Party may refer the Dispute to senior representatives of each Party for resolution. Each Party, within […***…] after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. If, after an additional […***…] days after the Notice of Dispute, such representatives have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration JAMS pursuant to the Comprehensive Arbitration Rules and Procedures of JAMS then in effect, and judgment on the arbitration award may be entered in any court having jurisdiction thereof.

15.5.2 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific, technical or commercial matters, the arbitrator chosen hereunder shall engage experts that have educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] days after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] day period, the arbitrator shall be appointed by JAMS. The place of arbitration shall be New York, New York, and all proceedings and communications shall be in English.

15.5.3 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties. Once the arbitrator is in place, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate

jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrators agree otherwise.

15.5.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

15.5.5 As used in this Section 15.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. Any Excluded Claim may be submitted by either Party to any court of competent jurisdiction over such Excluded Claim.

15.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use commercially reasonable efforts to resume performance of its obligations and will keep the other Party informed of actions related thereto.

15.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

15.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and Lilly, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

15.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and will be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the

earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks: Zymeworks, Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to Lilly: Eli Lilly and Company
Lilly Corporate Center 46285
Indianapolis, Indiana 46285
Attention: […***…]
Fax (317) 651-3051

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285
Attention: […***…]
Fax (317) 433-3000

Zymeworks shall also provide a copy of any notice (via e-mail if available) to Lilly's Project Leader.

15.10 Further Assurances. Lilly and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

15.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

15.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including, without limitation, any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

15.13 Entire Agreement. This Agreement, the Subscription Agreement and all exhibits and schedules attached hereto and thereto set forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter. The Parties acknowledge and agree that, as of the Effective Date, all Confidential Information disclosed pursuant to the Confidentiality Agreement by a Party or its Affiliates shall be included in the Confidential Information subject to this Agreement and the Confidentiality Agreement is hereby superseded in its entirety; provided, that the foregoing shall not relieve any Person of any right or obligation accruing under the Confidentiality Agreement prior to the Effective Date. "**Confidentiality Agreement**" means the Mutual Non-Disclosure Agreement between Zymeworks and Lilly dated […***…], as amended.

15.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

15.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

15.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

15.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

15.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

15.20 Notification and Approval. In the event that this Agreement or the transaction(s) set forth herein are subject to notification or regulatory approval in one or more countries, then development and commercialization in such country(ies) will be subject to such notification or

regulatory approval. The Parties will reasonably cooperate with each other with respect to such notification and the process required thereunder, including in the preparation of any filing. Lilly will be responsible for any and all costs, expenses, and filing fees associated with any such filing.

[*Remainder of page left blank intentionally.*]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

ELI LILLY AND COMPANY

By: /s/ John C. Lechleiter
Name: John C. Lechleiter
Title: Chairman, President and CEO

Exhibit 1.7

APPROVED CROs

[…***…]

Exhibit 1.32

ELI LILLY AND COMPANY GOOD RESEARCH PRACTICES

Lilly's quality standards, along with the high level expectations for each standard, are listed below:

1. Facility / Organization

• Facility is suitable for the intended use.

• Facility is adequately protected for the work that is to be performed.

• Risk to continuation of the business identified and minimized in order to restore normal business operation.

2. Contracts / Work Agreements

• Legally binding work agreements are established.

3. Personnel

• Personnel for Study/project support are qualified and can perform Study/project tasks to meet expectations (e.g., curriculum vitae, training records, education records, experiences, etc.).

4. Equipment

• Equipment is adequate to meet the deliverables' expectations.

5. Computer Systems

• Computer systems are adequate to meet the deliverables' expectations.

6. Test Material

• Test materials must be identified, characterized and stored appropriately to ensure that they are suitable for the research purpose. Upon Study completion or termination, all materials should be disposed of appropriately in accordance with the terms of this Agreement.

7. Biological Sample Integrity

• Biological sample life cycle is managed to ensure integrity of their properties (e.g., urine samples, blood samples, tissue samples, cell lines, and genetically engineered mice (GEMs)).

8. Record / Data / Notebook Management

• Data is managed to ensure accuracy, completeness and retrievability.

• Storage areas for essential documents are configured such that the documents are identifiable, retrievable and protected. This includes both short-term and archival storage.

9. Reports

• All data included in reports must be reviewed to ensure that the reports accurately reflect the data.

10. In Vitro Assay

• In vitro assays are performed in a manner that meets scientific and statistical principles and requirements as defined in the work agreements.

11. In Vivo Assay

• In vivo assays are performed with a study design and data analysis plan that meets scientific and statistical principles and requirements.

12. Quality Systems

• Mechanisms exist to help personnel clearly understand their roles and responsibilities (e.g., work instructions, guidance documents, work plans, protocols, requirements, SOPs).

• Quality Control processes exist to show specifications are met.

EXHIBIT 3.1.4
RESEARCH PLAN

[…***…]

[…***…]		[…***…]	[…***…]	[…***…]		[…***…]
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[…***…]

EXHIBIT 5.1
FORM OF SUBSCRIPTION AGREEMENT
SUBSCRIPTION AGREEMENT

FOR COMMON SHARES

Eli Lilly and Company (hereinafter referred to as the "***Subscriber***") hereby agrees to purchase, and Zymeworks, Inc. (the "***Corporation***") hereby agrees to issue and sell to the Subscriber, [•] Common Shares of the Corporation (the "***Shares***") for the aggregate subscription price of CDN$[•] (the "***Subscription Price***"), representing a subscription price of CDN$[•] per Share, upon and subject to the terms and conditions set forth herein (the "***Agreement***"). This Agreement is entered into in connection with that certain Licensing and Collaboration Agreement, by and between the Subscriber and the Corporation, dated as of October 22,2014 (the "***License and Collaboration Agreement***").

Representations, Warranties and Covenants by Subscriber

1. By executing this Agreement, the Subscriber represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) as follows:

(a) Resale Limitations. The Subscriber has been independently advised as to and is aware of the applicable restrictions on the resale of the Shares imposed by the *Securities Act* (British Columbia), the regulations and rules made thereunder and all administrative policy statements, blanket orders, notices, directions and rulings issued by the British Columbia Securities Commission, all as amended (the "***B.C. Securities Laws***") and is aware of the risks in purchasing and other characteristics of such securities and of the fact that the Subscriber may not be able to resell such securities except in accordance with applicable securities legislation and regulatory policies. The Subscriber has been advised to consult its own legal advisers with respect to applicable restrictions on the resale of the Shares and it is solely responsible (and the Corporation is not in any way responsible) for compliance with applicable resale restrictions, and it will comply with such resale restrictions and agrees that all certificates representing the Shares may bear certain legends to that effect.

(b) Accredited Investor. The Subscriber is agreeing to purchase the Shares pursuant to the accredited investor prospectus exemption (the "***Accredited Investor Exemption***") under section 2.3 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("***NI 45-106***") and is an "accredited investor" as that term is defined in NI 45-106 and has completed and signed the certificate attached as Schedule A hereto. The Subscriber is also an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the United States *Securities Act of 1933*, as amended (the "***Act***") and has completed and signed the certificate attached as Schedule B hereto.

(c) Purchase for Own Account. The Subscriber is purchasing the Shares for its own account and not for the account or benefit of any other person, and is doing so for investment purposes only, and not with a view to resell or otherwise distribute any of the Shares in violation of NI 45-106, the Act or any state or provincial securities laws.

(d) Investor Sophistication. The Subscriber (i) has knowledge and experience in business and financial matters, prior investment experience, including investment in securities that are non-listed, unregistered and/or not traded on a national securities exchange nor on any automated quotation system; (ii) recognizes the highly speculative nature of this investment; and (iii) is able to bear the economic risk that the Subscriber hereby assumes. The Subscriber, if an entity, was not formed for the purpose of purchasing the Shares.

(e) Disclosure of Information. The Subscriber, in making the decision to invest in the Shares, has relied solely upon the information provided in this Agreement and Subscriber's own investigation of the Corporation, including review of any documents, records and books of the Corporation that Subscriber has requested from the Corporation, which investigation has provided the Subscriber with all the information the Subscriber has deemed necessary for purposes of its investment decision. The Subscriber has had a reasonable opportunity to ask questions of, and receive answers from, a person or persons acting on behalf of the Corporation concerning the offering of the Shares and the business, financial conditions and result of operations of the Corporation, and all such questions have been answered by a representative of the Corporation to the full satisfaction of the Subscriber. The Section 1(e) does not limit or modify, however, the representations and warranties of the Corporation in Section 2 of this Agreement or the right of the Subscriber to rely thereon.

(f) Reliance on Advisers. To the extent necessary, the Subscriber has retained, at its own expense, and relied upon appropriate professional advice regarding the investment, tax and legal merits and consequences of the purchase of the Shares contemplated hereunder and in particular, the Subscriber has been independently advised as to and is aware of the applicable restrictions on the resale of the Shares imposed by securities legislation in the jurisdiction in which it resides and is

aware of the risks and other characteristics of such Shares and of the fact that the Subscriber may not be able to sell such Shares except in accordance with applicable securities legislation and regulatory policies and the Subscriber is solely responsible (and the Corporation is not in any way responsible) for compliance with applicable resale restrictions.

(g) No General Solicitation. The Subscriber was contacted regarding the sale of the Shares by the Corporation (or its respective authorized agents or representatives) with whom the Subscriber had a pre-existing relationship and no Shares were offered or sold to the Subscriber by means of any form of general solicitation or general advertising, and in connection therewith, the Subscriber did not: (i) receive or review any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available, or the internet (including without limitation, internet blogs, bulletin boards, discussion groups or social networking sites); or (ii) attend any seminar, meeting or industry investor conference whose attendees were invited by any general solicitation or general advertising.

(h) Residence. The Subscriber is organized in the State of Indiana.

(i) Restricted Securities. The Subscriber understands and acknowledges that the Shares have not been and will not be registered under the Act or any state securities laws, and that the Corporation has no obligation or present intention of filing a registration statement under the Act in respect of the Shares, and the Shares are intended to be exempt from registration under the Act pursuant to the provisions of Rule 506 of Regulation D thereunder, which is in part dependent upon the truth, completeness and accuracy of the representations made by the Subscriber herein.

(j) No Guarantee of Return. The Subscriber acknowledges and understands that no person has made any written or oral representation: (i) that any person will resell or repurchase any or all of the Shares; (ii) that any person will refund the purchase price of the Shares; or (iii) as to future price or value of the Shares.

(k) Further Cooperation. If required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Subscriber will, with respect to this Agreement, execute, deliver and file or assist the Corporation in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Shares by the Subscriber as may be required.

(l) Resale Requirements. The Subscriber, if it decides to offer, sell or otherwise transfer, pledge or hypothecate all or any part of the Shares, will not offer, sell or otherwise transfer, pledge or hypothecate any of such securities (other than pursuant to an effective registration statement under the Act), directly or indirectly unless:

(i) the sale is to the Corporation; or

(ii) the sale is made outside the United States in accordance with the requirements of Rule 904 of Regulation S under the Act; or

(iii) the sale is made pursuant to the exemption from registration under the Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or

(iv) with the prior written consent of the Corporation, the sale is made pursuant to another exemption from registration under the Act and any applicable state securities laws,

provided that in the case of subparagraphs (iii) and (iv), a written opinion of legal counsel reasonably satisfactory to the Corporation is addressed and provided to the

Corporation to the effect that the proposed transfer may be effected without registration under the Act or any applicable state securities laws.

(m) No Public Market. The Subscriber acknowledges that there is currently no active trading market for the Shares, an active trading market for the Shares may never develop, and therefore, the Subscriber may be required to hold the Shares indefinitely.

(n) Legends. The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Shares to the effect that such securities have not been registered under the Act or any state securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement and the articles of the Corporation (as amended to date, the "***Articles***"). The Subscriber acknowledges and consents to the placement of any required legend under applicable Canadian securities laws on any certificate evidencing the Shares issued to the Subscriber. The Subscriber is aware that the Corporation and its transfer agent will make notations in their appropriate records with respect to the restrictions on the transferability of such securities. Stop transfer instructions will be placed with the transfer agent of the Shares, if any, or with the Corporation.

(i) The legends to be placed on each certificate will be in form substantially similar to the following:

(1) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION, PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS; PROVIDED THAT IN THE CASE OF SUBPARAGRAPHS (C) AND (D), THE CORPORATION HAS RECEIVED A WRITTEN OPINION OF LEGAL COUNSEL REASONABLY SATISFACTORY TO IT TO THE EFFECT THAT THE PROPOSED TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

(2) THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AS SET FORTH IN THE ARTICLES OF THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE CORPORATION.

(3) UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) [•], AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

(ii) The Subscriber acknowledges that if the Subscriber resells any of the Shares outside the United States pursuant to Rule 904 of Regulation S under the Act and in compliance with

local laws and regulations, including holding period restrictions applicable to the Subscriber, at a time when the Corporation is a "foreign issuer" as defined in Regulation S under the Act, the legend set forth in subparagraph (1) above may be removed in connection with such resale by providing to the Corporation and its transfer agent the certificate for the Shares together with a declaration to the effect that the Shares have been resold pursuant to Rule 904 of Regulation S under the Act, in such form as the Corporation may prescribe from time to time.

(o) Authority. The Subscriber has full power and authority (corporate, statutory and otherwise) to execute and deliver this Agreement. This Agreement has been duly and validly executed and delivered by the Subscriber and constitutes the legal, valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.

(p) Brokers or Finders. The Subscriber has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in connection with the transactions contemplated by the Agreement and the Subscriber hereby agrees to indemnify and hold harmless the Corporation from and against all fees, commissions or other payments owing to any such person or firm acting on behalf of the Subscriber hereunder.

(q) Indemnification for Breach of Representations or Warranties. The Subscriber hereby agrees to hold the Corporation and its directors, officers, employees, affiliates, controlling persons and agents and their respective officers, directors, employees, counsel, controlling persons and agents, and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any false representation or warranty or any breach or failure by the Subscriber to comply with any covenant made by the Subscriber in this Agreement (including any Schedules attached hereto).

(r) Compliance with Other Instruments. The entering into of this Agreement, and the transactions contemplated hereby, will not result in the violation of or be in conflict with any of the terms and provisions of any law applicable to, or the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which it is or may be bound.

(s) Tax Advisers. The Subscriber acknowledges that purchasing, holding, exercising and disposing of the Shares may have tax consequences under the laws of both Canada and the United States, that prospective purchasers are solely responsible for determining the tax consequences applicable to their particular circumstances and that the undersigned has been advised by the Corporation to consult its tax advisers concerning investment in the Shares.

(t) Bad Actors. Neither the Subscriber nor any of its directors, executive officers, other officers that may serve as a director or officer of any company in which it invests, general partners or managing members, is subject to any "bad actor" disqualifications described in Rule 506(d)(i) through (viii) under the Act ("***Disqualification Events***"), except for Disqualification Events covered by Rule 506(d)(2) under the Act and disclosed reasonably in advance of the Closing (as hereinafter defined) in writing in reasonable detail to the Corporation.

Representations, Warranties and Covenants of the Corporation

2. The Corporation hereby represents, warrants and covenants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that, except as set forth on the Schedule of Exceptions furnished to the Subscriber (the "***Schedule of Exceptions***") specifically identifying the relevant Section hereof:

(a) Corporate Authority. The Corporation has the full corporate right, power and authority to carry on its business as now conducted and as proposed to be conducted, and to execute and deliver this Agreement and to take all actions contemplated hereby, including to issue the Shares to the Subscriber.

(b) Organization, Good Standing and Qualification. Corporation is duly incorporated, validly existing and in good standing under the laws of Canada and is qualified to carry on business in the Province of British Columbia and in each other jurisdiction, if any, in which the failure to so qualify would have a material adverse effect on its business or properties.

(c) Capitalization and Voting Rights. Except as set forth on the Schedule of Exceptions, immediately prior to Closing, the authorized capital stock of the Corporation consists, or will consist of:

(i) An unlimited number of Common Shares of the Corporation ("***Common Shares***") of which [•] Common Shares are issued and outstanding.

(ii) The outstanding Common Shares are owned by the shareholders and in the numbers specified in Exhibit A-1 attached hereto. A pro forma capitalization table, assuming the issuance of the Shares, is attached hereto as Exhibit A-2.

(iii) The Corporation has not made any representations, agreements or commitments regarding equity incentives to any officer, employee, director or consultant that are inconsistent with the share amounts set forth on Exhibits A-1 and A-2.

(iv) The outstanding Common Shares are all duly and validly authorized and issued, fully paid and nonassessable, and were issued in accordance with the registration or qualification provisions of the Act, NI 45-106, B.C. Securities Laws and any relevant state or provincial securities laws, or pursuant to valid exemptions therefrom.

(v) Except for (A) outstanding options as of the Closing to purchase [•] Common Shares granted to directors, officers, employees, consultants and other service providers (the "***Options***") pursuant to the Corporation's Employee Stock Option Plan and a warrant to purchase [•] Common Shares (the "***Option Plan***") and (B) that certain Investor Rights Agreement by and among the Subscriber, the Corporation and CTI Life Sciences, L.P. ("***CTI***"), dated October [22], 2014 (the "***Rights Agreement***"), there are no outstanding options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Corporation of any shares of its capital stock. No adjustment to the exercise price or number of shares issuable upon exercise of any of the Options will occur as a result of or in connection with the issuance of the Shares. In addition, the Corporation has reserved [•] Common Shares for purchase upon exercise of options to be granted in the future under the Option Plan. Except with respect to the Rights Agreement, the Voting Agreement, by and among the Corporation, the Subscriber, and certain other shareholders of the Corporation, dated October [22], 2014 (the "***Voting Agreement***" and together with the Rights Agreement, the "***Related Agreements***"), and the Articles, the Corporation is not a party or subject to any agreement or understanding and, to the Corporation's knowledge (which, for purposes of this Section 2 means actual knowledge of the Chief Executive Officer and Chief Financial Officer of the Corporation after reasonable investigation), there is no agreement or understanding between any persons and/or entities that affects or relates to the voting or giving of written consents with respect to any security or by a director of the Corporation.

(vi) No stock plan, stock purchase, stock option or other agreement or understanding between the Corporation and any holder of any securities or rights exercisable or convertible for securities provides for acceleration or other changes in the vesting provisions or other terms of such agreement or understanding as a result of the occurrence of any event. The Corporation has never adjusted or amended the exercise price of any stock options previously awarded, whether through amendment, cancellation, replacement grant, repricing or any other means. Except as set forth in the Articles, the Corporation has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or to pay any dividend or make any other distribution in respect thereof.

(vii) The Corporation has obtained valid waivers of any rights by other parties to purchase any of the Shares covered by this Agreement.

(d) Subsidiaries. The Corporation does not presently own or control, directly or indirectly, any interest in any other corporation, association or business entity. The Corporation is not a participant in any joint venture, partnership, or similar arrangement.

(e) Authorization. All corporate action on the part of the Corporation, the officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Corporation hereunder, the authorization, issuance (or reservation for issuance), sale and delivery of the Shares being sold hereunder has been taken or will be taken prior to the Closing, and this Agreement constitutes the valid and legally binding obligation of the Corporation, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(f) Valid Issuance of the Shares. The Shares, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, and will be free and clear of all liens, charges, claims, encumbrances and restrictions on transfer other than restrictions on transfer under this Agreement, the Articles, and under any applicable U.S., Canadian, state or provincial securities laws.

(g) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any U.S., Canadian, state, provincial or local governmental authority on the part of the Corporation is required in connection with the consummation of the transactions contemplated by this Agreement, except (i) the filings pursuant to Regulation D, promulgated by the U.S. Securities and Exchange Commission (the "***SEC***") under the Act, and the British Columbia Securities Commission, if needed (which filings will be made within the time period required by Regulation D and NI 45-106, respectively), and (ii) the filings required by applicable state "blue sky" securities laws and provincial laws, rules and regulations (which filings will be made within the time period required by such laws, rules and regulations).

(h) Offering. Assuming the accuracy of the representations of the Subscriber in Section 1 of this Agreement, and subject to the filings described in Section 2(g) above, the offer, sale and issuance of the Shares as contemplated by this Agreement are exempt from the prospectus and registration requirements of applicable U.S., Canadian, state, provincial and local securities laws, and neither the Corporation nor any authorized agent acting on its behalf will take any action hereafter that would cause the loss of such exemption.

(i) Litigation. Except as set forth on the Schedule of Exceptions, there is no action, suit, proceeding or investigation pending or, to the Corporation's knowledge, currently threatened involving the Corporation or, to the Corporation's knowledge, any officer, director or key employee of the Corporation with respect to the Corporation, nor is the Corporation aware of any basis for the foregoing, where such action, suit, proceeding or investigation is reasonably likely to have a material adverse effect on the Corporation. Neither the Corporation nor, to the Corporation's knowledge, any of its officers, directors or key employees with respect to the Corporation, is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality (in the case of officers, directors or key employees, such as would affect the Corporation in any material respect). There is no material action, suit, proceeding or investigation by the Corporation currently pending or that the Corporation intends to initiate. The foregoing includes, without limitation, material actions, suits, proceedings or investigations pending or currently threatened involving the prior employment of any of the Corporation's employees, their use in connection with the Corporation's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers.

(j) Proprietary Information Agreements. Except as set forth on the Schedule of Exceptions, each present and former employee and officer of the Corporation has executed an intellectual property and moral rights waiver pursuant to an employment agreement, in substantially the form provided to counsel for the Subscriber, and each present and former consultant to the Corporation has executed a consulting agreement in substantially the form provided to counsel for the Subscriber. Except as set forth on the Schedule of Exceptions, the Corporation is not aware that any of its present or former employees, officers or consultants is in violation thereof, and the Corporation will use its commercially reasonable efforts to prevent any such violation. No present or former key employee has excluded works or inventions from his or her assignment of inventions pursuant to such key employee's proprietary information and inventions assignment agreement. Each present and former key employee has executed a non-competition and non-solicitation agreement in substantially the form or forms provided to counsel for the Subscriber.

(k) Intellectual Property.

(i) Schedule 2(k) of the Schedule of Exceptions contains a complete and accurate list of all patents, trademarks, domain names and registered copyrights owned or used by the Corporation, and any pending applications for any of the foregoing intellectual property rights filed by or on behalf of the Corporation.

(ii) It has sufficient title and ownership of or licenses to all patents, trademarks, service marks, trade names, domain names, copyrights, trade secrets, information, proprietary rights, processes and other intellectual property rights (collectively, the "***Intellectual Property***") that are, to the Corporation's knowledge, necessary for its business as now conducted and as proposed to be conducted.

(iii) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership of interests of any kind (other than customary non-disclosure agreements with third parties, nondisclosure, assignment of inventions, and non-competition agreements with the Corporation's employees and consultants) relating to anything referred to above in this Section 2(k) that are to any extent owned by, or exclusively licensed to, the Corporation.

(iv) The Corporation is not bound by or a party to any options, licenses or agreements of any kind with respect to the Intellectual Property of any other person or entity (except as listed on Schedule 2(k) and except for nonexclusive rights granted solely for conduct of contract manufacturing and research services, standard end-user, object code, internal-use software license support/maintenance agreements, customary non-disclosure agreements with third parties, nondisclosure, assignment of inventions, and noncompetition agreements with the Corporation's employees and consultants).

(v) Except as set forth in Schedule 2(k) of the Schedule of Exceptions, the Corporation has not received any written communications alleging that the Corporation has violated, infringed, diluted or misappropriated or, by conducting its business as proposed, would violate, infringe, dilute or misappropriate any of the Intellectual Property of any other person or entity, and to the knowledge of the Corporation, there is no basis for such an allegation.

(vi) To the Corporation's knowledge, the Intellectual Property owned by or licensed to the Corporation have not been violated, infringed, diluted or misappropriated by any other person or entity.

(vii) The Corporation is not aware that any of its employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Corporation or

that would conflict with the Corporation's business as presently conducted or as proposed to be conducted.

(viii) Neither the execution nor delivery of this Agreement, nor the carrying on of the business of the Corporation by its employees, nor the conduct of the Corporation's business as proposed, will, to the Corporation's knowledge, conflict with or result in a material breach of the terms, conditions or provisions of, or constitute a material default under, any contract, covenant or instrument under which any of such employees is now obligated.

(ix) To the knowledge of the Corporation, it is not and will not be necessary to utilize any Intellectual Property of any of its employees developed, invented or made prior to their employment by the Corporation except any such Intellectual Property that have previously been assigned or licensed to the Corporation, which Intellectual Property is set forth on Schedule 2(k) of the Schedule of Exceptions.

(x) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, the abandonment, loss or expiration of any Intellectual Property owned or used by the Corporation has not had and would not reasonably be expected to have a material adverse effect on the Corporation, and to the Corporation's knowledge no abandonment, loss or expiration of any Intellectual Property that would be expected to have a material adverse effect is pending.

(xi) The Corporation has taken commercially reasonable steps to maintain and protect the Intellectual Property which it owns and uses, including by disclosing trade secrets and confidential information only on a need to know basis to those of its employees and consultants, strategic and collaborative partners, and lenders, in each case, who have executed valid and enforceable non-disclosure agreements.

(xii) The transactions contemplated by this Agreement will not have a material adverse effect on the Corporation's right, title or interest in and to the Intellectual Property owned or purported to be owned by it or licensed to it, and all of such material Intellectual Property will be owned or available for use by the Corporation and on identical terms and conditions immediately after the Closing.

(xiii) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, the Corporation is not subject to any "open source" or "copyleft" obligations or otherwise required to make any public disclosure or general availability of source code either used or developed by the Corporation.

(l) Compliance with Other Instruments. The Corporation is not in violation or default of any provision of its Articles or bylaws of the Corporation, (as amended to date, the "***Bylaws***"), or in any material respect of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, or, to the Corporation's knowledge, of any provision of any U.S., Canadian, state, provincial or local statute, rule or regulation applicable to the Corporation. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, will not result in any such violation or default or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Corporation, or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Corporation, its business or operations or any of its assets or properties, unless such violation, default or conflict would not have a material adverse effect on the Corporation.

(m) Agreements; Action.

(i) Except for agreements explicitly contemplated hereby, by the Related Agreements and agreements entered into the ordinary course of business, there are no agreements, understandings or proposed transactions between the Corporation and any of its officers, directors, consultants, key employees or affiliates or any affiliate thereof.

(ii) Except this Agreement and the Related Agreements and as set out on the Schedule of Exceptions, there are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Corporation is a party or by which it is bound that may involve (A) obligations (contingent or otherwise) of, or payments to the Corporation in excess of, $1,000,000, (B) any license of any patent, copyright, trademark, trade secret or other proprietary right to or from the Corporation (other than (1) the license of the Corporation's software and products in object code form in the ordinary course of business pursuant to standard end-user agreements, the form of which has been provided to special counsel for the Subscriber or (2) the license to the Corporation of standard, generally commercially available, "off-the-shelf" third-party products that are not and will not to any extent be part of, or influence development of, or require payment with respect to, any product, service or intellectual property offering of the Corporation), (C) provisions materially restricting or affecting the development, manufacture or distribution of the Corporation's products or services, or (D) indemnification by the Corporation with respect to infringements of proprietary rights.

(iii) Except as set out on the Schedule of Exceptions, the Corporation has not (A) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital stock, (B) incurred any indebtedness for money borrowed in excess of $1,000,000, (C) made any loans or advances to any person, other than ordinary advances for travel or other business expenses, or (D) sold, exchanged or otherwise disposed of any of its assets or rights, other than in the ordinary course of business.

(iv) For the purposes of subsections (ii) and (iii) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Corporation has reason to believe are affiliated therewith) will be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(v) Except as disclosed in the Schedule of Exceptions, the Corporation has not engaged in the past three (3) months in any discussion (A) with any representative of any corporation or corporations regarding the consolidation, merger or other business combination transaction of the Corporation with or into any such corporation or corporations, (B) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Corporation or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Corporation is disposed of, or (C) regarding any other form of acquisition, liquidation, dissolution or winding up of the Corporation.

(n) Related-Party Transactions. Except as set forth on the Schedule of Exceptions, no employee, officer or director of the Corporation (a "***Related Party***") or member of such Related Party's immediate family, or any corporation, partnership or other entity in which such Related Party is an officer, director or partner, or in which such Related Party has significant ownership interests or otherwise controls (collectively, the "***Additional Related Parties***"), is indebted to the Corporation, nor is the Corporation indebted (or committed to make loans or extend or guarantee credit) to any of them, other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Corporation, and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Corporation (the "***Board of Directors***"),

including the Option Plan). To the Corporation's knowledge, no Related Party or Additional Related Party has any direct or indirect ownership interest in any firm or corporation with which the Corporation is affiliated or with which the Corporation has a business relationship, or any firm or corporation that competes with the Corporation, except that employees, officers or directors of the Corporation and members of such Related Party's immediate family may own stock in publicly traded companies that may compete with the Corporation. To the Corporation's knowledge, no Related Party or Additional Related Party is directly or indirectly interested in any material contract with the Corporation (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Corporation or employment by the Corporation).

(o) Permits. The Corporation has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, or financial condition of the Corporation, as the case may be, and the Corporation believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted. The Corporation is not in default in any material respect under any of such franchises, permits, licenses, or other similar authority.

(p) Corporate Documents. Except for amendments necessary to satisfy the representations, warranties or conditions contained in this Agreement (the form of which amendments has been approved by the Subscriber), the Articles and Bylaws of the Corporation are in the form previously provided to the Subscriber.

(q) Title to Property and Assets. Except (i) for liens for current taxes not yet delinquent, (ii) for liens imposed by law and incurred in the ordinary course of business for obligations not past due to carriers, warehousemen, laborers, materialmen and the like, (iii) for liens in respect of pledges or deposits under workers' compensation laws or similar legislation or (iv) for minor defects in title, none of which, individually or in the aggregate, materially interferes with the use of such property, the Corporation has good and marketable title to its property and assets free and clear of all mortgages, liens, claims, and encumbrances. With respect to the property and assets it leases, the Corporation is in material compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances, subject to clauses (i)-(ii) above.

(r) Financial Information. The Corporation has delivered to the Subscriber its audited consolidated financial statements (balance sheet, income statement and cash flow statement, including notes thereto) as of [•] and for the fiscal year then ended, its audited consolidated financial statements (balance sheet, income statement and cash flow statement, including notes thereto) as of [•] and for the fiscal year then ended, and its unaudited consolidated financial statements (balance sheet, income statement and cash flow statement) as of [•] and for the [•]—month period then ended (collectively, the "***Financial Statements***"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, comprised of the standards and interpretations so described and pronounced by the International Accounting Standards Board as amended from time to time, as adopted by the Canadian Institute of Chartered Accountants ("***IFRS***") applied on a consistent basis throughout the periods indicated, except that the unaudited financial statements do not contain all footnotes required by IFRS. The Financial Statements fairly present the financial condition and operating results of the Corporation on a consolidated basis as of the dates and for the periods indicated therein, subject, in the case of the unaudited financial statements, to normal year-end audit adjustments. Except as set forth in the Financial Statements, the Corporation has no material liabilities or obligations, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to [•] (the "***Financial Statement Date***"), (ii) obligations under contracts and commitments incurred in the ordinary course of business, and (iii) liabilities and obligations of a type or nature not required under IFRS to be reflected in the Financial Statements, which, in all such cases, individually or in the aggregate, are not material to the financial condition or operating results of the Corporation. Except as disclosed in the Financial Statements, the Corporation is not a guarantor or indemnitor of any

indebtedness of any other person or entity. The Corporation maintains and will continue to maintain a standard system of accounting established and administered in accordance with IFRS.

(s) Changes. Since the Financial Statement Date, except as set forth on the Schedule of Exceptions, there has not been:

(i) any material change in the assets, liabilities, financial condition or operating results of the Corporation from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(ii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results, or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted);

(iii) any waiver by the Corporation of a valuable right or of a material debt owed to it;

(iv) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Corporation, except in the ordinary course of business and that is not material to the assets, properties, financial condition, operating results or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted);

(v) any material change or amendment to a material contract or arrangement by which the Corporation or any of its assets or properties is bound or subject;

(vi) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(vii) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(viii) any resignation or termination of employment of any officer or key employee of the Corporation; and the Corporation is not aware of the impending resignation or termination of employment of any such officer or key employee;

(ix) a loss of, or material order cancellation by, any major customer or collaborator of the Corporation nor any notice thereof;

(x) any mortgage, pledge, transfer of a security interest in, or lien created by the Corporation, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the Corporation’s ownership or use of such property or assets;

(xi) any loans or guarantees made by the Corporation to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of business;

(xii) any declaration, set aside, payment or other distribution in respect of any of the Corporation’s capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Corporation;

(xiii) to the Corporation’s knowledge, any other event or condition of any character, other than events affecting the economy or the Corporation’s industry generally, that might materially and adversely affect the assets, properties, financial condition, operating results, or

business of the Corporation (as such business is presently conducted and as it is proposed to be conducted); or

(xiv) any agreement or commitment by the Corporation to do any of the things described in this Section 2(s).

(t) Employee Benefit Plan. The Corporation is not a member of any employer, management, industry or other trade, labour relations or business association under which the Corporation is obligated to contribute to any employee or contractor employee benefit or industry enhancement fund, including any pension plan, health benefit plan or other similar employee entitlement plan, and Corporation does not have any outstanding liability under any Benefit Plan (as defined below) except as disclosed on the Schedule of Exceptions, nor has the Corporation made or authorized any payment to or for the benefit of any officer or employee on account of salary, pay, fringe benefits, commissions or other compensation, pension, bonus, share of profits or any Benefit Plan, except in the ordinary course of business and at rates consistent with previous years. Except as disclosed on the Schedule of Exceptions:

(i) all Benefit Plans of the Corporation are funded in accordance with applicable laws and no past service funding liability exists thereunder;

(ii) no assets (including any surplus) of the Corporation have ever been paid out of a Benefit Plan except to a participant (or beneficiary of the participant) in such Benefit Plan in accordance with its terms and applicable laws;

(iii) all reports, returns and similar documents (including applications for registration and approval of contributions) with respect to any Benefit Plan required to be filed with any governmental agency or distributed to any Benefit Plan participant have been duly filed on a timely basis or distributed;

(iv) to the knowledge of the Corporation, there are no pending investigations by any governmental or regulatory agency or authority involving or relating to any Benefit Plan, no pending or threatened claims (except for claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings relating to any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan which could give rise to a liability nor are there any facts that could give rise to any liability in the event of any such investigation, claim, suit or proceeding;

(v) no notice in writing has been received by the Corporation of any complaints or other proceedings of any kind involving the Corporation or, to the knowledge of the Corporation, any of the employees of the Corporation before any pension board or committee relating to any Benefit Plan or to the Corporation; and

(vi) the consummation of the transactions contemplated by this Agreement will not constitute an event under any Benefit Plan or individual agreement with a present or former employee of the Corporation that will or may result in any severance or other payment or in the acceleration, vesting or increase in benefits with respect to any present or former employee of the Corporation;

"**Benefit Plan**" means any pension, retirement, deferred compensation, profit-sharing, tax-deferred savings plans (including registered retirement savings plans, registered educational savings plans, and tax free saving account plans), savings, disability, medical, dental, health, life, death benefit, stock option, stock purchase, bonus, incentive, vacation entitlement and pay, termination and severance pay or other employee benefit plan, trust, arrangement, contract, agreement, policy or commitment, whether or not any of the foregoing is funded or insured, and whether written or oral, formal or informal, which is

intended to provide or does in fact provide benefits to any or all employees or former employees of the Corporation, and to which the Corporation is a party or by which the Corporation is bound or with respect to which the Corporation has any liability or potential liability, and for greater certainty includes plans or programs in which the Corporation is obligated to participate by statute.

(u) Tax Returns, Payments and Elections.

(i) To the knowledge of the Corporation, with the exception of disclosures on Schedule 2(u) of the Schedule of Exceptions, the Corporation has prepared and filed all Tax Returns required to be filed by it with the appropriate Governmental Authority, within the prescribed period, in accordance with the *Income Tax Act* (Canada) and all other applicable laws ("***Applicable Tax Laws***"). Each such Tax Return is true, correct and complete in all material respects and such Tax Returns disclose all information required to be disclosed in accordance with Applicable Tax Laws. Corporation is not, and has never been, a member of a group of corporations with which it has filed, or been required to file, consolidated, combined, unitary or similar Tax Returns;

(ii) The Corporation has paid all Taxes and instalments of Taxes required to be paid to any Governmental Authority before the Closing Date, within the prescribed period, pursuant to Applicable Tax Laws. No material deficiency with respect to the payment of any Taxes or instalments of Taxes has been asserted against Corporation by any Governmental Authority. Adequate provision has been made, or will be made prior to Closing, in the financial statements of the Corporation, for all Taxes payable by it for all taxable periods ending, or deemed to end, on or immediately prior to the Closing Date, and, where no taxable period ends or is deemed to end on or immediately prior to the Closing Date, for all Taxes in respect of any time prior to the Closing Date;

(iii) Except as set forth on Schedule 2(u) of the Schedule of Exceptions, the Corporation has duly withheld and collected all Taxes required by Applicable Tax Laws to be withheld or collected by it and has duly remitted to the appropriate Governmental Authority all such Taxes, as and when required by Applicable Tax Laws. The amount of any Taxes withheld or collected but not remitted by the Corporation has been retained in its accounts and will be remitted by it to the appropriate Governmental Authority when due;

(iv) Except as set forth on Schedule 2(u) of the Schedule of Exceptions, there are no material Tax-related enforcement actions, suits, proceedings, investigations or claims now, or to the knowledge of the Corporation, threatened, pending against the Corporation which, if proven, could result in a material liability to the Corporation regarding the payment of Taxes nor are any such aforementioned matters under discussion with any Governmental Authority relating to assessments or reassessments asserted by any such Governmental Authority, and all Tax Returns of the Corporation for the taxation periods ending on or before [•] have been assessed by the relevant Governmental Authority;

(v) The Corporation has not requested, entered into or executed any agreement or other arrangements, or any waiver, providing for any extension of time within which:

(A) to file any Tax Return, or any election, designations or similar filing relating to Taxes;

(B) it is required to pay or remit any Taxes or amounts on account of Taxes; or

(C) any Governmental Authority may assess or collect Taxes;

(vi) The Corporation has not entered into any agreement with, or provided any undertaking to, any person pursuant to which it has assumed liability for the payment of Taxes owing by such person.

"**Tax**" or "**Taxes**" means, collectively:

(a) any taxes, tariffs, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence and registration fees and all employment insurance, health insurance and other government pension plan premiums or contributions; and

(b) any liability for the payment of any amounts of the type described in (a) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreement or arrangements with any other Person with respect to such amounts, including any liability for Taxes of a predecessor entity.

"**Tax Return**" means any return, report, election, notice, designation, declaration, information return, or other document filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority in connection with any Tax, including any schedules or amendments thereto.

"**Governmental Authority**" means the Government of Canada or the Government of British Columbia or any other provincial, local or other political subdivision thereof, or any foreign or other jurisdiction in which the Corporation conducts all or any part of its business, or which asserts jurisdiction over any properties of the Corporation, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

(v) Insurance. The Corporation has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its material properties that might be damaged or destroyed. The Corporation has in full force and effect products liability, errors and omissions, general commercial liability, and directors' and officers' liability insurance in amounts customary for companies similarly situated.

(w) Brokers or Finders. The Corporation has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in connection with the transactions contemplated by the Agreement and the Corporation hereby agrees to indemnify and hold harmless the Subscriber from and against all fees, commissions or other payments owing to any such person or firm acting on behalf of the Corporation hereunder.

(x) Minute Books. The minute books of the Corporation provided to the Subscriber contain complete minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since January 1, 2012, and reflect all transactions referred to in such minutes accurately in all material respects.

(y) Labor Agreements and Actions; Employee Compensation. The Corporation is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Corporation's knowledge, has sought to represent any of the employees, representatives or agents of the Corporation. There is no strike or other labor dispute involving the Corporation pending, or to the Corporation's knowledge, threatened, that could have a material adverse effect on the assets, properties, financial condition, operating results, or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted), nor is the Corporation aware of any labor organization activity involving its employees. The Corporation is not aware that any officers or key employees, or that any group of key employees, intend to terminate their employment with the Corporation, nor does the Corporation have a present intention

to terminate the employment of any of the foregoing. The employment of each officer and employee of the Corporation is terminable at the will of the Corporation. The Corporation has complied in all material respects with all applicable Canadian, provincial, state or local equal employment opportunity laws and other laws related to employment. Except as set forth on the Schedule of Exceptions, the Corporation is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement.

(z) Environmental and Safety Laws. Except as could not reasonably be expected to have a material adverse effect, to the knowledge of the Corporation (i) the Corporation is and has been in compliance with all Environmental Laws (as defined below), (ii) there has been no release or threatened release of any pollutant, contaminant or toxic or hazardous material, substance or waste or petroleum or any fraction thereof (each a "***Hazardous Substance***"), on, upon, into or from any site currently or heretofore owned, leased or otherwise used by the Corporation, and (iii) there are no underground storage tanks located on, no polychlorinated biphenyls ("***PCBs***") or PCB-containing equipment used or stored on, and no Hazardous Substance, stored on, any site owned or operated by the Corporation, except for the storage of hazardous waste in compliance with Environmental Laws. The Corporation has made available to the Subscriber true and complete copies of all material environmental records, reports, notifications, certificates of need, permits, pending permit applications, correspondence, engineering studies and environmental studies or assessments. For purposes of this Section 2(z), "***Environmental Laws***" means any law, regulation, or other applicable requirement relating to (iv) releases or threatened releases of Hazardous Substance, (v) pollution or protection of employee health or safety, public health or the environment, or (vi) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

(aa) Bad Actor Provisions. Neither the Corporation or any of its predecessors, nor, to the Corporation's knowledge, any affiliated issuer, any director, executive officer, other officer of the Corporation, any beneficial owner of 20% or more of the Corporation's outstanding voting equity securities, calculated on the basis of voting power or any promoter (as that term is defined in Rule 405 under the Act) connected with the Corporation in any capacity at the time of sale (each, an "***Issuer Covered Person***" and, together, "***Issuer Covered Persons***") is subject to a Disqualification Event. The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

(bb) Indemnification for Breach of Representations and Warranties. The Corporation hereby agrees to hold the Subscriber and its directors, officers, employees, affiliates, controlling persons and agents and their respective officers, directors, employees, counsel, controlling persons and agents, and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any false representation or warranty or any breach or failure by the Corporation to comply with any covenant made by the Corporation in this Agreement (including the Schedule of Exceptions attached hereto).

(cc) Full Disclosure. The Corporation has fully provided the Subscriber with all the information reasonably available to it that the Subscriber has requested for deciding whether to purchase the Shares. To the knowledge of the Corporation, no representation or warranty made by the Corporation in this Agreement, the exhibits and schedules hereto or any financial statement or certificate prepared and furnished or to be prepared and furnished by the Corporation or its representatives pursuant hereto contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were furnished. To the knowledge of the Corporation, there is no event, fact or condition specifically relating to the Corporation or the business in which it is engaged that has had, or that reasonably could be expected to have, a material adverse effect on the Corporation that has not been set forth in this Agreement or on the Schedule of Exceptions.

Closing

3. The purchase and sale of the Shares (the "***Closing***") will take place remotely via the exchange of documents, signatures and consideration on the date hereof, or such other date as is otherwise agreed to by the Corporation and the Subscriber (the "***Closing Date***").

(a) Subject to Section 4 hereof, at the Closing, the Subscriber will deliver to the Corporation: (i) a duly completed and originally executed copy of this Agreement, including all applicable Schedules attached hereto; and (ii) a wire transfer in accordance with the Corporation's instructions, in an amount equal to the Subscription Price.

(b) Subject to Section 5 hereof, at the Closing, the Corporation will deliver to the Subscriber: (i) a duly completed and originally executed copy of this Agreement, including the Schedule of Exceptions; (ii) the certificates and opinion set forth in Sections 4(d), 4(e), 4(f) and 4(h) below; and (iii) in accordance with the Subscriber's delivery instructions, a definitive certificate registered in the name of the Subscriber (or in the other name or names as requested by the Subscriber), representing the Shares.

4. Conditions to the Subscriber's Obligations to Close. The Subscriber's obligation to purchase the Shares at the Closing is subject to the fulfillment on or before the Closing of each of the following conditions, unless waived by the Subscriber:

(a) Representations and Warranties. Except as set forth or modified by the Schedule of Exceptions, the representations and warranties made by the Corporation in Section 2 will be true and correct in all material respects as of the Closing.

(b) Covenants. The Corporation will have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Corporation on or prior to the Closing.

(c) Blue Sky/B.C. Securities Laws. The Corporation will have obtained all necessary U.S. state securities and "blue sky" law and B.C. Securities Laws permits and qualifications, or have the availability of exemptions therefrom, required by any state or province for the offer and sale of the Shares.

(d) Compliance Certificate. The Corporation will have delivered a certificate duly executed by the Chief Executive Officer of the Corporation stating that the conditions in Sections 4(a) and 4(b) have been satisfied.

(e) Secretary's Certificate. The Subscriber will have received from the Corporation's Secretary a certificate having attached thereto (i) the Corporation's Articles, as in effect at the time of the Closing; (ii) the Corporation's Bylaws as in effect at the time of the Closing; and (iii) resolutions approved by the Board of Directors authorizing the transactions contemplated by this Agreement;

(f) Good Standing. The Corporation will have delivered to the Subscriber a certificate status of the Corporation issued by Corporations Canada, dated as of a recent date, with respect to the status and good standing of the Corporation.

(g) Board Approval. The Corporation will have received all requisite approvals from its directors.

(h) Legal Opinion. The Subscriber will have received from legal counsel for the Corporation, an opinion, dated as of the Closing Date, in substantially the form of Exhibit B attached to this Agreement.

(i) Completion of Due Diligence. The Subscriber will have completed, to the Subscriber's satisfaction, a due diligence investigation of the Corporation, including with respect to the business, legal matters and intellectual property of the Corporation.

5. Conditions to the Corporation's Obligations to Close. The Corporation's obligation to sell and issue the Shares at the Closing is subject to the fulfillment on or before the Closing of the following conditions, unless waived by the Corporation:

(a) Representations and Warranties. The representations and warranties made by the Subscriber in Section 1 will be true and correct in all material respects as of the Closing.

(b) Covenants. The Subscriber will have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Subscriber on or prior to the Closing Date.

(c) Compliance with Securities Laws. The Corporation will be satisfied that the offer and sale of the Shares will be qualified or exempt from registration or qualification under all applicable Canadian and U.S. federal, state and provincial securities laws.

6. Further Assurances. Each party hereto will, promptly upon request by the other party, provide such other party with any additional information and execute and deliver to such other party additional undertakings, questionnaires and other documents as such other party may reasonably request in connection with the issue and sale of the Shares. Each party acknowledges and agrees that such undertakings, questionnaires and other documents, when duly executed and delivered, will form part of and will be incorporated into this Agreement with the same effect as if each constituted a representation and warranty or covenant of the delivering party hereunder in favor of the requesting party. Each party consents to the filing of such undertakings, questionnaires and other documents as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated under this Agreement.

7. Disclosure of Personal Information. The Subscriber acknowledges that this Agreement requires the Subscriber to provide certain personal information about the Subscriber to the Corporation. Such information is being collected by the Corporation for the purposes of completing the offering of the Shares, which includes, without limitation, determining the eligibility of the Subscriber to purchase the Shares under applicable securities legislation, preparing and registering certificates representing the Shares to be issued to the Subscriber and completing filings required by applicable securities regulatory authorities. Personal information regarding the Subscriber may be disclosed by the Corporation to: (a) stock exchanges or securities regulatory authorities (including the British Columbia Securities Commission (the "***BCSC***") and, if applicable, the Ontario Securities Commission (the "***OSC***"), as discussed below); (b) any government agency, board or other entity; and (c) any of the other parties involved in the offering of the Shares, including the Corporation and its legal counsel, and may be included in record books in connection with the offering of the Shares. By executing this Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of such personal information.

8. Canadian Securities Matters. The Subscriber acknowledges that it has been notified by the Corporation: (a) of the requirement to deliver to BCSC and, if applicable, to the OSC, the full name, residential address and telephone number of the purchaser of the securities, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the BCSC and, if applicable, the OSC, under the authority granted to it under applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of British Columbia and, if applicable, Ontario; (d) that the BCSC can be contacted at British Columbia Securities Commission, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2, Telephone: (604) 899-6500, Toll free across Canada: 1-800-373-6393, Facsimile: (604) 899-658, and can answer any questions about the BCSC's indirect collection of this information; and (e) that, if applicable, the OSC can be contacted through the Administrative Assistant to the Director of Corporate Finance at Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, or at (416) 593¬3684, and can answer any questions about the OSC's indirect collection of this information.

9. Anti-Money Laundering Provisions. The Subscriber represents and warrants that the Subscription Price, which will be paid by the Subscriber to the Corporation hereunder (a) will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "***PCMLA***"), (b) was not and is not, directly or indirectly, derived from activities that may contravene federal or state regulations,

including those administered by the U.S. Treasury Department's Office of Foreign Asset Control ("***OFAC***"), or (c) will not represent proceeds of crime under any other applicable similar legislation and acknowledges that the Corporation may in the future be required by law to disclose its name and other information relating to this Agreement and the transaction contemplated hereby, on a confidential basis, pursuant to the PCMLA or other applicable legislation. To the knowledge of the Subscriber, none of the Subscription Price to be provided by the Subscriber (i) has been or will be derived from or related to any activity that is deemed criminal under the law of Canada or the United States of America, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber. The Subscriber will promptly notify the Corporation if it discovers that any of such representations ceases to be true and provide the Corporation with appropriate information in connection therewith. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC website at http://www.treas.gov/ofac.

10. Counterparts; Electronic Delivery. This Agreement may be executed in any number of counterparts, each of which will be enforceable against the parties actually executing such counterparts, and all of which together will constitute one instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, www.rightsignature.com) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

General

11. Defined Terms. Terms which are used in this Agreement and not otherwise defined and which are defined in B.C. Securities Laws or the Act will have the meanings defined in the B.C. Securities Laws or the Act unless the context otherwise requires.

12. Gender; Number. This Agreement is to be read with all changes in gender or number required by the context.

13. Headings. The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.

14. References. A reference to an Article or a Section is to an Article or a Section of this Agreement unless otherwise specified. In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder.

15. Expenses. Each party acknowledges and agrees that all costs incurred by such party (including any fees and disbursements of any special counsel retained by such party) relating to the sale of the Shares to the Subscriber will be borne by such party.

16. Governing Law; Venue. This Agreement shall be exclusively construed and governed by the laws in force in British Columbia and the laws of Canada applicable thereto and the courts of British Columbia (and the Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. Each of the parties hereto irrevocably attorns to the jurisdiction of said courts and consents to the commencement of proceedings in such courts.

17. Time of the Essence. Time is of the essence of this Agreement.

18. Successors and Assigns. This Agreement, and any and all rights, duties and obligations hereunder, will not be assigned, transferred, delegated or sublicensed by either party without the prior written consent of the other party. Any attempt by either party without such permission to assign, transfer, delegate or sublicense any rights, duties or obligations that arise under this Agreement will be void. Subject to the foregoing and except as otherwise provided herein, the provisions of this Agreement will inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

19. Entire Agreement. This Agreement (including the Schedules, Exhibits and the Schedule of Exceptions attached hereto) and the Related Agreements represent the entire agreement of the parties hereto relating to the subject

matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

20. Amendment. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

21. Survival. The covenants, representations and warranties contained herein will survive the execution and delivery of this Agreement and the Closing for twenty-four (24) months.

22. Currency. All references to currency herein, other than in Schedule B, are to lawful money of Canada.

23. Organizational Documents. The Subscriber acknowledges and agrees that the Shares are subject to the rights, privileges, restrictions, and conditions outlined in the constating documents of the Corporation, including but not limited to, the requirement that shareholders of the Corporation under certain terms and conditions must sell all of the shares held by such shareholders under a third party offer.

24. Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, will be severed from this Agreement, and such court will replace such illegal, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Agreement will be enforceable in accordance with its terms.

25. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to a party to this Agreement upon any breach or default of the other party under this Agreement will impair any such right, power or remedy of such non-defaulting party, nor will it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor will any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and will be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party to this Agreement, will be cumulative and not alternative.

26. Notices. All notices and other communications given or made pursuant to this Agreement will be in writing and will be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business (1) day after deposit with a nationally recognized overnight courier, specifying next business day delivery, with written verification of receipt. All communications will be sent to the respective parties at their address as set forth below their respective signatures hereto, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 26. If notice is given to the Corporation, a copy (which will not constitute notice) will also be sent to Blake, Cassels & Graydon LLP, 595 Burrard St., Suite 2600, Vancouver, BC, V7X 1L3, Attn: […***…]. If notice is given to the Subscriber, a copy (which will not constitute notice) will also be sent to Wyrick Robbins Yates & Ponton LLP, 4101 Lake Boone Trail, Suite 300, Raleigh, NC 27607, Attn: […***…]. The Subscriber hereby confirms the Shares will be registered in the name of Eli Lilly and Company and for the purposes of post-closing filings with applicable securities commissions in Canada the Subscriber discloses the address of Eli Lilly and Company as 1 Lilly Corporate Ctr., Indianapolis, IN 46285, […***…], Attn: […***…].

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CORPORATION:

ZYMEWORKS, INC.

By: _____
Name: _____
Title: _____

SUBSCRIBER:

ELI LILLY AND COMPANY

By: _____
Name: _____
Title: _____

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: [...***...]
Facsimile: [...***...]

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: [... ***...]
Facsimile: [...***...]

and

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
Attn: [...***...]
Facsimile: [...***...]

Email: [...***...]

SCHEDULE A

ACCREDITED INVESTOR EXEMPTION CERTIFICATE

To be completed and signed by all Subscribers relying on the Accredited Investor Exemption under NI 45–106

The Subscriber represents and warrants to the Corporation that the Subscriber is an "accredited investor" as that term is defined in NI 45-106 by virtue of the fact that the Subscriber satisfies one or more of the categories indicated below.

PLEASE PLACE AN "X" AGAINST THE APPROPRIATE CATEGORY OR CATEGORIES BELOW:

(a) a Canadian financial institution, or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

(d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

(e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);

(f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada;

(g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

(i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;

(j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

(k) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;

(l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000;

(m) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;

(n) an investment fund that distributes or has distributed its securities only to

(i) a person that is or was an accredited investor at the time of the distribution;

(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 *[Minimum amount investment]*, or 2.19 *[Additional investment in investment funds]* of NI 45-106; or

(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 *[Investment fund reinvestment]* of NI 45-106;

(o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;

(p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

(q) a person acting on behalf of a fully managed account managed by that person, if that person

(i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and

(ii) in Ontario, is purchasing a security that is not a security of an investment fund;

(r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

(s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;

(t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;

(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or

(v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor.

Date: _____

Signature of Subscriber

(Print Name of Subscriber)

For the purposes of this Schedule A, the following definitions are included for convenience:

"**bank**" means a bank named in Schedule I or II of the *Bank Act* (Canada);

"**Canadian financial institution**" means

(a) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

"**director**" means (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

"**eligibility adviser**" means

(a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed;

(b) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not;

(c) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons; and

(d) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

"**financial assets**" means

(a) cash;

(b) securities; or

(c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

"**foreign jurisdiction**" means a country other than Canada or a political subdivision of a country other than Canada;

"**fully managed account**" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

"**investment fund**" has the same meanings as in National Instrument 81-106 – Investment Fund Continuous Disclosure;

"**jurisdiction**" means a province or territory of Canada except when used in the term "foreign jurisdiction";

"**person**" includes (a) an individual, (b) a corporation, (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

"**regulator**" means

(a) the Executive Director, as defined under section 1 of the Securities Act (British Columbia); and

(b) such other person as is referred to in Appendix D of National Instrument 14-101 – Definitions;

"**related liabilities**" means

(a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or

(b) liabilities that are secured by financial assets;

"**Schedule III bank**" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

"**securities legislation**" means

(a) for British Columbia, the *Securities Act* (British Columbia) and the regulations, rules and forms under such Act and the blanket rulings and orders issued by the British Columbia Securities Commission; and

(b) for other Canadian jurisdictions, such other statutes and instruments as are listed in Appendix B of National Instrument 14-101 – Definitions;

"**securities regulatory authority**" means

(a) the British Columbia Securities Commission; and

(b) in respect of any local jurisdiction other than British Columbia, means the securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 – Definitions;

"**spouse**" means, an individual who,

(a) is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual; or

(b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or

(c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

"**subsidiary**" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

"**voting security**" means a security of an issuer that:

(a) is not a debt security; and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing;

An issuer is considered to be affiliated with another issuer if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person;

A person is considered to beneficially own securities that are beneficially owned by:

(a) an issuer controlled by that person; or

(b) an affiliate of that person or an affiliate of an issuer controlled by that person;

A person (first person) is considered to control another person (second person) if:

(a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;

(b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or

(c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

All terms used in this Schedule A which are not otherwise defined in this Schedule A have the meanings defined in the Subscription Agreement to which this Schedule A is attached. All other terms which are used in this Schedule A and not otherwise defined and which are defined in the Securities Act (British Columbia), the regulations, rules and policy statements made thereunder, as amended, have the meanings defined in such legislation, regulations, rules and policy statements.

SCHEDULE B

To be completed and signed by all Subscribers

CERTIFICATE

TO: Zymeworks Inc.

The Subscriber represents and warrants to the Corporation that he, she or it comes within the category or categories marked below, and that for any category marked, he, she or it has truthfully set forth, where applicable, the factual basis or reason the Subscriber comes within that category. The Subscriber agrees to furnish any additional information which the Corporation deems necessary in order to verify the answers set forth below. All references to $ in this confidential investor questionnaire are to United States dollars.

Category A _____ The Subscriber is an individual (not a partnership, corporation, etc.) whose individual net worth, or joint net worth together with his or her spouse, presently exceeds USD $1,000,000.

Explanation. In calculating net worth you may include equity in personal property and real estate, excluding your principal residence, but including cash, short-term investments, stock and securities, provided that you deduct any debts you owe. Equity in personal property and real estate should be based on the fair market value of such property less debt secured by such property.

Category B _____ The Subscriber is an individual (not a partnership, corporation, etc.) who had an income in excess of USD $200,000 in each of the two most recent years, or joint income with his or her spouse in excess of USD $300,000 in each of those years (in each case including foreign income, tax exempt income and full amount of capital gains and losses but excluding any income of other family members and any unrealized capital appreciation) and has a reasonable expectation of reaching the same income level in the current year.

Category C _____ The Subscriber is a director or executive officer of the Corporation.

Category D _____ The Subscriber is a bank, as defined in Section 3(a)(2) of the Act; a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; any insurance company as defined in Section 2(a)(13) of the Act; any investment company registered under the *Investment Company Act of 1940* or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company ("**SBIC**") licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958*; any plan established and

maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of USD $5,000,000; any employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of USD $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are Accredited Investors (describe entity below).

_____

_____

_____

Category E _____ The Subscriber is a private business development company as defined in Section 202(a)(22) of the *Investment Advisors Act of 1940*.

Category F __X__ The Subscriber is either a corporation, partnership, Massachusetts or similar business trust, or non-profit organization within the meaning of Section 501(c)(3) of the *Internal Revenue Code*, in each case not formed for the specific purpose of acquiring the Shares and with total assets in excess of USD $5,000,000. (describe entity below)

_____

_____

_____

Category G _____ The Subscriber is a trust with total assets in excess of USD $5,000,000, not formed for the specific purpose of acquiring the Shares, where the purchase is directed by a "**sophisticated person**" as described in Rule 506(b)(2)(ii) under the Act.

Category H _____ The Subscriber is an entity in which all of the equity owners are "**accredited investors**" within one or more of the above categories. If relying upon this Category alone, each equity owner must complete a separate copy of this Schedule B. (describe entity below)

_____

_____

_____

The Subscriber agrees that the Subscriber will notify the Corporation at any time on or prior to the Closing Date in the event that the

representations and warranties in this Agreement will cease to be true, accurate and complete. The above representations and warranties of the Subscriber will be true and correct both as of the execution of this certificate and as of the closing time of the purchase and sale of the Shares and will survive the completion of the issue of the Shares.

IN WITNESS WHEREOF, the Subscriber has executed this confidential investor questionnaire as of the ____ day of _____, _____.

If a Corporation, Partnership or Other Entity:

_____
Name of Entity

_____
Type of Entity

_____
Signature of Person Signing

_____
Printed or Typed Name and Title of Person Signing

If an Individual:

_____
Signature

_____
Printed or Typed Name

_____
Social Security or Taxpayer I.D. Number

EXHIBIT 9.2
PRESS RELEASE

illy, Zymeworks Announce Expansion of Strategic Licensing and Collaboration Agreement

Broad Bi-Specific Antibody Collaboration Now Includes Targets that Could Lead to New Cancer Immunotherapies

Indianapolis, IN and Vancouver, BC, Canada (October 22, 2014) – Zymeworks Inc. and Eli Lilly and Company (NYSE: LLY) today announced the expansion of their existing licensing and collaboration agreement.

Originally announced in January 2014, the global strategic collaboration is focused on the development of an undisclosed number of novel bi-specific antibody therapeutics using Zymeworks' proprietary Azymetric™ platform.

Today, Lilly is opting to expand the collaboration by up to potentially US $375 million in milestones and other payments, plus tiered sales royalties based on country-by-country intellectual property, and sales to include development of several immuno-modulatory bi-specific antibodies against multiple targets. Zymeworks will receive an initial up-front payment in the form of an equity investment, which will strengthen the strategic relationship between the two companies. The majority of financial terms consist of potential milestone payments contingent on the achievement of certain development and commercial milestone events predominantly focused on the United States, Japan and global sales. Further financial terms were not disclosed.

Bi-specific antibodies have the potential to provide improved outcomes for patients by simultaneously targeting two proteins resulting in additive or synergistic responses.

"We are pleased to expand our collaboration with Zymeworks to develop potential immunotherapies for those fighting cancer around the world. There are many targets involved in the controlled activation and redirection of the immune system and we know that immunotherapies will not be a one-size-fits-all treatment," said Sue Mahony, senior vice president and president, Lilly Oncology. "In addition to immunotherapy programs, Lilly has a robust oncology pipeline that includes both small molecules and monoclonal antibodies, which are being studied to treat a wide range of cancers."

"Lilly is a global pharmaceutical company and we are delighted to expand our collaboration to develop novel bi-specific immunotherapies. This expansion of our strategic collaboration speaks to the robustness of our Azymetric™ platform for the development of innovative biologics," said Ali Tehrani, president and CEO of Zymeworks. "Lilly's investment in Zymeworks also highlights the strength and promise of our oncology-focused pipeline candidates in helping patients with significant unmet medical needs."

This collaboration with Zymeworks adds to Lilly's bi-specific antibody and immunotherapy research portfolio. In July 2014, Lilly also announced an agreement to co-discover and co-develop novel cancer therapies with Immunocore.

About Eli Lilly and Company

Lilly is a global healthcare leader that unites caring with discovery to make life better for people around the world. We were founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today we remain true to that mission in all our work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteerism. To learn more about Lilly, please visit us at www.lilly.com and http://newsroom.lilly.com/social-channels.

About Zymeworks Inc.

Zymeworks is a privately held biotherapeutics company that is developing best-in-class Azymetric™ bi-specific antibodies and antibody drug conjugates for the treatment of oncology, autoimmunity and inflammatory diseases. The company's novel Azymetric™ and AlbuCORE™ platforms, and its proprietary ZymeCAD™ structure-guided protein engineering technology, enable the development of highly potent bi-specific antibodies and multivalent protein therapeutics targeted across a range of indications. Zymeworks is focused on accelerating its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

About the Azymetric™ Platform

Bi-specific antibodies developed using the Azymetric™ platform resemble conventional mono-specific antibodies while incorporating two different Fab domains to bind to different antigens or drug targets. Azymetric™ antibodies spontaneously assemble into a single molecule comprising two unique heavy and light chain pairs and are manufactured using conventional monoclonal antibody processes. The Azymetric™ platform can be used to rapidly screen target and sequence combinations for bi-specific activities in the final therapeutic format, significantly shortening drug development timelines.

Contacts:

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Communications Manager

Eli Lilly and Company

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Director, External R&D and Alliances

Zymeworks Inc.

T: +1 604 678 1388

E: info@zymeworks.com

This press release contains forward-looking statements about the research collaboration between Zymeworks and Lilly and reflects Lilly's current beliefs. However, there are substantial risks and uncertainties in the process of drug research, development, and commercialization. There is no guarantee that the research collaboration will yield successful results or that either company will achieve the anticipated benefits. For further discussion of these and other risks and uncertainties, see Lilly's filings with the United States Securities and Exchange Commission. Lilly undertakes no duty to update forward-looking statements.

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

FIRST AMENDMENT TO LICENSING AND COLLABORATION AGREEMENT

This First Amendment (the "**Amendment**") to that certain Licensing and Collaboration Agreement, dated October 22, 2014, (the "**Agreement**") by and between **ELI LILLY AND COMPANY**, a corporation organized and existing under the laws of Indiana, with its principal business office located at Lilly Corporate Center, Indianapolis, Indiana 46285 ("**Lilly**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"), is made effective as of of June 4, 2015 (the "**Amendment Effective Date**"). Zymeworks and Lilly are each referred to individually as a "**Party**" and together as the "**Parties**."

BACKGROUND

A. Lilly and Zymeworks entered into the Agreement, pursuant to which the Parties are conducting the Research Program and Zymeworks granted certain licenses to Lilly under the Zymeworks Intellectual Property.

B. Lilly and Zymeworks now desire to amend the Agreement to reflect the Parties' agreement with respect to the first Lilly Target Pair, all as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows:

AGREEMENT

1. **Definitions**. Unless otherwise defined in this Amendment, initially capitalized terms used herein shall have the meanings given to them in the Agreement.

2. **Section 1.5. Antibody**. Section 1.5 of the Agreement is hereby amended by adding the following sentence at the end:

   "Notwithstanding anything herein to the contrary, Antibodies Directed To the [...***...] Target Pair (as defined below) shall comprise solely those antibodies derived and generated from the [...***...] Sequence Pairs (as defined below) through the application of the Zymeworks Platform pursuant to the Research Program, and Lilly shall not be granted any rights or licenses hereunder with respect to any other antibodies Directed To the [...***...] Target Pair."

3. **Section 2.1.2. Licenses to Lilly For Products**. The first sentence of Section 2.1.2 of the Agreement is hereby deleted in its entirety and replaced with this following:

"With respect to each Lilly Target Pair other than the [...***...] Target Pair, Zymeworks hereby grants to Lilly an exclusive license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) to (a) make, use and import Antibodies Directed To such Lilly Target Pair for incorporation into Products and (b) make, use, offer to sell, sell, and import Products that incorporate such Antibodies in the Field in the Territory as of the Effective Date and during the Term of the Agreement (the "**General Target Pair License**"). With respect to the [...***...] Target Pair, Zymeworks hereby grants to Lilly an exclusive license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) to (a) make, use and import Antibodies derived and generated from the [...***...] Sequence Pairs through the application of the Zymeworks Platform pursuant to the Research Program that are Directed To such Lilly Target Pair for incorporation into Products and (b) make, use, offer to sell, sell, and import Products that incorporate such Antibodies in the Field in the Territory as of the Effective Date and during the Term of the Agreement (the "[...***...] **License**" and, together with the General Target Pair License, the "**License**").

4. **Section 3.1.2(a). Target Pair Gatekeeping**. Section 3.1.2(a) of the Agreement is hereby amended by adding the following after the existing sentence:

"As of the Amendment Effective Date, the Target Pair comprising […***…] and […***…] (the "[...***...] **Target Pair**") shall be a Lilly Target Pair. For purposes of the foregoing, "[…***…]" means […***…]."

5. **Section 3.1.2(d). Replacement Target Pairs**. Section 3.1.2(d) is hereby amended by adding the following at the end:

"Notwithstanding the foregoing, Lilly shall not have the right to propose a replacement Target Pair for […***…], despite its being an Unavailable Target, and the Selection Period for the Initial Target Pair shall not be extended, in each case pursuant to this Section 3.1.2(d)."

6. **Section 3.1.5(b). Sequences**. The language that comprises Section 3.1.5 prior to the Amendment Effective Date is hereby renumbered to be Section 3.1.5(a) and a new Section 3.1.5(b) is hereby added as follows:

"(b) Sequence Pair Gatekeeping. Subject to this **Section 3.1.5(b)**, Lilly shall have the right, during the Research Program Term for the [...***...] Target Pair, to designate Lilly Sequence pairs Directed To the [...***...] Target Pair that would be subject to the [...***...] License by providing Zymeworks written notice of such Lilly Sequence pair (each, a "**Sequence Pair Selection Notice**"). Each pair of Lilly Sequences that is the subject of a Sequence Pair Selection Notice shall be subject to gatekeeping pursuant to this **Section 3.1.5(b)**, and if a designated Lilly Sequence pair is not an Unavailable Sequence Pair in

accordance with such gatekeeping, it shall become a "[...***...] **Sequence Pair**." Subject to Section 3.1.2.(c), a Lilly Sequence pair Directed To the [...***...] Target Pair that is designated by Lilly in accordance with this Section 3.1.5(b) shall only be an "**Unavailable Sequence Pair**" if at the time that Lilly provides the respective Sequence Pair Selection Notice:

(i) Zymeworks is subject to any of the following circumstances with respect to such Lilly Sequence pair or products or product candidates that contain Antibodies that are derived and generated from such Lilly Sequence pair through the application of the Zymeworks Platform (each such product or product candidate, a "[...***...] Sequence Pair Product"):

(1) Zymeworks is either […***…]: (1) such […***…]; or (2) [...***...]; or

(2) Zymeworks is […***…] and that (a) Zymeworks or an Affiliate of Zymeworks […***…] or (b) […***…].

Zymeworks shall notify Lilly of such circumstances (a "**Sequence Pair Unavailable Notice**") as soon as practicable, and in any event within […***…] of the date of the respective Selection Pair Selection Notice. In the event that Zymeworks, with respect to any designated Lilly Sequence pair, fails to notify Lilly of such circumstances within such […***…] period, such Lilly Sequence pair shall automatically be deemed a Lilly [...***...] Sequence Pair.

Notwithstanding the foregoing, during the Selection Period, any Lilly Sequence pair Directed To the [...***...] Target Pair that is the subject of a Sequence Pair Selection Notice shall be subject to the gatekeeping provisions set forth in this Section 3.1.5(b) solely with respect to the Lilly Sequence(s) included therein that is Directed To […***…]. During the Selection Period, the Lilly Sequence(s) included in a Lilly Sequence pair Directed To […***…] shall not be subject to the gatekeeping provisions of this Section 3.1.5(b)."

7. **Section 3.5.2. Collaboration Exclusivity**. Section 3.5.2 of the Agreement is hereby amended by adding the following sentence at the end:

"Notwithstanding anything in this Section 3.5.2, the exclusivities and restrictions on Zymeworks' activities set forth in this Section 3.5.2 shall not apply with respect to the [...***...] Target Pair to the extent such activities are conducted with and for the benefit of Third Parties (as opposed to Zymeworks carrying out such activities independently), but, for the avoidance of doubt, shall apply to: (i) antibodies derived and generated from the Lilly [...***...] Sequences Pairs and Products incorporating such antibodies; and (ii) activities carried out by Zymeworks independently (as opposed to Zymeworks carrying out such activity with or for the benefit of a Third Party via a collaboration, license or other similar type of arrangement pursuant to which such Third Party would have the right to commercialize the resulting antibodies or products). For purposes of clarity, the provisions in this Section 3.5.2 are only intended to apply to the

obligations under Section 3.5.2 and therefore, shall not have any effect on any other obligations or rights under this Agreement including, without limitation, the obligations of Zymeworks as set forth under Section 3.5.1 of this Agreement and license rights granted to Lilly under Section 2.1 of the Agreement."

8. **Section 5.7. Financial Terms Adjustments**. Section 5 of the Agreement is hereby amended by adding the following new Section 5.7 immediately after Section 5.6:

"**5.7** [...***...] **Target Pair Adjustments**. In the event that Lilly commercially launches a Product Directed To a [...***...] Target Pair (the "[...***...] **Target Pair Product")** and a Zymeworks Competing Product has commercially launched anywhere in the Territory, then the payment obligations of Lilly under Section 5.6 (Royalties) of Lilly for solely [...***...] Target Pair Products shall be reduced by […***…] percent ([…***…]%) and such reduction shall be applied prospectively for any payment obligation not yet paid and for any royalty payment obligations that were previously paid, the […***…] percent ([…***…]%) reduction for such previously paid amounts shall be applied as an offset against any future royalties that may be owed by Lilly under this Agreement. For purposes of this Section 5.7 the term "**Zymeworks Competing Product**" means any pharmaceutical product that contains a Multi-Specific Antibody Directed To the [...***...] Target Pair, which product is not licensed to Lilly hereunder and which Multi-Specific Antibody Zymeworks (and or its Affiliates) generated and/or developed, either in collaboration with a Third Party or for the benefit of a Third Party via a collaboration, license or similar type of arrangement pursuant to which such Third Party would have the right to commercialize such product.

9. **Section 11.1.2. Termination of Agreement**. Section 11.1.2 of the Agreement is hereby amended by adding the following sentences at the end:

"Notwithstanding the foregoing, insofar as it applies to the [...***...] Target Pair, the license set forth in clause (ii)(a) above shall be non-exclusive and shall apply solely with respect to antibodies derived and generated from the Lilly [...***...] Sequences Pairs and Products incorporating such antibodies."

10. **No Other Modifications**. Except as specifically set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect. No waiver of the performance of any obligation under this Amendment shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Amendment may be amended or modified other than by a written document signed by authorized representatives of each Party.

THIS AMENDMENT AND THE AGREEMENT AS AMENDED BY THIS AMENDMENT SET FORTH THE ENTIRE AGREEMENT AND UNDERSTANDING OF LILLY AND ZYMEWORKS WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND SUPERCEDES ALL PRIOR DISCUSSIONS, AGREEMENTS AND WRITINGS IN RELATION THERETO.

11. **Miscellaneous**. This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without reference to any rules of conflict of laws.

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Amendment to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer
Date: June 4, 2015

ELI LILLY AND COMPANY

By: /s/ Andrew Dahlem
Name: Andrew M. Dahlem D.VM Ph.D.
Title: Vice President, LRL Operations, LRL Europe
Date: June 8, 2015

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

SECOND AMENDMENT TO LICENSING AND COLLABORATION AGREEMENT

This Second Amendment (the "**Amendment**") to that certain Licensing and Collaboration Agreement, dated October 22, 2014, as amended, (the "**Agreement**") by and between **ELI LILLY AND COMPANY**, a corporation organized and existing under the laws of Indiana, with its principal business office located at Lilly Corporate Center, Indianapolis, Indiana 46285 ("**Lilly**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"), is made effective as of January 24, 2017 (the "**Amendment Effective Date**"). Zymeworks and Lilly are each referred to individually as a "**Party**" and together as the "**Parties**."

BACKGROUND

A. Lilly and Zymeworks entered into the Agreement, pursuant to which the Parties are conducting the Research Program and Zymeworks granted certain licenses to Lilly under the Zymeworks Intellectual Property.

B. Lilly and Zymeworks now desire to amend the Agreement to reflect the Parties' agreement with respect to the Minimum Working Capital Amount, all as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows:

AGREEMENT

1. **Definitions**. Unless otherwise defined in this Amendment, initially capitalized terms used herein shall have the meanings given to them in the Agreement.

2. **Section 5.1(c). Effect of Qualified IPO**. A new Section 5.1(c) is hereby added to the Agreement as follows:

"**Effect of Qualified IPO**. Notwithstanding anything herein to the contrary, if Zymeworks completes a Qualified IPO, Section 5.1(b) of this Agreement shall be of no further force and effect. For purposes of the foregoing, a "**Qualified IPO**" means an initial public offering of

Common Shares on a Qualifying Exchange resulting in at least U.S.$[…***…] of gross proceeds to Zymeworks."

3. **No Other Modifications**. Except as specifically set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect. No waiver of the performance of any obligation under this Amendment shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Amendment may be amended or modified other than by a written document signed by authorized representatives of each Party.

THIS AMENDMENT AND THE AGREEMENT AS AMENDED BY THIS AMENDMENT SET FORTH THE ENTIRE AGREEMENT AND UNDERSTANDING OF LILLY AND ZYMEWORKS WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND SUPERCEDES ALL PRIOR DISCUSSIONS, AGREEMENTS AND WRITINGS IN RELATION THERETO.

4. **Miscellaneous**. This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without reference to any rules of conflict of laws.

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Amendment to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer
Date: Jan. 24, 2017

ELI LILLY AND COMPANY

By: /s/ Darren J. Carroll
Name: Darren J. Carroll
Title: Sr. Vice President, Corporate Business Development
Date: Jan. 25, 2017

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

COLLABORATION AGREEMENT

Between

ZYMEWORKS INC.

and

CELGENE CORPORATION & CELGENE ALPINE INVESTMENT CO. LLC

December 23, 2014

Confidential

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COLLABORATION AGREEMENT

THIS COLLABORATION AGREEMENT (the "**Agreement**"), effective as of December 23, 2014 (the "**Effective Date**"), by and between **CELGENE CORPORATION**, a corporation organized and existing under the laws of Delaware, with its principal business office located at 86 Morris Avenue, Summit, NJ 07901, USA ("**Celgene Corp.**"), **CELGENE ALPINE INVESTMENT CO. LLC** ("**Celgene Alpine**" and, together with Celgene Corp., "**Celgene**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extra provincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and Celgene are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

A. Zymeworks controls a proprietary Fc/Fab heterodimerization platform that was developed using Zymeworks' proprietary molecular simulation software, known as ZymeCAD™.

B. Celgene and Zymeworks desire to enter into this agreement under which Zymeworks will utilize such platform to generate and develop certain bi-specific Antibodies (as defined below) based on binding sequences nominated by the Parties.

C. Celgene desires to obtain certain licenses and options under certain intellectual property controlled by Zymeworks to use Zymeworks' platform to help develop and commercialize certain products incorporating such Antibodies, and Zymeworks is willing to grant such rights, all on the terms and conditions as set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Accounting Standards**" means (a) GAAP (United States Generally Accepted Accounting Principles); or (b) to the extent that a Person adopts International Financial Reporting Standards (IFRS), then "Accounting Standards" means International Financial Reporting Standards (IFRS) with respect to that Person, in either case consistently applied.

1.2 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires a Party, or to which a Party transfers all or substantially all of its assets to which this Agreement pertains.

1.3 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time.

1.4 "**Affiliate**" means with respect to either Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.4 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.5 "**Annual Net Sales**" means, with respect to a particular Product and Calendar Year, all Net Sales of such Product throughout the Territory during such Calendar Year.

1.6 "**Antibody**" means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the Collaboration Sequence Pairs through the application of the Zymeworks Platform pursuant to the Research Program.

1.7 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.8 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York, USA are authorized or required by Applicable Law to remain closed.

1.9 "**CAD**" means Canadian dollars.

1.10 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.11 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.12 "[…***…]" means […***…].

1.13 "**Celgene Intellectual Property**" means the Celgene Patent Rights and the Celgene Know-How.

1.14 "**Celgene Know-How**" means all Know-How, which: (a) is Controlled by Celgene as of the Effective Date and during the Term of the Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to Celgene in: (i) carrying out the activities assigned to it under the Research Program (ii) researching, developing, manufacturing or commercializing Collaboration Sequence Pairs or (iii) researching, developing, manufacturing or commercializing Products (including researching, developing and manufacturing of any Antibody for inclusion in such Products).

1.15 "**Celgene Patent Rights**" means, Subject to Section 7.1, any and all Patent Rights that are Controlled by Celgene or its Affiliates (including Patent Rights Controlled by Celgene claiming Inventions made by Celgene (alone or with its Affiliate or a Third Party)) as of the Effective Date and during the Term of the Agreement, including any such Patent Rights claiming Collaboration Sequence Pairs, Inventions related solely to the Collaboration Sequence Pairs or Antibod(ies) generated from and incorporating such Collaboration Sequence Pairs. For clarity, Celgene Patent Rights shall not include Joint Patent Rights.

1.16 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.17 "**Collaborator**" means a Third Party with whom Celgene has a written agreement pursuant to which Celgene works with such Third Party on collaborative scientific activities related to any antibody or antibody analogue.

1.18 "**Combination Product**" means any Product that comprises an Antibody sold in conjunction with another active pharmaceutical ingredient (whether packaged together or in the same therapeutic formulation or otherwise).

1.19 "**Confidential Information**" means all Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has provided or otherwise made available to the other Party whether made available orally, in writing, or in electronic form, including such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Exhibits and amendments constitute Confidential Information of both of the Parties.

1.20 "**Control**" or "**Controlled**" means, with respect to any material, Know-How, or intellectual property right (including Patent Rights), that a Party (a) owns or (b) has a license to such material, Know-How, or intellectual property right and, in each case, has the power to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, Know-How or intellectual property right owned or licensed by any Acquiring Entity immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity, and (ii) any materials, Know-How or intellectual property right that any Acquiring Entity subsequently develops without accessing or practicing the Zymeworks Platform or any Zymeworks Intellectual Property.

1.21 "**Cover**" or "**Covered**" means, with respect to a Product in a particular country, that the manufacture, use, sale or importation of such Product in such country would, but for the licenses granted herein, infringe a Valid Claim.

1.22 "**Directed To**" means, with regard to an antibody or product, that such antibody or product (a) binds directly to a Target, and (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such binding or modifies the profile (e.g., pharmacokinetics, tissue penetration and distribution) of the antibody as a result of such binding, as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such antibody or product. When required grammatically, the defined term "Directed To" may be separated and shall have the same meaning set forth above; e.g., when discussing Targets To which an antibody is Directed.

1.23 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.24 "**Field**" means any and all uses, including diagnostic, prophylactic, and therapeutic uses, in humans.

1.25 "**First Commercial Sale**" means, with respect to a Product in any country in the Territory, the first sale, transfer or disposition for value or for end use or consumption of such Product in such country after Marketing Authorization has been received in such country.

1.26 "[…***…]" means Celgene's […***…] with respect to the Zymeworks Platform for all Sequence Pairs that are […***…] to any given Collaboration Sequence Pair, as further described in Section 3.4. For clarity, […***…] will be examined only with respect to the […***…] of the […***…], and only those […***…] that are […***…] to both […***…] examined individually shall be […***…] to Celgene.

1.27 "**Invention**" means any Know-How, composition of matter, article of manufacture or other subject matter, whether patentable or not, that is conceived or reduced to practice under and as a result of any work performed under the Agreement, including any work performed pursuant to the Research Program.

1.28 "**Joint Invention**" means any Invention conceived or reduced to practice jointly by one or more employees of Celgene or its Affiliate or a Third Party acting under authority of Celgene or its Affiliate, on the one hand, and one or more employees of Zymeworks or its Affiliate or a Third Party acting under authority of Zymeworks or its Affiliate, on the other hand.

1.29 "**Joint Know-How**" means all Know-How comprising a Joint Invention.

1.30 "**Joint Patent Rights**" means all Patent Rights claiming a Joint Invention.

1.31 "**Know-How**" means all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their

manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights and materials.

1.32 "**Major Market**" means the […***…], in which Marketing Authorization for the applicable Product is obtained) and […***…].

1.33 "**Marketing Authorization**" means all approvals from the relevant Regulatory Authority necessary to initiate marketing and selling a product (including a Product) in any country. For clarity, Marketing Authorization shall include pricing or reimbursement approval in countries outside of the United States where Celgene Corp. or Celgene Alpine determines in its sole discretion that such pricing or reimbursement approval is desirable prior to initiating and selling a product (including a Product) in such countries.

1.34 "**Multi-Specific Antibody**" means an antibody or an antibody analogue, generated through the application of the Zymeworks Platform, that contains independent binding sites Directed to […***…].

1.35 "**Net Sales**" means the sum of, without any duplication: the gross amounts invoiced for the Products sold by Celgene, its Affiliates or its licensees to Third Parties (other than Celgene, its Affiliates or its licensees), including wholesale distributors, less deductions from such amounts calculated in accordance with Accounting Standards so as to arrive at "net sales" under Accounting Standards as reported by Celgene, its Affiliate or its licensee, as applicable, in such Person's financial statements, and further reduced by […***…]. Any and all set-offs against gross invoice prices and write-offs shall be calculated in accordance with Accounting Standards. Sales or other commercial dispositions of a Product between Celgene and its Affiliates and its licensees shall be excluded from the computation of Net Sales; Product provided to Third Parties […***…], in connectifon with […***…] shall be excluded from the computation of Net Sales; and no payments will be payable on such sales or such other commercial dispositions, except where such an Affiliate or licensee is an end user of the Product.

Notwithstanding the foregoing, if a Product is sold or otherwise commercially disposed of for consideration other than cash or in a transaction that is not at arm's length between the buyer and the seller, then the gross amount to be included in the calculation of Net Sales shall be the amount that would have been invoiced had the transaction been conducted at arm's length and for cash. Such amount that would have been invoiced shall be determined, wherever possible, by reference to the average selling price of such Product in arm's length transactions in the relevant country.

Notwithstanding the foregoing, in the event a Product is sold as a Combination Product in a particular country, Net Sales shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A/(A+B), where A is the gross invoice price of the Antibody(ies) if sold as a stand-alone Product in a country and B is the gross invoice price of the other active pharmaceutical ingredient(s) included in the Combination Product if sold as a stand-alone product in such country. If no such separate sales are made by Celgene, its Affiliates or licensees in a country, Net Sales of the Combination Product shall be calculated in a manner

determined by Celgene in good faith based upon the relative value of the active pharmaceutical ingredients of such Combination Product.

1.36 "**New Indication**" means a new application for a label expansion indicating the applicable drug for a new initial, expanded or additional patient populations, or newly indicating the drug for use in combination with another treatment or drug, in each case that requires a Pivotal Clinical Trial for Marketing Authorization for such new label or label expansion. Different lines of treatment of an indication will not be considered a separate New Indication; the treatment and prevention of separate varieties of an indication or precursor condition will not be a separate New Indication; and the treatment or prevention of an indication in a different population will not be a separate New Indication (e.g., adult and pediatric).

1.37 "**Option Term**" means, with respect to each Collaboration Sequence Pair, the period commencing on the initiation of the Research Program and expiring on the earlier of: (a) the date that is […***…] after the expiration of the Research Program Term, or (b) the date that is […***…].

1.38 "**Patent Rights**" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including pediatric exclusivity patent extensions), term restorations, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.39 "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.40 "**Phase I Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or that is otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.41 "**Phase II Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is to explore a variety of doses, dose response, and duration of effect, and to generate evidence of clinical safety and effectiveness for a particular indication or indications in a target patient population, or that is otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.42 "**Phase III Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is intended to (a) establish that the product is safe and efficacious for its intended use, (b) define contraindications, warnings, precautions and adverse reactions that are associated with the product in the dosage range to be prescribed, and (c) support Marketing Authorization for such product, or that is otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.43 "**Pivotal Clinical Trial**" means a human clinical trial of a product on a sufficient number of subjects that, prior to commencement of the trial, satisfies both of the following ((a) and (b)): (a) such trial is designed to establish that such product has an acceptable safety and efficacy profile for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such product in the dosage range to be prescribed, which trial is intended to support Marketing Authorization of such product, or a similar clinical study prescribed by a Regulatory Authority; and (b) such trial is a registration trial sufficient for filing an application for a Marketing Authorization for such product in the U.S. or another country or some or all of an extra-national territory, as evidenced by (i) an agreement with or statement from the FDA on a Special Protocol Assessment, or (ii) other guidance or minutes issued by a Regulatory Authority, for such registration trial.

1.44 "**Product**" means a pharmaceutical preparation containing one or more Antibody(ies). For clarity, a Product includes any formulation, delivery device, dispensing device or packaging required for effective use of the Product.

1.45 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and pricing approvals for such sale.

1.46 "**Related Party**" means each Party, its Affiliates, and their respective licensees or sublicensees hereunder (which term excludes any Third Parties to the extent functioning as distributors), as applicable. In no event shall Zymeworks be a Related Party with respect to Celgene or Celgene be a Related Party with respect to Zymeworks.

1.47 "**Research Program Patent Rights**" means any and all Patent Rights claiming an Invention that are Controlled by either Party or their respective Affiliates.

1.48 "**Secondary Market**" means […***…].

1.49 "**Sequence**" means an antibody nucleic acid or amino acid sequence corresponding only to the […***…]that is Directed To […***…].

1.50 "**Sequence Pair**" means a pair of Sequences, each of which is Directed To a […***…].

1.51 "**Target**" means any clinically relevant […***…] (or portion thereof).

1.52 "**Target Pair**" means any two Targets in combination.

1.53 "**Territory**" means the world.

1.54 "**Third Party**" means any Person other than Celgene or Zymeworks or an Affiliate of Celgene or Zymeworks.

1.55 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.56 "**USD**" and "**$**" mean United States dollars.

1.57 "**Valid Patent Claim**" means any claim of (a) an issued and unexpired patent or (b) a pending patent application, in each case included within the Zymeworks Patent Rights or the Research Program Patent Rights, which (i) has not been abandoned, revoked, lapsed or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction with no further possibility of appeal, (ii) has not been pending for […***…] (or […***…] with respect to patent applications filed in […***…], […***…] and […***…]) from the date of filing of the earliest priority patent application to which such pending patent application is entitled to claim benefit, or (iii) has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise.

1.58 "**Zymeworks Intellectual Property**" means the Zymeworks Patent Rights and the Zymeworks Know-How.

1.59 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date and during the Term of the Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to Celgene in: (i) carrying out the activities assigned to it under the Research Program or (ii) developing, manufacturing or commercializing Products (including developing and manufacturing of any Antibody for inclusion in such Products).

1.60 "**Zymeworks Patent Rights**" means, subject to Section 7.1, any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including Patent Rights Controlled by Zymeworks claiming Zymeworks Inventions) as of the Effective Date and during the Term of the Agreement, which are (a) necessary or reasonably useful for the use or exploitation of the Zymeworks Platform for carrying out the Research Program or (b) claim the manufacture, use, sale or importation of any Antibody.

1.61 "**Zymeworks Platform**" means Zymeworks' proprietary […***…] mutations which enable the efficient formation of […***…]. This platform was developed using the Company's proprietary molecular simulation software suite, known as ZymeCAD™.

1.62 **Additional Definitions**. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/Exhibit
Accounting Firm	6.4.3(a)
Agreement	Preamble
Agreement Payments	6.3
Celgene	Preamble
Celgene Indemnified Party	13.1
Claims	13.1
Code	11.4

Definition	Section/Exhibit
Collaboration Sequence Pair	3.4
Commercialization Milestone Event	5.5
Commercialization Milestone Payment	5.5
Confidentiality Agreement	14.13
Controlling Party	7.3.5
Designation Notice	3.4
Development Candidate	3.3
Development Milestone Event	5.4
Development Milestone Payment	5.4
Development Period	3.3.1
Dispute	14.5.1
Effective Date	Preamble
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Indemnifying Party	13.3.1
Competing Infringement	7.3.1
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Research Program Term	3.1.2
Royalty	5.6.1
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Subscription Agreement	5.2
Taxes	6.3
Term	10.1.1
Upfront License Fee	5.3
Workplan	3.1.3
Zymeworks	Preamble
Zymeworks Indemnified Party	13.2

1.63 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “day” or “year” means a calendar day or year unless otherwise specified; (c) the

word “notice” shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words “shall” and “will” have interchangeable meanings for purposes of this Agreement; (f) the word “or” shall have the inclusive meaning commonly associated with “and/or”; (g) provisions that require that a Party, the Parties or a committee hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (h) words of any gender include the other gender; (i) words using the singular or plural number also include the plural or singular number, respectively; (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; (k) neither Party or its Affiliates shall be deemed to be acting “under authority of” the other Party.

2. GRANT OF LICENSES

2.1 Licenses and Rights to Celgene. Subject to the terms and conditions of this Agreement,

2.1.1 Conduct of the Research Program. During the Research Program Term until the expiration of the Option Term with respect to each Collaboration Sequence Pair, Zymeworks hereby grants to Celgene an exclusive, even as to Zymeworks, research and development license, including the right to authorize its Affiliates and its Collaborators, to use the Zymeworks Intellectual Property with respect to Collaboration Sequence Pairs, solely (a) for Celgene, its Affiliates and Collaborators to perform those activities assigned to Celgene under the Research Program and (b) to otherwise research and develop the Antibodies generated from and incorporating such Collaboration Sequence Pair; provided that Celgene shall (i) notify Zymeworks prior to any Affiliate or Collaborator first being so authorized, which notice shall identify the particular Affiliate or Collaborator and include a brief description of the general activities to be performed thereby and (ii) be and remain responsible to Zymeworks for the compliance of each such Affiliate and Collaborator with the applicable terms and conditions hereunder. For clarity, the foregoing license does not include the right to sell or otherwise commercialize Antibodies or Products.

2.1.2 Option. Zymeworks hereby grants to Celgene an option (the “**Option**”), on a Collaboration Sequence Pair-by-Collaboration Sequence Pair basis for up to eight (8) Collaboration Sequence Pairs, to obtain an exclusive, even as to Zymeworks, license under the Zymeworks Intellectual Property (including Zymeworks’ interest in Joint Inventions) to (a) make, have made, use, export and import, and have exported and imported Antibodies generated from and incorporating such Collaboration Sequence Pair for incorporation into Products, (b) make, have made, use, sell, offer for sale, export and import, and have exported and imported such Products, and (c) research and develop and manufacture such Antibodies generated from and incorporating such Collaboration Sequence Pair, in each case, (a), (b), and (c), in the Field in the Territory (the “**Commercial License**”). Celgene may exercise the Option on a Collaboration Sequence Pair by Collaboration Sequence Pair basis at any time during the Option Term with

respect to such Collaboration Sequence Pair by providing Zymeworks with written notice of such exercise and paying Zymeworks the Upfront License Fee in accordance with Section 5.3. If the Research Program Term is extended pursuant to Section 3.1.2, Zymeworks will expand the Option by an additional […***…], for an aggregate total of up to […***…].

For clarity, prior to the exercise of the Option and payment of the Upfront License Fee with respect to a Collaboration Sequence Pair, Celgene shall not sell or otherwise commercialize Products incorporating the Antibody generated from and incorporating such Collaboration Sequence Pair or conduct any development of such Products beyond […***…]. Upon Celgene's exercise of the Option and payment to Zymeworks of the Upfront License Fee with respect to a given Collaboration Sequence Pair, Zymeworks shall grant, and hereby grants (effective upon such exercise and payment), to Celgene the Commercial License, solely with respect to such Collaboration Sequence Pair. Upon each exercise of an Option, all rights under the resulting Commercial License for the United States shall be granted to Celgene Corp., and all rights under the resulting Commercial License outside of the United States shall be granted to Celgene Alpine.

2.1.3 Sublicenses. The Commercial License shall include the right to grant sublicenses (including to Affiliates and Third Parties) through multiple tiers; provided that each sublicense granted by Celgene shall be consistent with the terms and conditions of this Agreement. Celgene shall (a) provide Zymeworks with prompt notice of any such sublicenses that it grants and identifying the sublicensee and the scope of such sublicensee's rights/responsibilities and (b) shall be and remain responsible to Zymeworks for the compliance of each sublicensee with the applicable terms and conditions hereunder.

2.1.4 Active Development. Notwithstanding anything herein to the contrary, Celgene's exclusivity (including any […***…]), rights and licenses will expire with respect to a Collaboration Sequence Pair if Celgene ceases active research and development of the Antibody generated from and incorporating such Collaboration Sequence Pair or Product(s) incorporating such Antibody.

2.2 License to Zymeworks. Subject to the terms and conditions of this Agreement, Celgene hereby grants Zymeworks a license to make, use and otherwise exploit subject matter within the Know-How and Patents Controlled by Celgene or its Affiliates solely for Zymeworks to perform those activities assigned to it under the Research Program or otherwise cooperate with Celgene hereunder. The license granted under this Section 2.2 shall include the right to sublicense to the subcontractors described on Exhibit 2.2, to the extent reasonably necessary to conduct the Research Program. Any other sublicenses by Zymeworks to other subcontractors shall require Celgene's prior written consent.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other intellectual property rights Controlled by the other

Party or its Affiliates. Subject to the licenses and rights explicitly granted to Celgene hereunder and the other terms and conditions of this Agreement, Zymeworks will retain all rights under the Zymeworks Intellectual Property. Subject to the licenses and rights explicitly granted to Zymeworks hereunder and the other terms and conditions of this Agreement, Celgene will retain all of its rights under the Celgene Intellectual Property.

3. RESEARCH PROGRAM AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Research Program.

3.1.1 General. Celgene and Zymeworks may collaborate to conduct a program to generate and develop Multi-Specific Antibodies generated from and incorporating the Collaboration Sequence Pairs in accordance with the Workplan (the "**Research Program**"). The Research Program shall be subject to the oversight of the JRC.

3.1.2 Research Program Term. The Research Program shall commence on the Effective Date and shall conclude forty (40) months thereafter (such period, as it may be extended, the "**Research Program Term**"). The Research Program Term may be extended one time by an additional twenty-four (24) months, for an aggregate total of sixty-four (64) months, at Celgene's sole discretion, by providing Zymeworks with written notice of such extension not less than […***…] prior to the expiration of the then-current Research Program Term and paying Zymeworks an additional, non-refundable fee of […***…] dollars ($[…***…] USD), paid 50% by Celgene Corp. and 50% by Celgene Alpine, within […***…] of providing such written notice.

3.1.3 Workplan. The Research Program may cover the following activities, as set forth in further detail in a written workplan for each Collaboration Sequence Pair established by the JRC in its sole discretion subsequent to the execution of this Agreement pursuant to Section 4.4 (collectively, the "**Workplan**") (the Workplan shall be attached hereto from time-to-time as Exhibit 3.1.3, as it may be amended by the JRC):

(a) The Parties may nominate Sequence Pairs Directed To Target Pairs, each of which will be subject to gatekeeping in accordance with Section 3.4 below;

(b) The Parties may apply the Zymeworks Platform to the Collaboration Sequence Pairs in the design, engineering, and characterization of the Antibodies; and

(c) Zymeworks, its Affiliates, or contract research organizations of Zymeworks' choice may perform its responsibilities under the Workplan including […***…] of Antibodies. Celgene, its Affiliates, Collaborators or contract research organizations of Celgene's choice may perform its responsibilities under the Workplan towards the nomination of Development Candidates, including […***…] of Antibodies.

3.1.4 Conduct of Research Program. Each Party agrees:

(a) To use its own efforts, in its sole discretion, to conduct its responsibilities under the Research Program, as assigned to it under the Workplan and to achieve the objectives and timelines within the Workplan;

(b) To act in good faith toward each other;

(c) To conduct the Research Program in compliance with all Applicable Laws; and

(d) That the other Party may utilize the services of its Affiliates and Third Parties to perform those activities assigned to it under the Research Program; provided that such Party shall remain responsible for the performance of such Affiliates and Third Parties hereunder.

3.1.5 Exchange of Know-How and materials.

(a) Without limiting Section 3.2, promptly after the Effective Date, and on an ongoing basis during the conduct of the Research Program, (i) Zymeworks shall disclose to Celgene in writing and/or in an electronic format Zymeworks Know-How and (ii) Celgene shall disclose to Zymeworks in writing and/or in electronic format Know-How Controlled by Celgene and reasonably necessary for Zymeworks' performance of its obligations pursuant to the Workplan, in each case (i) and (ii) as specified in the Workplan, as established by the JRC in its sole discretion.

(b) To the extent any physical materials need to be delivered to a Party as may be determined by the JRC under this Agreement to enable that Party to perform its obligations under the Research Program the delivering Party shall arrange for prompt delivery of such physical materials in the manner determined by the JRC, and the Parties shall execute a material transfer agreement, on terms consistent with this agreement and in a form mutually agreed upon by the Parties. The Party receiving such physical materials shall use the same for the sole purpose of conducting activities under the Research Program or otherwise exercising its rights and fulfilling its obligations hereunder and treat all such physical materials as Confidential Information of the delivering Party. Unless expressly agreed otherwise, physical materials so supplied by a Party to another Party pursuant to this Agreement shall be "AS IS" without warranty of any kind and shall not be used in any human application.

3.2 Records and Reports.

3.2.1 Records. Each Party shall maintain records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of intellectual property rights (including Patent Rights) in accordance with Article 7 below, regarding its conduct of the Research Program after the applicable activity, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect the work done and results achieved by such Party in the performance of the Research Program.

3.2.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.2.1, each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records referred to in Section 3.2.1, solely for purposes of exercising its rights or fulfilling its obligations under this Agreement. At the other Party's reasonable request, each Party shall provide to the other Party: (a) copies of the records described in Section 3.2.1, at the other Party's expense and (b) reports of the activities conducted by or under authority of such Party in the conduct of the Workplan, including the results thereof. Celgene shall have the right to arrange with Zymeworks for its employee(s) involved in the activities contemplated hereunder to visit the offices and laboratories of Zymeworks during normal business hours and upon reasonable notice, and to discuss the Research Program work and its results in detail with the technical personnel; provided that any such visit shall occur no more frequently than once per Calendar Quarter andeach Party shall bear its own expenses related to such visits.

3.3 Development and Commercialization by Celgene. Celgene (itself or through its Affiliates or Third Parties) shall have the sole responsibility and exclusive right to further develop, manufacture and commercialize any Products upon the conclusion of the Research Program (including, subject to Section 2.1.2, the right to develop and manufacture Antibodies for incorporation into Products). Celgene shall provide Zymeworks with written reports summarizing the then current development status of each Product as set forth in this Section 3.3 below. Without limiting Section 3.3.1, Celgene shall notify Zymeworks within […***…] of each Antibody for which it (itself or its Affiliate or Collaborator) has successfully completed […***…] as described in the Workplan or made the decision to […***…] with respect to such Antibody, whichever is earlier. Upon Zymeworks' receipt of such notice, the Antibody generated from and incorporating the Collaboration Sequence Pairs shall be deemed a "**Development Candidate**".

3.3.1 Development. With respect to each Product hereunder, for so long as Celgene is conducting development activities with respect to such Product (with respect to such Product, the "**Development Period**"), Celgene shall keep Zymeworks reasonably informed as to such activities for such Product by providing to Zymeworks on an annual basis a written report describing in reasonable detail such activities conducted during the previous annual period and the activities planned to be conducted during the upcoming annual period. In addition, during the Development Period for a particular Product, Zymeworks shall have the right once during each Calendar Year to request, upon […***…] prior notice to Celgene referencing this Section 3.3.1, a meeting at Celgene's facilities (or such other location as Celgene may reasonably designate) between Zymeworks personnel and Celgene's Research Program Leader or such other person(s) at Celgene responsible for overseeing the implementation of the development activities with respect to such Product and the Zymeworks relationship to discuss such development activities and provide Zymeworks a forum to provide feedback with respect thereto. Each Party shall bear its own expenses related to such meetings.

3.3.2 Commercialization. Without limiting Section 6.1.2, Celgene shall keep Zymeworks reasonably informed as to its commercialization activities for such Product (including pre-launch and launch activities) by providing to Zymeworks on an annual basis a written report describing in reasonable detail such activities conducted during the previous annual period and the activities planned to be conducted during the upcoming annual period.

3.4 Collaboration Sequence Pairs; Definitions. Subject to gatekeeping pursuant to Section 3.5, the Parties (through the JRC) may select, in accordance with this Article 3 and during the Research Program Term, up to eight (8) Collaboration Sequence Pairs for incorporation into Antibodies pursuant to the Workplan. If the Research Program Term is extended pursuant to Section 3.1.2, Zymeworks will expand the Option by an additional […***…], for an aggregate total of up to […***…], each of which will be subject to gatekeeping pursuant to Section 3.5. To designate a Sequence Pair as a Collaboration Sequence Pair, Celgene shall provide Zymeworks with written notice of such Sequence Pair, setting forth the Sequences included in such Sequence Pair and the Target(s) To which they are Directed, and requesting that such Sequence Pair be submitted to gatekeeping (each, a "**Designation Notice**"). Each designated Sequence Pair shall then be subject to gatekeeping pursuant to Section 3.5 below, and if a designated Sequence Pair is available in accordance with such gatekeeping, and is further approved by the JRC, it then becomes a "**Collaboration Sequence Pair,**" and Celgene shall have […***…] with respect to such Collaboration Sequence Pair, meaning that Zymeworks will not (alone or in collaboration with a Third Party) apply the Zymeworks Platform to such Collaboration Sequence Pair or Sequence Pairs that are […***…]to both […***…], other than pursuant to the Research Program. For clarity, the Parties (through the JRC) may submit more than eight (8) (or more than […***…] if the Research Program Term is extended pursuant to Section 3.1.2) Sequence Pairs for consideration as potential Collaboration Sequence Pairs during the Research Program Term, but Homology Exclusivity shall not arise until any given Sequence Pair is actually designated as a Collaboration Sequence Pair pursuant to this Section 3.4 and Section 3.5. Accordingly, Zymeworks acknowledges that Celgene may be investigating Sequence Pairs as potential Collaboration Sequence Pairs, which investigation may include use of the Zymeworks Platform. Subject to gatekeeping pursuant to Section 3.5, the Parties (through the JRC) may freely change Collaboration Sequence Pairs during the Research Program Term (e.g. by proposing another Sequence Pair in a new Designation Notice and if such Sequence Pair passes gatekeeping, by then removing a previously-designated Collaboration Sequence Pair); provided that such changes shall not occur so frequently as to be unduly burdensome to Zymeworks and that in no event shall Celgene have more than eight (8) (or more than […***…] if the Research Program Term is extended pursuant to Section 3.1.2) Collaboration Sequence Pairs at any given time.

3.5 Target and Sequence Selection Limitations.

3.5.1 The Parties (through the JRC) may select any Sequence Pair as a Collaboration Sequence Pair provided that, at the time of the selection of such Sequence Pair, Zymeworks is not, as of the date Zymeworks receives such Written Notice from Celgene:

(a) contractually obligated to grant, or has not granted, to a Third Party rights with respect to products incorporating such Sequence Pair, or exclusive rights with respect to products Directed To the Target or Target Pair To which such Sequence Pair is Directed as described in Section 3.5.3;

(b) actively and in good faith engaged in negotiations with a Third Party regarding the development or commercialization of products incorporating such Sequence Pair ([…***…]); or

(c) actively performing or has performed […***…] studies or […***…] studies on its own behalf regarding the development or commercialization of products incorporating such Sequence Pair prior to the date of Celgene's Designation Notice concerning such Sequence Pair.

3.5.2 After receipt of a Designation Notice, Zymeworks shall provide Celgene with prompt written notice as to whether such Sequence Pair is available as a Collaboration Sequence Pair, and if such Sequence Pair is unavailable as a Collaboration Sequence Pair for any of the reasons set forth in Section 3.5.1, the basis for the unavailability, with Zymeworks to provide additional evidence and support for such unavailability to a mutually approved Third Party who would then confirm unavailability, at Celgene's expense, if reasonably requested by Celgene. Such additional evidence and support may include items such as written records, lab notes, invoices, any of which may be redacted as necessary to comply with confidentiality obligations.

3.5.3 During the Research Program Term, Zymeworks agrees that it will not grant to any Third Party […***…] with respect to the application of the Zymeworks Platform to antibodies […***…]. Notwithstanding the foregoing, […***…], then Zymeworks shall provide Celgene with written notice […***…] by providing Zymeworks with written notice of such […***…]within […***…] of its receipt of such notice from Zymeworks.

3.5.4 For clarity, nothing in this Agreement, including Section 3.5.3 above and any […***…], shall prevent any activities conducted by an Acquiring Entity or its Affiliates with respect to antibodies generated without use of the Zymeworks Platform or Zymeworks Intellectual Property (whether before or after the applicable transaction), including the granting of any […***…] with respect to such antibodies without use of the Zymeworks Platform or Zymeworks Intellectual Property (an "**Acquiring Entity Grant**"). For further clarity, any such Acquiring Entity Grant would not block or rescind: (a) any Collaboration Sequence Pair already designated; (b) any Commercial License already entered into at the time of the Acquiring Entity Grant; (c) any Commercial License entered into at a future date for a Collaboration Sequence Pair already designated; or (d) any designation at a future date of a Collaboration Sequence Pair, provided that it has already passed through gatekeeping (as expanded by any Acquiring Entity Grant, if applicable) and the JRC.

4. GOVERNANCE

4.1 **Research Program Leader**. Within […***…] of the Effective Date, Celgene and Zymeworks will each assign one (1) employee to serve as primary point of contact between the Parties with respect to the Research Program (each, a "**Research Program Leader**"). The Research Program Leaders shall regularly communicate with each other to address Research Program-related issues, needs and updates. Either Party, upon prior notice to the other Party, may change its Research Program

Leader. Except for those Disputes that are subject to the purview of the JRC, prior to submitting any Dispute to the dispute resolution mechanism set forth in Section 14.5, the Research Program Leaders shall attempt, for a period of […***…], to resolve such Dispute.

4.2 Joint Research Committee. The Parties will establish, as soon as practicable after the Effective Date, a Joint Research Committee (the "**JRC**") to oversee and coordinate the activities of the Parties under the Research Program. The JRC shall be comprised of two (2) employees from Celgene and two (2) employees from Zymeworks, or such other equal number as the Parties may agree. Subject to the foregoing, each Party shall appoint its respective representatives to the JRC from time to time, and may change its representatives, in its sole discretion, effective upon notice to the other Party designating such change. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Program. One (1) of the members of the JRC appointed by Zymeworks shall be designated the JRC chairperson (the "**JRC Chair**"). The JRC Chair will be responsible for calling meetings of the JRC, circulating agenda and performing administrative tasks required to assure efficient operation of the JRC. The JRC shall be promptly disbanded upon completion of the Research Program.

4.3 JRC Meetings. The JRC shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once every […***…] until expiration of the Research Program Term. The location for meetings shall alternate between Zymeworks and Celgene facilities (or such other location as is determined by the JRC). Alternatively, the JRC may meet by means of teleconference, videoconference or other similar means. As appropriate, additional employees or consultants may from time to time attend the JRC meetings as nonvoting observers; provided that any such consultant shall agree in writing to comply with the confidentiality obligations under this Agreement; and provided further that no Third Party personnel may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the JRC meetings by its representatives. Each Party may also call for special meetings to resolve particular matters requested by such Party. The JRC Chair or his/her designee shall keep minutes of each JRC meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. The JRC Chair shall send meeting minutes to all members of the JRC promptly after a meeting for review. Each member shall have […***…] from receipt in which to comment on and to approve/provide comments to the minutes (such approval not to be unreasonably withheld, conditioned or delayed). If a member, within such time period, does not notify the JRC Chair that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member.

4.4 JRC Functions. The JRC's responsibilities with respect to the Research Program are as follows:

(a) Overseeing and coordinating the activities of each Party (including those of its Affiliates and Third Parties acting under its authority) under the Research Program;

(b) Periodically reviewing the progress of the Research Program;

(c) In its sole discretion, choosing whether and how to establish the initial Workplan within […***…] of the Effective Date and thereafter reviewing and updating the same; and

(d) Fulfilling such other responsibilities as may be allocated to the JRC by mutual written agreement of the Parties.

Although the JRC has sole discretion in choosing whether and how to establish the initial Workplan, in doing so, the JRC may not require either Party to expend any resources of any kind under any proposed workplan without the consent of such Party. From and after the disbanding of the JRC, the roles of the JRC will be performed by the Research Program Leaders or their designees. Once a Collaboration Sequence Pair is nominated by Celgene as a Development Candidate, such Collaboration Sequence Pair will no longer fall under the jurisdiction of the JRC.

(e) JRC Disputes. The JRC will endeavor to make decisions by consensus, with each of Celgene and Zymeworks having one vote. If consensus is not reached by the Parties' representatives pursuant to such vote, then the matter may be escalated by either Party to designated officers of both Celgene and Zymeworks with appropriate decision making authority for resolution in accordance with Section 14.5. In the event the designated officers are unable to resolve the issue within […***…], the JRC Chair has and shall have the right to make the final decision with respect to such dispute. The JRC Chair may not exercise such final decision right to require any Party to expend any resources of any kind unless such Party expressly agrees. For clarity and notwithstanding the creation of the JRC, each Party shall retain the rights, powers and discretion granted to it hereunder, and the JRC shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The JRC shall not have the power to amend, waive or modify any term of this Agreement or declare any milestone achieved, and no decision of the JRC shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JRC are limited to those specific issues that are expressly provided in this Agreement to be decided by the JRC.

5. FINANCIAL PROVISIONS

5.1 Upfront Payment. In consideration of this Agreement, Celgene shall pay to Zymeworks a one-time, non-refundable upfront payment of Eight Million US Dollars (USD $8,000,000), paid 50% by Celgene Corp. and 50% by Celgene Alpine, within[…***…] following the Effective Date.

5.2 Investment. On the Effective Date, Zymeworks will, pursuant to a subscription agreement to be executed by the Parties in substantially the form attached hereto as Exhibit 5.2 (the "**Subscription Agreement**"), issue to Celgene Alpine 1,652,893 Common Shares of

Zymeworks, at a per share price of CAD$6.05, for an aggregate purchase price from Celgene Alpine of CAD $10,000,002.65.

5.3 Upfront License Fee. Prior to the expiration of the Option Term, in order to exercise each Option, Celgene will pay to Zymeworks an upfront license fee of Seven and One-Half Million U.S. Dollars (USD $7,500,000), paid 50% by Celgene Corp. and 50% by Celgene Alpine, for each Collaboration Sequence Pair for which it exercises the Option (the "**Upfront License Fee**"). For clarity, if Celgene exercises the Option with respect to all eight (8) Collaboration Sequence Pairs for which it has the right to exercise the Option, Celgene shall pay to Zymeworks a total of Sixty Million U.S. Dollars (USD $60,000,000), paid 50% by Celgene Corp. and 50% by Celgene Alpine, in Upfront License Fees (or […***…] U.S. Dollars (USD $[…***…]), paid 50% by Celgene Corp. and 50% by Celgene Alpine, if the Research Program Term is extended pursuant to Section 3.1.2 and the Option with respect to all […***…] are exercised). For clarity, Celgene may exercise the Option on a Collaboration Sequence Pair-by-Collaboration Sequence Pair basis and shall not be obligated to exercise the Option for all Collaboration Sequence Pairs at one time.

5.4 Development and Regulatory Milestones. Within […***…] after the achievement of each milestone event set forth in the table below for each Product (each, a "**Development Milestone Event**"), Celgene shall make the corresponding milestone payment to Zymeworks (each, a "**Development Milestone Payment**"). Each Development Milestone Payment shall be payable […***…] for the […***…] to achieve the corresponding Development Milestone Event. All Development Milestone Payments will be paid 50% by Celgene Corp. and 50% by Celgene Alpine. Development Milestone Payments 3-5 below shall also be payable once per Product for the […***…] to achieve such Development Milestone Event after the initial Marketing Authorization(s); provided that such Development Milestone Payments 3-5 will be reduced by […***…] ([…***…]%) when paid for the […***…].

	Development Milestone Events	**Milestone Payments**
1.	[…***…]	**USD$** […***…]
2.	[…***…]	**USD$** […***…]
3.	[…***…]	**USD$** […***…]
4.	[…***…]	**USD$** […***…]
5.	[…***…]	**USD$** […***…]
	Total Possible Development Milestone Payments per Product […***…]	**USD$** […***…]

5.5 Commercialization Milestones. Within […***…] after the first achievement of each milestone event set forth in the table below for each Product (each, a "**Commercialization Milestone Event**"), Celgene shall make the corresponding milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**"):

	Commercialization Milestone Events	Milestone Payments
1.	[…***…]	**USD$** […***…]
2.	[…***…]	**USD$** […***…]

All Commercialization Milestone Payments will be paid 50% by Celgene Corp. and 50% by Celgene Alpine. For clarity, each of the foregoing Commercialization Milestone Payments […***…].

5.6 Royalties.

5.6.1 Patent Royalty Payments. Celgene shall pay Zymeworks a royalty (each such royalty payment, a "**Royalty**") on Net Sales of each Product (with Royalties generated by the US paid by Celgene Corp. and Royalties generated outside of the US paid by Celgene Alpine) at the rates set forth below:

Royalty Tier	Annual Net Sales on a Product-by-Product basis	Royalty Rate
A	USD $[…***…] to USD $[…***…] of Net Sales of the particular Product	[…***…]%
B	Above USD $[…***…] to USD $[…***…] of Net Sales of the particular Product	[…***…]%
C	Above USD $[…***…] of Net Sales of the particular Product	[…***…]%

5.6.2 Royalty Term. The Royalty will be payable on a Product-by-Product and country-by-country basis from First Commercial Sale in such country until (i) such Product is no longer Covered by a Valid Patent Claim in such country or (ii) ten (10) years after the First Commercial Sale of such Product in such country, whichever is later (the "**Royalty Term**").

5.6.3 Royalty Buy-Down. At any time prior to the first dosing of a patient in a Phase III Clinical Trial for a Product, Celgene will have the right to buy down the Royalty for such Product to a minimum of […***…] ([…***…]%) at all sales levels, by providing Zymeworks with written notice specifying the Product for which it desires to buy down such Royalty together with a payment of Ten Million US Dollars (USD $10,000,000) per percentage point buy down. Accordingly, a single payment of Ten Million US Dollars (USD $10,000,000) pursuant to this Section 5.6.3 would reduce the Royalty rates applicable to such Product down to […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C). An aggregate payment of Twenty

Million US Dollars (USD $20,000,000) would reduce the Royalty rates applicable to such Product down to […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C). An aggregate payment of Thirty Million US Dollars (USD $30,000,000) would reduce the Royalty rates applicable to such Product down to […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C). For clarity, the Royalty buy-down shall apply on a Product-by-Product basis.

5.6.4 Royalty Reduction for Third Party Payments. Royalties shall be reduced, subject in all cases to the royalty floor set forth in Section 5.6.5, on a Product-by- Product and Calendar Quarter-by-Calendar Quarter basis, by an amount […***…] payments made to a Third Party in a Calendar Quarter on sales of such Licensed Product in such Calendar Quarter with respect to license rights to, or judgments paid to Third Parties regarding, Third Party Patent Rights that Celgene reasonably determines would Cover, or otherwise be infringed by, the Zymeworks Intellectual Property in such country. Celgene may carry over and apply any payments made to a Third Party as described in this Section 5.6.4, which are incurred or accrued in a Calendar Quarter and are not deducted in such Calendar Quarter, to any subsequent Calendar Quarter(s).

5.6.5 Royalty Floor. During the Royalty Term, subject to the Royalty Buy-Down described in Section 5.6.3, the operation of Section 5.6.4 shall not reduce the Royalty rates set forth in the table in Section 5.6.1 by more than […***…] percent. For clarity, if no Royalty buy-down payment is made pursuant to Section 5.6.3, the Royalty shall not be reduced pursuant to Section 5.6.4 to less than […***…] percent ([…***…]%), […***…] percent ([…***…]%) and […***…] percent ([…***…]%), respectively, for the Royalties set out in such table. If a single Royalty buy-down payment of Ten Million US Dollars (USD $10,000,000) is made pursuant to Section 5.6.3 the Royalty shall not be reduced pursuant to Section 5.6.4 to less than […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C). If an aggregate Royalty buy-down payment of Twenty Million US Dollars (USD $20,000,000) is made pursuant to Section 5.6.3 the Royalty shall not be reduced pursuant to Section 5.6.4 to less than […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C). If an aggregate Royalty buy-down payment of Thirty Million US Dollars (USD $30,000,000) is made pursuant to Section 5.6.3 the Royalty shall not be reduced pursuant to Section 5.6.4 to less than […***…]% (Tier A), […***…]% (Tier B), and […***…]% (Tier C).

6. REPORTS AND PAYMENT TERMS

6.1 Payment Terms.

6.1.1 Milestone Payments. Celgene shall provide Zymeworks with notice of the achievement of each Development Milestone Event and Commercialization Milestone Event within […***…] thereafter and make the corresponding Milestone Payment within […***…] after such achievement.

6.1.2 Royalties. During the Term, following the First Commercial Sale of a Product, Celgene shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by Product sold by Celgene and its Related Parties during the reporting Calendar

Quarter and the Royalties payable under this Agreement in sufficient detail to allow Zymeworks to verify the amount of Royalties paid by Celgene with respect to such Calendar Quarter, including, on a country-by-country and Product-by-Product basis, the total gross amount invoiced for Product sold, the Net Sales of each Product, and the Royalties (in US dollars) payable and in total for all Products and the manner and basis for any currency conversion in accordance with Section 6.2. Reports shall be due no later than […***…] following the end of each Calendar Quarter. Royalties shown to have accrued by each report provided under this Section 6.1.2 shall be due and payable on the date such report is due.

6.1.3 Invoices. Where applicable, and except as otherwise provided herein, amounts shall be due and payable within […***…] of receipt of invoice therefor.

6.2 Payment Currency / Exchange Rate. All payments to be made by Celgene to Zymeworks under this Agreement shall be made in USD; provided that the payments made pursuant to the Subscription Agreement shall be made in CAD. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to Celgene. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with Celgene's normal practices used to prepare its audited financial statements for external reporting purposes; provided that such practices use a widely accepted source of published exchange rates.

6.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 6.3, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon any payments made by Celgene to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws require the withholding of Taxes, Celgene shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. Celgene shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. Celgene shall provide Zymeworks reasonable assistance in order to allow Zymeworks to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such Party shall be responsible for all such additional Taxes.

6.4 Records and Audit Rights.

6.4.1 Generally. The primary intent of this Section 6.4 is to allow Zymeworks to verify payments in the event Celgene exercises one or more Options and accordingly enters into a Commercial License with respect to one or more Collaboration Sequence Pairs.

6.4.2 Records. Celgene will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Royalties. Celgene will keep such books and records for at least […***…] following the end of the Calendar Year to which they pertain.

6.4.3 Audit Rights.

(a) Zymeworks shall have the right during the […***…] period described in Section 6.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") reasonably acceptable to Celgene to inspect or audit the relevant records of Celgene and its Related Parties to verify that the amount of such payments were correctly determined. Celgene and its Related Parties shall each make its records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from Zymeworks, solely to verify the payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by Zymeworks more than once in any Calendar Year and may cover a period ending not more than […***…] prior to the date of such request. All records made available for inspection or audit pursuant to this Section 6.4.2 shall be deemed to be Confidential Information of Celgene. The results of each inspection or audit, if any, shall be binding on both Parties unless a Party instead chooses to escalate the results to the dispute resolution process described in Section 14.5. If the amount of any payment hereunder was underreported, Celgene shall promptly (but in any event no later than […***…] after Celgene's receipt of the Accounting Firm's report so concluding) make payment to Zymeworks of the underreported amount. Zymeworks shall bear the full cost of an audit that it conducts pursuant to this Section 6.4.2 unless such audit discloses an under reporting by Celgene of more than […***…] percent ([…***…]%) of the aggregate amount of the payments hereunder reportable in any Calendar Year, in which case Celgene shall reimburse Zymeworks for all costs incurred in connection with such inspection or audit.

(b) The Accounting Firm will disclose to Zymeworks only whether the Agreement Payments are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to Zymeworks without the prior consent of Celgene unless disclosure is required by Applicable Laws or judicial order. Celgene is entitled to require the Accounting Firm to execute a reasonable confidentiality agreement prior to commencing any such audit. The Accounting Firm shall provide a copy of its report and findings to Celgene.

7. INTELLECTUAL PROPERTY RIGHTS

7.1 Ownership of Inventions. Ownership of all Inventions, including Patent Rights and other intellectual property rights with respect to such Inventions, shall be as set forth in this Article 7. Determination of inventorship of Inventions shall be made in accordance with US patent laws. Each Party will continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or creates or obtains outside the scope of this Agreement, or which it licenses to the other Party

under this Agreement. As between the Parties and notwithstanding anything herein to the contrary, Celgene shall have and retain ownership of the Collaboration Sequence Pairs, Antibodies generated from and incorporating Collaboration Sequence Pairs, Products incorporating such Antibodies and any mutations or modifications to the Collaboration Sequence Pairs, including […***…], provided that Zymeworks shall retain all rights in the Zymeworks Platform and any Inventions comprising improvements thereto. For clarity, all antibody modification or mutations (other than modifications or mutations to the […***…]) created using the Zymeworks Platform will comprise improvements thereto and will be owned by Zymeworks, subject to the licenses and the Option set forth in Section 2.1. Except as otherwise provided in the foregoing sentence, Inventions that are made solely by Zymeworks (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Zymeworks; Inventions that are made solely by Celgene (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Celgene; and Joint Inventions (and the Joint Patent Rights) shall be owned jointly by the Parties. Subject to Article 2, each Party has the right to grant licenses under such Joint Inventions (and the Joint Patent Rights) to any Third Party without the consent of, or accounting to, the other Party.

7.2 Patent Prosecution and Maintenance.

7.2.1 Definitions. As used in this Section 7.2, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

7.2.2 Zymeworks Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks shall keep Celgene reasonably informed with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights and, upon Celgene's request, shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Zymeworks Patent Rights. Zymeworks shall promptly give notice to Celgene of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Patent Rights licensed to Celgene under this Agreement.

7.2.3 Celgene Patent Rights. Celgene, at Celgene's expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Celgene Patent Rights using patent counsel of Celgene's choice. Celgene shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Celgene Patent Rights and shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Celgene Patent Rights to Zymeworks for review and comment at least […***…] prior to the submission thereof. Celgene shall take into consideration any comments from Zymeworks. Celgene shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

7.2.4 Joint Patent Rights.

(a) Celgene, at Celgene's expense, shall have the first right to control the preparation, filing, prosecution and maintenance of Joint Patent Rights using patent counsel reasonably acceptable to Zymeworks. Celgene shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights and shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Joint Patent Rights to Zymeworks for review and comment at least […***…] prior to the submission thereof. Celgene shall take into consideration any comments from Zymeworks. Celgene shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

(b) Celgene may elect not to file or to cease prosecution or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, Celgene shall give timely notice to Zymeworks. Zymeworks may by notice to Celgene assume prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense, in which case Celgene shall promptly assign to Zymeworks all of its rights, title and interest in and to such Joint Patents.

7.2.5 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in Section 7.2, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights, Celgene Patent Rights and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information, subject to Article 8. For clarity, all such communications regarding the Zymeworks Patent Rights shall be the Confidential Information of Zymeworks, all such communications regarding the Celgene Patent Rights shall be the Confidential Information of Celgene and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties.

7.3 Enforcement and Defense.

7.3.1 Notice. Each Party shall provide prompt notice to the other Party of any infringement of a Zymeworks Patent Right, Celgene Patent Right or Joint Patent Right by a product incorporating an antibody or antibody analogue that incorporates the Collaboration Sequence Pairs of a Product then under development or being commercialized hereunder of which such Party becomes aware (a "**Competing Infringement**"). Celgene and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including the commencement of legal action by either or both Celgene and Zymeworks, to terminate any such Competing Infringement.

7.3.2 Zymeworks Patent Rights. Zymeworks shall have the first right to enforce the Zymeworks Patent Rights with respect to any Competing Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify Celgene of such enforcement

actions. If Zymeworks fails to bring or defend any such action against a Competing Infringement within (a) […***…] following the notice of alleged Competing Infringement provided pursuant to Section 7.3.2 or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Celgene shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall Celgene admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.2, fail to defend the validity of, any Zymeworks Patent Rights without Zymeworks' prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.3 Celgene Patent Rights. Celgene shall have the sole right, but not an obligation, to enforce the Celgene Patent Rights with respect to any Competing Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Celgene and shall notify Zymeworks of such enforcement actions.

7.3.4 Joint Patent Rights. Celgene shall have the first right to enforce Joint Patent Rights and to control the defense of any declaratory judgment action relating thereto, with respect to such Competing Infringement at its own expense and by counsel of its own choice reasonably acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld, conditioned or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Celgene fails to bring or defend such action within (a) […***…] following the notice of alleged Competing Infringement or (b) […***…] before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Celgene shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.3, fail to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

7.3.5 Competing Infringement Action. In the event a Party brings an Competing Infringement action in accordance with this Section 7.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, at the Controlling Party's request and expense, including by providing information and materials and, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall have the right to settle any Competing Infringement action under this Section 7.3 relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed.

7.3.6 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both Celgene and Zymeworks in connection with or as a result of any action contemplated by this Section 7.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining related to the Products hereunder shall be shared by the Parties […***…] in favor of the Controlling Party, otherwise, the remainder shall be retained by or paid to Zymeworks if arising from the Zymeworks Patent Rights or shared equally if arising from the Joint Patent Rights.

7.3.7 Certification. Each Party shall inform the other Party of any certification regarding any Zymeworks Patent Rights, Celgene Patent Right or Joint Patent Rights it received with respect to a Product pursuant to either 21 U.S.C. §§355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or its successor provisions, or any similar provisions in a country in the Territory other than the United States, and shall provide the other Party with a copy of such certification within […***…] days of receipt. Zymeworks' and Celgene's rights with respect to the initiation and prosecution of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be as defined in Section 7.3.2 through Section 7.3.6 hereof. Regardless of which Party has the right to initiate and prosecute such action, both Parties shall, as soon as practicable after receiving notice of such certification, convene and consult with each other regarding the appropriate course of conduct for such action. The non-initiating Party shall have the right to be kept reasonably informed and participate in decisions regarding the appropriate course of conduct for such action.

7.3.8 Defense of Infringement Claims. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party intellectual property right based on the manufacture, use, sale or importation of the Antibodies or the Products, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall enter into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties.

8. CONFIDENTIALITY

8.1 Duty of Confidence. During the Term and for […***…] thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, Collaborators, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party.

8.2 Exceptions. The obligations under this Article 8 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

8.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

8.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

8.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

8.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

8.3 Authorized Disclosures. Subject to this Section 8.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

8.3.1 such disclosure is deemed necessary by counsel to the recipient Party to be disclosed to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

8.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 7 or disclosure by Celgene or a Celgene Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations or Applicable Laws (e.g. securities regulations or filings, particularly those relating to public companies); or

8.3.4 disclosure to potential or actual investors or potential or actual acquirers in connection with due diligence or similar investigations by such Third Parties; provided, in each case, that any such potential or actual investor or acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the

recipient Party. Notwithstanding the preceding, Zymeworks may not so disclose to investors or prospective acquirers the Collaboration Sequence Pairs or other data generated by Celgene with respect to any Collaboration Sequence Pair, Antibody or Product and disclosed to Zymeworks hereunder without Celgene's prior written permission, except Zymeworks may disclose the Targets that Collaboration Sequence Pairs are Directed to (but not the Collaboration Sequence Pairs themselves) to a potential or actual acquirer only: (a) if the potential or actual acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to Zymeworks and (b) as part of a late-stage diligence process in connection with the negotiation of a definitive agreement for the acquisition by the acquirer of Zymeworks, after a term sheet has been agreed to and the Board of Directors of Zymeworks has approved such terms for the acquisition by the potential acquirer of Zymeworks.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Article 8, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 8.3 shall remain otherwise subject to the confidentiality and non-use provisions of this Article 8, and the Party disclosing Confidential Information as permitted by this Section 8.3 shall take all steps reasonably necessary, including obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

9. PUBLICATIONS AND PUBLICITY

9.1 Publications.

9.1.1 Neither Party shall have the right to publish the results of the Research Program with respect to the Products or Antibodies without the prior written consent of the other Party. A Party, its employees or consultants wishing to make a publication of the results of its activities under the Agreement that contains the other Party's Confidential Information shall deliver to such Party a copy of the proposed written publication or an outline of an oral disclosure at least […***…] prior to the proposed submission for publication or presentation.

9.1.2 Additionally, the reviewing Party shall have the right (a) to request the removal of its Confidential Information from any such publication or presentation by the other Party, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information.

9.2 Publicity. The Parties will issue a mutually approved a press release with respect to this Agreement, to be released at a mutually agreeable time, and either Party may then make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any the activities under the Research Program conducted hereunder without the prior written consent of the other Party (such consent not to be

unreasonably withheld, conditioned or delayed), provided however, that neither Party will be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding any payment under Section 5.4 or 5.5 (or the occurrence of the activity related thereto), or under Section 5.3 if and only if an Antibody relating to the exercise of the Option to a Collaboration Sequence Pair has commenced at least […***…] prior to such announcement, Zymeworks will provide Celgene with no less than […***…] in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

10. TERM AND TERMINATION

10.1 Term.

10.1.1 The term of this Agreement (the "**Term**") will commence on the Effective Date and (subject to earlier termination in accordance with Section 10.2 or Section 10.3) will expire, on a Collaboration Sequence Pair-by-Collaboration Sequence Pair basis, upon the expiration of the Option Term for such Collaboration Sequence Pair, unless, during the Option Term, Celgene exercises its Option with respect to such Collaboration Sequence Pair. For clarity, if this Agreement expires with respect to all Collaboration Sequence Pairs in accordance with this Section 10.1.1, then this Agreement shall expire in its entirety.

10.1.2 Notwithstanding Section 10.1.1, in the event that Celgene exercises its Option with respect to one or more Collaboration Sequence Pairs in accordance with Section 2.1.2 (for purposes of this Section 10.1.2, each such Collaboration Sequence Pair, a "**Commercial Sequence Pair**"), then subject to earlier termination in accordance with Section 10.2 or Section 10.3, the Term shall expire, on a Commercial Sequence Pair-by-Commercial Sequence Pair, on the expiration of the Royalty Term for Products incorporating Antibodies generated from and incorporating such Collaboration Sequence Pair.

Upon expiration of this Agreement under Section 10.1.2 (but not under Section 10.1.1) with respect to a Commercial Sequence Pair, the licenses granted under Article 2 shall become non-exclusive, fully paid-up, perpetual licenses, solely with respect to such Commercial Sequence Pair. For clarity, upon expiration of the last-to-expire Royalty Term, this Agreement shall expire in its entirety.

10.2 Termination by Celgene.

10.2.1 Celgene shall have the right to terminate this Agreement at any time in its sole discretion upon […***…] advance notice to Zymeworks with respect to:

(a) the Agreement in its entirety; or

(b) any Collaboration Sequence Pair and the associated Antibody(ies) and Product(s) (such Antibody(ies) and Product(s), the "**Terminated Antibodies and Products**").

10.2.2 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that a Party or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of any Zymeworks Patent Rights (if by Celgene) or any Celgene Patent Rights licensed to Zymeworks hereunder (if by Zymeworks), then such Party, at its discretion, may give notice to the challenging Party that the licenses and the Options, in each case if applicable, granted to the challenging Party will terminate unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…]. In the event that the challenging Party or its Affiliates (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] period, the non-challenging Party may terminate the licenses and the Options granted to the other Party hereunder, if applicable. Notwithstanding the research license granted to Zymeworks under Section 2.2, Celgene has not, as of the Effective Date, granted any licenses to Zymeworks under the Celgene Patent Rights hereunder that could result in Celgene's ability to terminate in accordance with this Section 10.2.2, and this Section 10.2.2 will not be applicable with respect to a patent challenge by Zymeworks unless and until Celgene grants a commercial license to Zymeworks under the Celgene Patent Rights hereunder.

10.3 Termination for Cause. If either Celgene or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] after receipt of such notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement immediately by giving notice to the breaching Party to such effect. In the event that one Party claims that the other Party (the "Breaching Party") has materially breached its obligations hereunder, and the Breaching Party (by written notice to the other Party) disputes in good faith such material breach or its failure to cure such breach within the applicable cure period, then such dispute may be submitted to dispute resolution in accordance with Section 14.5, and the arbitrator shall have the right to award attorney fees to the prevailing Party. In such event, the Party alleging such breach does not have the right to terminate this Agreement pursuant to this Section 10.3, until it has been determined, pursuant to such dispute resolution procedure, that the Breaching Party is in material breach of this Agreement, and such Breaching Party further fails to cure such breach within […***…] after the conclusion of any such procedure; provided that in the event that Celgene is the Breaching Party and such dispute is with respect to a payment obligation hereunder, Celgene shall be obligated to pay […***…] percent ([…***…]%) of the amount owed to cure such breach. In the event that Celgene fails to pay such amount (plus any attorney fees awarded to Zymeworks by the arbitrator), Zymeworks shall have the right to terminate this Agreement with respect to the Product(s) and Collaboration Sequence Pair(s) with respect to which such amount was owed.

11. EFFECTS OF TERMINATION

11.1 Termination of Agreement. If this Agreement terminates in its entirety for any reason, then no later than […***…] days after the effective date of such termination, Celgene shall pay all amounts then due and owing as of the termination date and each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes. In the event of termination of this Agreement, except as expressly set forth otherwise in this Agreement (including under the surviving provisions set forth in Section 11.2), the rights and obligations of the Parties hereunder shall terminate as of the date of such termination, and Celgene shall cease all development and commercialization of the Antibodies and Products (or in the case of a termination pursuant to Section 10.2.1(b), the Terminated Antibodies and Products). In no event shall Zymeworks be obligated to repurchase any Common Shares or other equity interest purchased by Celgene pursuant to the Subscription Agreement or otherwise, in connection with the expiration or termination of this Agreement.

11.2 Survival. Termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Article 1, 8, 9, 11, 13, and 14 and Section 6.4, 7.1, 12.3, and 12.4 shall survive. Except as otherwise expressly provided herein, all other rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement. For clarity, in the event of a termination pursuant to Section 10.2.1(b) and subject to this Section 11.2, the rights and obligations of the Parties shall terminate solely with respect to the Terminated Antibodies and Products.

11.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

11.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (a "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may

fully exercise all of its rights and elections under the Code. The foregoing provisions of this Section 11.4 are without prejudice to any rights a Party may have arising under the Code. The Parties further agree that, if a Party elects to retain its rights as a licensee under any Code, such Party shall be entitled to complete access to any technology licensed to it hereunder and all embodiments of such technology. Such embodiments of the technology shall be delivered to the licensee Party not later than: (a) the commencement of bankruptcy proceedings against the licensor, upon written request, unless the licensor elects to perform its obligations under the Agreement, or (b) if not delivered under this Section 11.4, upon the rejection of this Agreement by or on behalf of the licensor, upon written request. Any agreements supplemental hereto will be deemed to be "agreements supplementary to" this Agreement for purposes of Section 365(n) of the Bankruptcy Code.

12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

12.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

12.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

12.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

12.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and covenants to Celgene as follows:

12.2.1 Zymeworks has the right to grant to Celgene the licenses and rights under Section 2.1 that it purports to grant hereunder;

12.2.2 Zymeworks has not granted, and will not grant during the Term, rights to any Third Party under the Zymeworks Intellectual Property that conflict with the rights granted to Celgene hereunder;

12.2.3 As of the Effective Date, Zymeworks has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the Zymeworks Patent Rights or Zymeworks' rights therein;

12.2.4 To its knowledge as of the Effective Date, the Zymeworks Patent Rights are not subject to any pending re-examination, opposition, interference or litigation proceedings;

12.2.5 To its knowledge as of the Effective Date, the Zymeworks Intellectual Property is not being infringed or misappropriated by any Third Party;

12.2.6 To its knowledge as of the Effective Date, the use of the Zymeworks Intellectual Property (itself and without regard to any specific Target or Sequence) in accordance with this Agreement will not infringe any valid, issued Third Party patents or misappropriate any Third Party know-how at the time Marketing Authorization is likely to be received for the first Product pursuant to this Agreement; and

12.2.7 As of the Effective Date, […***…].

12.3 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS WITH REGARD TO ANY ANTIBODY OR PRODUCT WILL BE SUCCESSFUL.

12.4 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. INDEMNIFICATION AND LIABILITY

13.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold Celgene and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Celgene Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees (collectively, "**Losses**") incurred by any Celgene Indemnified Party as a result of any Third Party demands, claims or actions ("**Claims**") against any Celgene Indemnified Party arising or resulting from: (a) the research or development of

Antibodies by Zymeworks or its Affiliates or Third Parties acting under their authority under this Agreement, except for such activities undertaken at the specific written request of Celgene or pursuant to the Workplan; provided that Zymeworks' indemnification obligations under this clause (a) shall not include product liability claims; (b) the negligence or willful misconduct of Zymeworks or its Affiliates or Third Parties (including licensees, other than Celgene, and contractors) acting under their authority pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to Celgene under this Agreement. Zymeworks is only obliged to so indemnify and hold the Celgene Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of Celgene or its Related Parties.

13.2 Indemnification by Celgene. Celgene shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of Antibodies or Products by Celgene or its Affiliates or Third Parties acting under their authority under this Agreement, except for such activities undertaken at the specific written request of Zymeworks; (b) the negligence or willful misconduct of Celgene or its Affiliates or Third Parties (including Collaborators and other sublicensees and contractors) acting under their authority pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Celgene to Zymeworks under this Agreement. Celgene is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks or its Related Parties.

13.3 Indemnification Procedure.

13.3.1 Any Celgene Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

13.3.2 Subject to the provisions of Section 13.3.3 below, the Indemnifying Party shall have the right, upon providing notice to the Indemnified Party of its intent to do so within […***…] after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

13.3.3 The Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 8 OR ARTICLE 9. NOTHING IN THIS SECTION 13.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 13.

13.5 Insurance. Each Party, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request.

14. GENERAL PROVISIONS

14.1 Assignment. Except as provided in this Section 14.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party; provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 14.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

14.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and obligations granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and obligations. The Party extending the rights and obligations granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

14.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties will use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.

14.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

14.5 Dispute Resolution.

14.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "**Dispute**"), arises between the Parties and the Parties cannot resolve such Dispute through their respective Research Program Leaders or the JRC, if and as applicable, within […***…] of a written request by either Party to the other Party ("**Notice of Dispute**"), and such Dispute is not one for which the JRC Chair has final decision-making as expressly set forth in this Agreement, either Party may refer the Dispute to senior representatives of each Party for resolution. Each Party, within […***…] after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. If, after an additional […***…] after the Notice of Dispute, such representatives have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration administered by JAMS pursuant to JAMS' Streamlined Arbitration Rules and Procedures (the "**Rules**"). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude Parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

14.5.2 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific,

technical or commercial matters, the arbitrator chosen hereunder shall engage experts having educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] period, the arbitrator shall be appointed in accordance with the Rules. The place of arbitration shall be New York, New York, and all proceedings and communications shall be in English.

14.5.3 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties. Once the arbitrator has been selected, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrator agrees otherwise.

14.5.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor the arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

14.5.5 As used in this Section 14.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory, (c) injunctive relief, (d) tax matters, or (e) international law. Any Excluded Claim may be submitted by either Party to any court of competent jurisdiction over such Excluded Claim.

14.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use reasonable efforts to resume performance of its obligations and will keep the other Party informed of actions related thereto. If any such failure of delay in a Party's performance hereunder continues for more than one hundred eighty (180) days, the other Party may terminate this Agreement upon written notice to the delayed Party.

14.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

14.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and Celgene, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

14.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and will be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice); provided that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested), although the sending of the e-mail message shall be when the notice is deemed to have been given, or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks: Zymeworks, Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to Celgene: Celgene Corporation
86 Morris Avenue
Summit, NJ 07901
United States of America
ATTN: […***…]

and

Celgene Alpine Investment Co. LLC
1 Route de Perreux
2017 Boudry
Switzerland
ATTN: […***…]

14.10 Further Assurances. Celgene and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

14.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

14.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

14.13 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter. The Parties acknowledge and agree that, as of the Effective Date, all Confidential Information disclosed pursuant to the Confidentiality Agreement by a Party or its Affiliates shall be included in the Confidential Information subject to this Agreement and the Confidentiality Agreement is hereby superseded in its entirety; provided, that the foregoing shall not relieve any Person of any right or obligation accruing under the Confidentiality Agreement prior to the Effective Date. "**Confidentiality Agreement**" means the Mutual Non-Disclosure Agreement between Zymeworks and Celgene dated […***…].

14.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

14.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

14.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

14.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

14.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party

agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

14.20 Notification and Approval. In the event that this Agreement or the transaction(s) set forth herein are subject to notification or regulatory approval in one or more countries, then development and commercialization in such country(ies) will be subject to such notification or regulatory approval. The Parties will reasonably cooperate with each other with respect to such notification and the process required thereunder, including in the preparation of any filing. Celgene will be responsible for any and all costs, expenses, and filing fees associated with any such filing.

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

CELGENE CORPORATION

By: /s/ Robert Hugin
Name: Robert Hugin
Title: Chief Executive Officer

CELGENE ALPINE INVESTMENT CO. LLC

By: /s/ Robert Hugin
Name: Robert Hugin
Title: Chief Executive Officer

EXHIBIT 2.2
APPROVED ZYMEWORKS CONTRACTORS

Entity	Location	Type of Services
[…***…]		

EXHIBIT 3.1.3
THE INITIAL WORKPLAN

(as of March 27, 2015)

Celgene Responsibilities:

- […***…]

Zymeworks Responsibilities:

- […***…]

EXHIBIT 5.2
SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT

FOR COMMON SHARES

THIS AGREEMENT made the 24th day of December, 2014

Celgene Alpine Investment Co. LLC (hereinafter referred to as the "***Subscriber***") hereby agrees to purchase, and Zymeworks Inc. (the "***Corporation***") hereby agrees to issue and sell to the Subscriber, 1,652,893 Common Shares (as defined below) of the Corporation (the "***Shares***") for the aggregate subscription price of $10,000,002.65 (the "***Subscription Price***"), representing a subscription price of $6.05 per Share, upon and subject to the terms and conditions set forth herein (the "***Agreement***"). This Agreement is entered into in connection with that certain License and Collaboration Agreement, by and between the Subscriber and the Corporation, dated as of the date hereof (the "***License and Collaboration Agreement***") and that certain Investor Rights Agreement, by and between the Subscriber and the Corporation, dated as of the date hereof (the "***Rights Agreement***", and together with the License and Collaboration Agreement, the "***Related Agreements***").

Representations, Warranties and Covenants by Subscriber

1. By executing this Agreement, the Subscriber represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) as follows:

(a) Resale Limitations. The Subscriber has been independently advised as to and is aware of the applicable restrictions on the resale of the Shares imposed by the *Securities Act* (British Columbia), the regulations and rules made thereunder and all administrative policy statements, blanket orders, notices, directions and rulings issued by the British Columbia Securities Commission, all as amended (the "***B.C. Securities Laws***") and is aware of the risks in purchasing and other characteristics of such securities and of the fact that the Subscriber may not be able to resell such securities except in accordance with applicable securities legislation and regulatory policies. The Subscriber has been advised to consult its own legal advisers with respect to applicable restrictions on the resale of the Shares and it is solely responsible (and the Corporation is not in any way responsible) for compliance with applicable resale restrictions, and it will comply with such resale restrictions and agrees that all certificates representing the Shares may bear certain legends to that effect.

(b) Accredited Investor. The Subscriber is agreeing to purchase the Shares pursuant to the accredited investor prospectus exemption (the "***Accredited Investor Exemption***") under section 2.3 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("***NI 45-106***") and is an "accredited investor" as that term is defined in NI 45-106 and has completed and signed the certificate attached as Schedule A hereto. The Subscriber is also an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the United States *Securities Act of 1933*, as amended (the "***Act***") and has completed and signed the certificate attached as Schedule B hereto.

(c) Purchase for Own Account. The Subscriber is purchasing the Shares for its own account and not for the account or benefit of any other person, and is doing so for investment purposes only, and not with a view to resell or otherwise distribute any of the Shares in violation of NI 45-106, the Act or any state or provincial securities laws.

(d) Investor Sophistication. The Subscriber (i) has knowledge and experience in business and financial matters, prior investment experience, including investment in securities that are non-listed, unregistered and/or not traded on a national securities exchange nor on any automated quotation system; (ii) recognizes the highly speculative nature of this investment; and (iii) is able to bear the economic risk that the Subscriber hereby assumes. The Subscriber, if an entity, was not formed for the purpose of purchasing the Shares.

(e) Disclosure of Information. The Subscriber, in making the decision to invest in the Shares, has relied solely upon the information provided in this Agreement and Subscriber's own investigation of the Corporation, including review of any documents, records and books of the Corporation that Subscriber has requested from the Corporation, which investigation has provided the Subscriber with all the information the Subscriber has deemed necessary for purposes of its investment decision. The Subscriber has had a reasonable opportunity to ask questions of, and receive answers from, a person or persons acting on behalf of the Corporation concerning the offering of the Shares and the business, financial conditions and result of operations of the Corporation, and all such questions have been answered by a representative of the Corporation to the full satisfaction of the Subscriber. This Section 1(e) does not limit or modify, however, the representations and warranties of the Corporation in Section 2 of this Agreement or the right of the Subscriber to rely thereon.

(f) Reliance on Advisers. To the extent necessary, the Subscriber has retained, at its own expense, and relied upon appropriate professional advice regarding the investment, tax and legal merits and consequences of the purchase of the Shares contemplated hereunder and in particular, the Subscriber has been independently advised as to and is aware of the applicable restrictions on the resale of the Shares imposed by securities legislation in the jurisdiction in which it resides and is aware of the risks and other characteristics of such Shares and of the fact that the Subscriber may not be able to sell such Shares except in accordance with applicable securities legislation and

regulatory policies and the Subscriber is solely responsible (and the Corporation is not in any way responsible) for compliance with applicable resale restrictions.

(g) No General Solicitation. The Subscriber was contacted regarding the sale of the Shares by the Corporation (or its respective authorized agents or representatives) with whom the Subscriber had a pre-existing relationship and no Shares were offered or sold to the Subscriber by means of any form of general solicitation or general advertising, and in connection therewith, the Subscriber did not: (i) receive or review any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available, or the internet (including without limitation, internet blogs, bulletin boards, discussion groups or social networking sites); or (ii) attend any seminar, meeting or industry investor conference whose attendees were invited by any general solicitation or general advertising.

(h) Residence. The Subscriber is organized in the State of Delaware.

(i) Restricted Securities. The Subscriber understands and acknowledges that the Shares have not been and will not be registered under the Act or any state securities laws, and that the Corporation has no obligation or present intention of filing a registration statement under the Act in respect of the Shares, and the Shares are intended to be exempt from registration under the Act pursuant to the provisions of Rule 506 of Regulation D thereunder, which is in part dependent upon the truth, completeness and accuracy of the representations made by the Subscriber herein.

(j) No Guarantee of Return. The Subscriber acknowledges and understands that no person has made any written or oral representation: (i) that any person will resell or repurchase any or all of the Shares; (ii) that any person will refund the purchase price of the Shares; or (iii) as to future price or value of the Shares.

(k) Further Cooperation. If required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Subscriber will, with respect to this Agreement, execute, deliver and file or assist the Corporation in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Shares by the Subscriber as may be required.

(l) Resale Requirements. The Subscriber, if it decides to offer, sell or otherwise transfer, pledge or hypothecate all or any part of the Shares, will not offer, sell or otherwise transfer, pledge or hypothecate any of such securities (other than pursuant to an effective registration statement under the Act), directly or indirectly unless:

(i) the sale is to the Corporation; or

(ii) the sale is made outside the United States in accordance with the requirements of Rule 904 of Regulation S under the Act; or

(iii) the sale is made pursuant to the exemption from registration under the Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or

(iv) with the prior written consent of the Corporation, the sale is made pursuant to another exemption from registration under the Act and any applicable state securities laws,

provided that in the case of subparagraphs (iii) and (iv), a written opinion of legal counsel reasonably satisfactory to the Corporation is addressed and provided to the Corporation to the effect that the proposed transfer may be effected without registration under the Act or any applicable state securities laws.

(m) No Public Market. The Subscriber acknowledges that there is currently no active trading market for the Shares, an active trading market for the Shares may never develop, and therefore, the Subscriber may be required to hold the Shares indefinitely.

(n) Legends. The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Shares to the effect that such securities have not been registered under the Act or any state securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement and the articles of the Corporation (as amended to date, the "***Articles***"). The Subscriber acknowledges and consents to the placement of any required legend under applicable Canadian securities laws on any certificate evidencing the Shares issued to the Subscriber. The Subscriber is aware that the Corporation and its transfer agent will make notations in their appropriate records with respect to the restrictions on the transferability of such securities. Stop transfer instructions will be placed with the transfer agent of the Shares, if any, or with the Corporation.

(i) The legends to be placed on each certificate will be in form substantially similar to the following:

(1) THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION, PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS; PROVIDED THAT IN THE CASE OF SUBPARAGRAPHS (C) AND (D), THE CORPORATION HAS RECEIVED A WRITTEN OPINION OF LEGAL COUNSEL REASONABLY SATISFACTORY TO IT TO THE EFFECT THAT THE PROPOSED TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

(2) THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AS SET FORTH IN THE ARTICLES OF THE CORPORATION, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE CORPORATION.

(3) UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) DECEMBER 24, 2014, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

(ii) The Subscriber acknowledges that if the Subscriber resells any of the Shares outside the United States pursuant to Rule 904 of Regulation S under the Act and in compliance with local laws and regulations, including holding period restrictions applicable to the Subscriber, at a time when the Corporation is a "foreign issuer" as defined in Regulation S under the Act, the legend set forth in subparagraph (1) above may be removed in connection with such resale by providing to the Corporation and its transfer agent the certificate for the Shares together with a declaration to the effect that the Shares have been resold pursuant to Rule 904 of Regulation S under the Act, in such form as the Corporation may prescribe from time to time.

(o) Authority. The Subscriber has full power and authority (corporate, statutory and otherwise) to execute and deliver this Agreement and the Related Agreements. This Agreement and the Related Agreements have been duly and validly executed and delivered by the Subscriber and each constitutes the legal, valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.

(p) Brokers or Finders. The Subscriber has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in connection with the transactions contemplated by the Agreement and the Subscriber hereby agrees to indemnify and hold harmless the Corporation from and against all fees, commissions or other payments owing to any such person or firm acting on behalf of the Subscriber hereunder.

(q) Indemnification for Breach of Representations or Warranties. The Subscriber hereby agrees to hold the Corporation and its directors, officers, employees, affiliates, controlling persons and agents and their respective officers, directors, employees, counsel, controlling persons and agents, and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any false representation or warranty or any breach or failure by the Subscriber to comply with any covenant made by the Subscriber in this Agreement (including any Schedules attached hereto).

(r) Compliance with Other Instruments. The entering into of this Agreement and the Related Agreements, and the transactions contemplated hereby and thereby, will not result in the violation of or be in conflict with any of the terms and provisions of any law applicable to, or the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which it is or may be bound.

(s) Tax Advisers. The Subscriber acknowledges that purchasing, holding, exercising and disposing of the Shares may have tax consequences under the laws of both Canada and the United States, that prospective purchasers are solely responsible for determining the tax consequences applicable to their particular circumstances and that the undersigned has been advised by the Corporation to consult its tax advisers concerning investment in the Shares.

(t) Bad Actors. Neither the Subscriber nor any of its directors, executive officers, other officers that may serve as a director or officer of any company in which it invests, general partners or managing members, is subject to any "bad actor" disqualifications described in Rule 506(d)(i) through (viii) under the Act ("***Disqualification Events***"), except for Disqualification Events covered by Rule 506(d)(2) under the Act and disclosed reasonably in advance of the Closing (as hereinafter defined) in writing in reasonable detail to the Corporation.

Representations, Warranties and Covenants of the Corporation

2. The Corporation hereby represents, warrants and covenants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that, except as set forth on the Schedule of Exceptions furnished to the Subscriber (the "***Schedule of Exceptions***") specifically identifying the relevant Section hereof:

(a) Corporate Authority. The Corporation has the full corporate right, power and authority to carry on its business as now conducted and as proposed to be conducted, and to execute and deliver this Agreement, and the Related Agreements and to take all actions contemplated hereby and thereby, including to issue the Shares to the Subscriber.

(b) Organization, Good Standing and Qualification. Corporation is duly incorporated, validly existing and in good standing under the laws of Canada and is qualified to carry on business in the Province of British Columbia and in each other jurisdiction, if any, in which the failure to so qualify would have a material adverse effect on its business or properties.

(c) Capitalization and Voting Rights. Except as set forth on the Schedule of Exceptions, immediately prior to Closing, the authorized capital stock of the Corporation consists, or will consist of:

(i) An unlimited number of Common Shares of the Corporation ("***Common Shares***") of which 24,865,282 Common Shares are issued and outstanding.

(ii) The outstanding Common Shares are owned by the shareholders and in the numbers specified in Exhibit C-1 attached hereto. A pro forma capitalization table, assuming the issuance of the Shares, is attached hereto as Exhibit C-2.

(iii) The Corporation has not made any representations, agreements or commitments regarding equity incentives to any officer, employee, director or consultant that are inconsistent with the share amounts set forth on Exhibits C-1 and C-2.

(iv) The outstanding Common Shares are all duly and validly authorized and issued, fully paid and nonassessable, and were issued in accordance with the registration or qualification provisions of the Act, NI 45-106, B.C. Securities Laws and any relevant state or provincial securities laws, or pursuant to valid exemptions therefrom.

(v) Except for (A) outstanding options as of the Closing to purchase 1,833,373 Common Shares granted to directors, officers, employees, consultants and other service providers (the "***Options***") pursuant to the Corporation's Employee Stock Option Plan (the "***Option Plan***") and a warrant to purchase 280,000 Common Shares, (B) the investor rights agreement between Eli Lilly and Company and the Corporation dated October 22, 2014 (the "***Lilly Rights Agreement***"), (C) the investor rights agreement between Fonds de solidarité des travailleurs du Québec (F.T.Q.) and the Corporation dated December 18, 2014, (the "***FTQ Rights Agreement***") there are no outstanding options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Corporation of any shares of its capital stock. No adjustment to the exercise price or number of shares issuable upon exercise of any of the Options will occur as a result of or in connection with the issuance of the Shares. In addition, the Corporation has reserved 3,139,683 Common Shares for purchase upon exercise of options to be granted in the future under the Option Plan. Except with respect to the Lilly Rights Agreement and the FTQ Rights Agreement, the voting agreement between the Corporation and certain other shareholders of the Corporation, and the Articles, the Corporation is not a party or subject to any agreement or understanding and, to the Corporation's knowledge (which, for purposes of this Section 2 means actual knowledge of the Chief Executive Officer and Chief Financial Officer of the Corporation after reasonable investigation), there is no agreement or understanding between any persons and/or entities that affects or relates to the voting or giving of written consents with respect to any security or by a director of the Corporation.

(vi) No stock plan, stock purchase, stock option or other agreement or understanding between the Corporation and any holder of any securities or rights exercisable or convertible for securities provides for acceleration or other changes in the vesting provisions or other terms of such agreement or understanding as a result of the occurrence of any event. The Corporation has never adjusted or amended the exercise price of any stock options previously awarded, whether through amendment, cancellation, replacement grant, repricing or any other means. Except as set forth in the Articles, the Corporation has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or to pay any dividend or make any other distribution in respect thereof.

(vii) The Corporation has obtained valid waivers of any rights by other parties to purchase any of the Shares covered by this Agreement.

(d) Subsidiaries. Except as set forth on the Schedule of Exceptions, the Corporation does not presently own or control, directly or indirectly, any interest in any other corporation, association or business entity. The Corporation is not a participant in any joint venture, partnership, or similar arrangement.

(e) Authorization. All corporate action on the part of the Corporation, the officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement and the Related Agreements, the performance of all obligations of the Corporation hereunder and thereunder, the authorization, issuance (or reservation for issuance), sale and delivery of the Shares being sold hereunder has been taken or will be taken prior to the Closing, and this Agreement and the Related Agreements constitute valid and legally binding obligations of the Corporation, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(f) Valid Issuance of the Shares. The Shares, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, and will be free and clear of all liens, charges, claims, encumbrances and restrictions on transfer other than restrictions on transfer under this Agreement, the Articles, and under any applicable U.S., Canadian, state or provincial securities laws.

(g) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any U.S., Canadian, state, provincial or local governmental authority on the part of the Corporation is required in connection with the consummation of the transactions contemplated by this Agreement and the Related Agreements, except (i) the filings pursuant to Regulation D, promulgated by the U.S. Securities and Exchange Commission (the "***SEC***") under the Act, and the British Columbia Securities Commission, if needed (which filings will be made within the time period required by Regulation D and NI 45-106, respectively), and (ii) the filings required by applicable state "blue sky" securities laws and provincial laws, rules and regulations (which filings will be made within the time period required by such laws, rules and regulations).

(h) Offering. Assuming the accuracy of the representations of the Subscriber in Section 1 of this Agreement, and subject to the filings described in Section 2(g) above, the offer, sale and issuance of the Shares as contemplated by this Agreement are exempt from the prospectus and registration requirements of applicable U.S., Canadian, state, provincial and local securities laws, and neither the Corporation nor any authorized agent acting on its behalf will take any action hereafter that would cause the loss of such exemption.

(i) Litigation. Except as set forth on the Schedule of Exceptions, there is no action, suit, proceeding or investigation pending or, to the Corporation's knowledge, currently threatened involving the Corporation or, to the Corporation's knowledge, any officer, director or key employee of the Corporation with respect to the Corporation, nor is the Corporation aware of any basis for the foregoing, where such action, suit, proceeding or investigation is reasonably likely to have a material adverse effect on the Corporation. Neither the Corporation nor, to the Corporation's knowledge, any of its officers, directors or key employees with respect to the Corporation, is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality (in the case of officers, directors or key employees, such as would affect the Corporation in any material respect). There is no material action, suit, proceeding or investigation by the Corporation currently pending or that the Corporation intends to initiate. The foregoing includes, without limitation, material actions, suits, proceedings or investigations pending or currently threatened involving the prior employment of any of the Corporation's employees, their use in connection with the Corporation's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. More specifically, there is no judgment pending or that has been issued against the Corporation and no order or decision issued against the Corporation in accordance with any statute set out at schedule 1of the *Act Respecting Contracting by Public Bodies*.

(j) Proprietary Information Agreements. Except as set forth on the Schedule of Exceptions, each present and former employee and officer of the Corporation has executed an intellectual property and moral rights waiver pursuant to an employment agreement, in substantially the form provided to counsel for the Subscriber, and each present and former consultant to the Corporation has executed a consulting agreement in substantially the forms provided to counsel for the Subscriber. Except as set forth on the Schedule of Exceptions, the Corporation is not aware that any of its present or former employees, officers or consultants is in violation thereof, and the Corporation will use its commercially reasonable efforts to prevent any such violation. No present or former key

employee has excluded works or inventions from his or her assignment of inventions pursuant to such key employee's proprietary information and inventions assignment agreement. Each present and former key employee has executed a non-competition and non-solicitation agreement in substantially the form or forms provided to counsel for the Subscriber.

(k) Intellectual Property.

(i) Schedule 2(k) of the Schedule of Exceptions contains a complete and accurate list of all patents, trademarks, domain names and registered copyrights owned or used by the Corporation, and any pending applications for any of the foregoing intellectual property rights filed by or on behalf of the Corporation.

(ii) It has sufficient title and ownership of or licenses to all patents, trademarks, service marks, trade names, domain names, copyrights, trade secrets, information, proprietary rights, processes and other intellectual property rights (collectively, the "***Intellectual Property***") that are, to the Corporation's knowledge, necessary for its business as now conducted and as proposed to be conducted.

(iii) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership of interests of any kind (other than customary non-disclosure agreements with third parties, nondisclosure, assignment of inventions, and non-competition agreements with the Corporation's employees and consultants) relating to anything referred to above in this Section 2(k) that are to any extent owned by, or exclusively licensed to, the Corporation.

(iv) The Corporation is not bound by or a party to any options, licenses or agreements of any kind with respect to the Intellectual Property of any other person or entity (except as listed on Schedule 2(k) and except for nonexclusive rights granted solely for conduct of contract manufacturing and research services, standard end-user, object code, internal-use software license support/maintenance agreements, customary non-disclosure agreements with third parties, nondisclosure, assignment of inventions, and noncompetition agreements with the Corporation's employees and consultants).

(v) Except as set forth in Schedule 2(k) of the Schedule of Exceptions, the Corporation has not received any written communications alleging that the Corporation has violated, infringed, diluted or misappropriated or, by conducting its business as proposed, would violate, infringe, dilute or misappropriate any of the Intellectual Property of any other person or entity, and to the knowledge of the Corporation, there is no basis for such an allegation.

(vi) To the Corporation's knowledge, the Intellectual Property owned by or licensed to the Corporation have not been violated, infringed, diluted or misappropriated by any other person or entity.

(vii) The Corporation is not aware that any of its employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Corporation or that would conflict with the Corporation's business as presently conducted or as proposed to be conducted.

(viii) Neither the execution nor delivery of this Agreement or the Related Agreements, nor the carrying on of the business of the Corporation by its employees, nor the conduct of the Corporation's business as proposed, will, to the Corporation's knowledge, conflict with or result in a material breach of the terms, conditions or provisions of, or constitute a

material default under, any contract, covenant or instrument under which any of such employees is now obligated.

(ix) To the knowledge of the Corporation, it is not and will not be necessary to utilize any Intellectual Property of any of its employees developed, invented or made prior to their employment by the Corporation except any such Intellectual Property that have previously been assigned or licensed to the Corporation, which Intellectual Property is set forth on Schedule 2(k) of the Schedule of Exceptions.

(x) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, the abandonment, loss or expiration of any Intellectual Property owned or used by the Corporation has not had and would not reasonably be expected to have a material adverse effect on the Corporation, and to the Corporation's knowledge no abandonment, loss or expiration of any Intellectual Property that would be expected to have a material adverse effect is pending.

(xi) The Corporation has taken commercially reasonable steps to maintain and protect the Intellectual Property which it owns and uses, including by disclosing trade secrets and confidential information only on a need to know basis to those of its employees and consultants, strategic and collaborative partners, and lenders, in each case, who have executed valid and enforceable non-disclosure agreements.

(xii) The transactions contemplated by this Agreement and the Related Agreements will not have a material adverse effect on the Corporation's right, title or interest in and to the Intellectual Property owned or purported to be owned by it or licensed to it, and all of such material Intellectual Property will be owned or available for use by the Corporation and on identical terms and conditions immediately after the Closing.

(xiii) Except as set forth on Schedule 2(k) of the Schedule of Exceptions, the Corporation is not subject to any "open source" or "copyleft" obligations or otherwise required to make any public disclosure or general availability of source code either used or developed by the Corporation.

(l) Compliance with Other Instruments. The Corporation is not in violation or default of any provision of its Articles or bylaws of the Corporation, (as amended to date, the "***Bylaws***"), or in any material respect of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, or, to the Corporation's knowledge, of any provision of any U.S., Canadian, state, provincial or local statute, rule or regulation applicable to the Corporation. The execution, delivery and performance of this Agreement and the Related Agreements, and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation or default or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Corporation, or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Corporation, its business or operations or any of its assets or properties, unless such violation, default or conflict would not have a material adverse effect on the Corporation.

(m) Agreements; Action.

(i) Except for agreements explicitly contemplated hereby, by the Related Agreements and agreements entered into the ordinary course of business, there are no agreements, understandings or proposed transactions between the Corporation and any of its officers, directors, consultants, key employees or affiliates or any affiliate thereof.

(ii) Except this Agreement and the Related Agreements and as set out on the Schedule of Exceptions, there are no agreements, understandings, instruments, contracts, proposed

transactions, judgments, orders, writs or decrees to which the Corporation is a party or by which it is bound that may involve (A) obligations (contingent or otherwise) of, or payments to the Corporation in excess of, $1,000,000, (B) any license of any patent, copyright, trademark, trade secret or other proprietary right to or from the Corporation (other than (1) the license of the Corporation's software and products in object code form in the ordinary course of business pursuant to standard end-user agreements, the form of which has been provided to special counsel for the Subscriber or (2) the license to the Corporation of standard, generally commercially available, "off-the-shelf" third-party products that are not and will not to any extent be part of, or influence development of, or require payment with respect to, any product, service or intellectual property offering of the Corporation), (C) provisions materially restricting or affecting the development, manufacture or distribution of the Corporation's products or services, or (D) indemnification by the Corporation with respect to infringements of proprietary rights.

(iii) Except as set out on the Schedule of Exceptions, the Corporation has not (A) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital stock, (B) incurred any indebtedness for money borrowed in excess of $1,000,000, (C) made any loans or advances to any person, other than ordinary advances for travel or other business expenses, or (D) sold, exchanged or otherwise disposed of any of its assets or rights, other than in the ordinary course of business.

(iv) For the purposes of subsections (ii) and (iii) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Corporation has reason to believe are affiliated therewith) will be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(v) Except as disclosed in the Schedule of Exceptions, the Corporation has not engaged in the past three (3) months in any discussion (A) with any representative of any corporation or corporations regarding the consolidation, merger or other business combination transaction of the Corporation with or into any such corporation or corporations, (B) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Corporation or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Corporation is disposed of, or (C) regarding any other form of acquisition, liquidation, dissolution or winding up of the Corporation.

(n) Related-Party Transactions. Except as set forth on the Schedule of Exceptions, no employee, officer or director of the Corporation (a "***Related Party***") or member of such Related Party's immediate family, or any corporation, partnership or other entity in which such Related Party is an officer, director or partner, or in which such Related Party has significant ownership interests or otherwise controls (collectively, the "***Additional Related Parties***"), is indebted to the Corporation, nor is the Corporation indebted (or committed to make loans or extend or guarantee credit) to any of them, other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Corporation, and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Corporation (the "***Board of Directors***"), including the Option Plan). To the Corporation's knowledge, no Related Party or Additional Related Party has any direct or indirect ownership interest in any firm or corporation with which the Corporation is affiliated or with which the Corporation has a business relationship, or any firm or corporation that competes with the Corporation, except that employees, officers or directors of the Corporation and members of such Related Party's immediate family may own stock in publicly traded companies that may compete with the Corporation. To the Corporation's knowledge, no Related Party or Additional Related Party is directly or indirectly interested in any material contract with the Corporation (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Corporation or employment by the Corporation).

(o) Permits. The Corporation has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, or financial condition of the Corporation, as the case may be, and the Corporation believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted. The Corporation is not in default in any material respect under any of such franchises, permits, licenses, or other similar authority.

(p) Corporate Documents. Except for amendments necessary to satisfy the representations, warranties or conditions contained in this Agreement or the Related Agreements (the form of which amendments has been approved by the Subscriber), the Articles and Bylaws of the Corporation are in the form previously provided to the Subscriber.

(q) Title to Property and Assets. Except (i) for liens for current taxes not yet delinquent, (ii) for liens imposed by law and incurred in the ordinary course of business for obligations not past due to carriers, warehousemen, laborers, materialmen and the like, (iii) for liens in respect of pledges or deposits under workers' compensation laws or similar legislation or (iv) for minor defects in title, none of which, individually or in the aggregate, materially interferes with the use of such property, the Corporation has good and marketable title to its property and assets free and clear of all mortgages, liens, claims, and encumbrances. With respect to the property and assets it leases, the Corporation is in material compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances, subject to clauses (i)-(ii) above.

(r) Financial Information. The Corporation has delivered to the Subscriber its audited consolidated financial statements (balance sheet, income statement and cash flow statement, including notes thereto) as of December 31, 2012 and for the fiscal year then ended, its audited consolidated financial statements (balance sheet, income statement and cash flow statement, including notes thereto) as of December 31, 2013 and for the fiscal year then ended, and its unaudited consolidated financial statements (balance sheet, income statement and cash flow statement) as of September 30, 2014 and for the 9 - month period then ended (collectively, the "***Financial Statements***"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, comprised of the standards and interpretations so described and pronounced by the International Accounting Standards Board as amended from time to time, as adopted by the Canadian Institute of Chartered Accountants ("***IFRS***") applied on a consistent basis throughout the periods indicated, except that the unaudited financial statements do not contain all footnotes required by IFRS. The Financial Statements fairly present the financial condition and operating results of the Corporation on a consolidated basis as of the dates and for the periods indicated therein, subject, in the case of the unaudited financial statements, to normal year-end audit adjustments. Except as set forth in the Financial Statements, the Corporation has no material liabilities or obligations, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to September 30, 2014 (the "***Financial Statement Date***"), (ii) obligations under contracts and commitments incurred in the ordinary course of business, and (iii) liabilities and obligations of a type or nature not required under IFRS to be reflected in the Financial Statements, which, in all such cases, individually or in the aggregate, are not material to the financial condition or operating results of the Corporation. Except as disclosed in the Financial Statements, the Corporation is not a guarantor or indemnitor of any indebtedness of any other person or entity. The Corporation maintains and will continue to maintain a standard system of accounting established and administered in accordance with IFRS.

(s) Changes. Since the Financial Statement Date, except as set forth on the Schedule of Exceptions, there has not been:

(i) any material change in the assets, liabilities, financial condition or operating results of the Corporation from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(ii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results, or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted);

(iii) any waiver by the Corporation of a valuable right or of a material debt owed to it;

(iv) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Corporation, except in the ordinary course of business and that is not material to the assets, properties, financial condition, operating results or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted);

(v) any material change or amendment to a material contract or arrangement by which the Corporation or any of its assets or properties is bound or subject;

(vi) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(vii) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(viii) any resignation or termination of employment of any officer or key employee of the Corporation; and the Corporation is not aware of the impending resignation or termination of employment of any such officer or key employee;

(ix) a loss of, or material order cancellation by, any major customer or collaborator of the Corporation nor any notice thereof;

(x) any mortgage, pledge, transfer of a security interest in, or lien created by the Corporation, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the Corporation's ownership or use of such property or assets;

(xi) any loans or guarantees made by the Corporation to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of business;

(xii) any declaration, set aside, payment or other distribution in respect of any of the Corporation's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Corporation;

(xiii) to the Corporation's knowledge, any other event or condition of any character, other than events affecting the economy or the Corporation's industry generally, that might materially and adversely affect the assets, properties, financial condition, operating results, or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted); or

(xiv) any agreement or commitment by the Corporation to do any of the things described in this Section 2(s).

(t) Employee Benefit Plan. The Corporation is not a member of any employer, management, industry or other trade, labour relations or business association under which the Corporation is obligated to contribute to any employee or contractor employee benefit or industry enhancement fund, including any pension plan, health benefit plan or other similar employee entitlement plan, and Corporation does not have any outstanding liability under any Benefit Plan (as defined below) except as disclosed on the Schedule of Exceptions, nor has the Corporation made or authorized any payment to or for the benefit of any officer or employee on account of salary, pay, fringe benefits, commissions or other compensation, pension, bonus, share of profits or any Benefit Plan, except in the ordinary course of business and at rates consistent with previous years. Except as disclosed on the Schedule of Exceptions:

(i) all Benefit Plans of the Corporation are funded in accordance with applicable laws and no past service funding liability exists thereunder;

(ii) no assets (including any surplus) of the Corporation have ever been paid out of a Benefit Plan except to a participant (or beneficiary of the participant) in such Benefit Plan in accordance with its terms and applicable laws;

(iii) all reports, returns and similar documents (including applications for registration and approval of contributions) with respect to any Benefit Plan required to be filed with any governmental agency or distributed to any Benefit Plan participant have been duly filed on a timely basis or distributed;

(iv) to the knowledge of the Corporation, there are no pending investigations by any governmental or regulatory agency or authority involving or relating to any Benefit Plan, no pending or threatened claims (except for claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings relating to any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan which could give rise to a liability nor are there any facts that could give rise to any liability in the event of any such investigation, claim, suit or proceeding;

(v) no notice in writing has been received by the Corporation of any complaints or other proceedings of any kind involving the Corporation or, to the knowledge of the Corporation, any of the employees of the Corporation before any pension board or committee relating to any Benefit Plan or to the Corporation; and

(vi) the consummation of the transactions contemplated by this Agreement will not constitute an event under any Benefit Plan or individual agreement with a present or former employee of the Corporation that will or may result in any severance or other payment or in the acceleration, vesting or increase in benefits with respect to any present or former employee of the Corporation;

"**Benefit Plan**" means any pension, retirement, deferred compensation, profit-sharing, tax-deferred savings plans (including registered retirement savings plans, registered educational savings plans, and tax free saving account plans), savings, disability, medical, dental, health, life, death benefit, stock option, stock purchase, bonus, incentive, vacation entitlement and pay, termination and severance pay or other employee benefit plan, trust, arrangement, contract, agreement, policy or commitment, whether or not any of the foregoing is funded or insured, and whether written or oral, formal or informal, which is intended to provide or does in fact provide benefits to any or all employees or former employees of the Corporation, and to which the Corporation is a party or by which the Corporation is bound or with respect to which the Corporation has any liability or potential liability, and for greater certainty includes plans or programs in which the Corporation is obligated to participate by statute.

(u) Tax Returns, Payments and Elections.

(i) To the knowledge of the Corporation, with the exception of disclosures on Schedule 2(u) of the Schedule of Exceptions, the Corporation has prepared and filed all Tax Returns required to be filed by it with the appropriate Governmental Authority, within the prescribed period, in accordance with the *Income Tax Act* (Canada) and all other applicable laws ("***Applicable Tax Laws***"). Each such Tax Return is true, correct and complete in all material respects and such Tax Returns disclose all information required to be disclosed in accordance with Applicable Tax Laws. Corporation is not, and has never been, a member of a group of corporations with which it has filed, or been required to file, consolidated, combined, unitary or similar Tax Returns;

(ii) The Corporation has paid all Taxes and instalments of Taxes required to be paid to any Governmental Authority before the Closing Date, within the prescribed period, pursuant to Applicable Tax Laws. No material deficiency with respect to the payment of any Taxes or instalments of Taxes has been asserted against Corporation by any Governmental Authority. Adequate provision has been made, or will be made prior to Closing, in the financial statements of the Corporation, for all Taxes payable by it for all taxable periods ending, or deemed to end, on or immediately prior to the Closing Date, and, where no taxable period ends or is deemed to end on or immediately prior to the Closing Date, for all Taxes in respect of any time prior to the Closing Date;

(iii) Except as set forth on Schedule 2(u) of the Schedule of Exceptions, the Corporation has duly withheld and collected all Taxes required by Applicable Tax Laws to be withheld or collected by it and has duly remitted to the appropriate Governmental Authority all such Taxes, as and when required by Applicable Tax Laws. The amount of any Taxes withheld or collected but not remitted by the Corporation has been retained in its accounts and will be remitted by it to the appropriate Governmental Authority when due;

(iv) Except as set forth on Schedule 2(u) of the Schedule of Exceptions, there are no material Tax-related enforcement actions, suits, proceedings, investigations or claims now, or to the knowledge of the Corporation, threatened, pending against the Corporation which, if proven, could result in a material liability to the Corporation regarding the payment of Taxes nor are any such aforementioned matters under discussion with any Governmental Authority relating to assessments or reassessments asserted by any such Governmental Authority, and all Tax Returns of the Corporation for the taxation periods ending on or before December 31, 2013 have been assessed by the relevant Governmental Authority;

(v) The Corporation has not requested, entered into or executed any agreement or other arrangements, or any waiver, providing for any extension of time within which:

(A) to file any Tax Return, or any election, designations or similar filing relating to Taxes;

(B) it is required to pay or remit any Taxes or amounts on account of Taxes; or

(C) any Governmental Authority may assess or collect Taxes;

(vi) The Corporation has not entered into any agreement with, or provided any undertaking to, any person pursuant to which it has assumed liability for the payment of Taxes owing by such person.

"**Tax**" or "**Taxes**" means, collectively:

(a) any taxes, tariffs, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence and registration fees and all employment insurance, health insurance and other government pension plan premiums or contributions; and

(b) any liability for the payment of any amounts of the type described in (a) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under

any agreement or arrangements with any other Person with respect to such amounts, including any liability for Taxes of a predecessor entity.

"**Tax Return**" means any return, report, election, notice, designation, declaration, information return, or other document filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority in connection with any Tax, including any schedules or amendments thereto.

"**Governmental Authority**" means the Government of Canada or the Government of British Columbia or any other provincial, local or other political subdivision thereof, or any foreign or other jurisdiction in which the Corporation conducts all or any part of its business, or which asserts jurisdiction over any properties of the Corporation, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

(v) Insurance. The Corporation has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its material properties that might be damaged or destroyed. The Corporation has in full force and effect products liability, errors and omissions, general commercial liability, and directors' and officers' liability insurance in amounts customary for companies similarly situated.

(w) Brokers or Finders. The Corporation has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in connection with the transactions contemplated by the Agreement and the Corporation hereby agrees to indemnify and hold harmless the Subscriber from and against all fees, commissions or other payments owing to any such person or firm acting on behalf of the Corporation hereunder.

(x) Minute Books. The minute books of the Corporation provided to the Subscriber contain complete minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since January 1, 2012, and reflect all transactions referred to in such minutes accurately in all material respects.

(y) Labor Agreements and Actions; Employee Compensation. The Corporation is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Corporation's knowledge, has sought to represent any of the employees, representatives or agents of the Corporation. There is no strike or other labor dispute involving the Corporation pending, or to the Corporation's knowledge, threatened, that could have a material adverse effect on the assets, properties, financial condition, operating results, or business of the Corporation (as such business is presently conducted and as it is proposed to be conducted), nor is the Corporation aware of any labor organization activity involving its employees. The Corporation is not aware that any officers or key employees, or that any group of key employees, intend to terminate their employment with the Corporation, nor does the Corporation have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of the Corporation is terminable at the will of the Corporation. The Corporation has complied in all material respects with all applicable Canadian, provincial, state or local equal employment opportunity laws and other laws related to employment. Except as set forth on the Schedule of Exceptions, the Corporation is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement.

(z) Environmental and Safety Laws. Except as could not reasonably be expected to have a material adverse effect, to the knowledge of the Corporation (i) the Corporation is and has been in compliance with all Environmental Laws (as defined below), (ii) there has been no release or threatened release of any pollutant, contaminant or toxic or hazardous material, substance or waste or petroleum or any fraction thereof (each a "***Hazardous Substance***"), on, upon, into or from any site currently or heretofore owned, leased or otherwise used by the Corporation, and (iii) there are no underground storage tanks located on, no polychlorinated biphenyls ("***PCBs***") or PCB-containing equipment used or stored on, and no Hazardous Substance, stored on, any site owned or operated

by the Corporation, except for the storage of hazardous waste in compliance with Environmental Laws. The Corporation has made available to the Subscriber true and complete copies of all material environmental records, reports, notifications, certificates of need, permits, pending permit applications, correspondence, engineering studies and environmental studies or assessments. For purposes of this Section 2(z), "***Environmental Laws***" means any law, regulation, or other applicable requirement relating to (iv) releases or threatened releases of Hazardous Substance, (v) pollution or protection of employee health or safety, public health or the environment, or (vi) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

(aa) Bad Actor Provisions. Neither the Corporation or any of its predecessors, nor, to the Corporation's knowledge, any affiliated issuer, any director, executive officer, other officer of the Corporation, any beneficial owner of 20% or more of the Corporation's outstanding voting equity securities, calculated on the basis of voting power or any promoter (as that term is defined in Rule 405 under the Act) connected with the Corporation in any capacity at the time of sale (each, an "***Issuer Covered Person***" and, together, "***Issuer Covered Persons***") is subject to a Disqualification Event. The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

(bb) Indemnification for Breach of Representations and Warranties. The Corporation hereby agrees to hold the Subscriber and its directors, officers, employees, affiliates, controlling persons and agents and their respective officers, directors, employees, counsel, controlling persons and agents, and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any false representation or warranty or any breach or failure by the Corporation to comply with any covenant made by the Corporation in this Agreement (including the Schedule of Exceptions attached hereto).

(cc) Full Disclosure. The Corporation has fully provided the Subscriber with all the information reasonably available to it that the Subscriber has requested for deciding whether to purchase the Shares. To the knowledge of the Corporation, no representation or warranty made by the Corporation in this Agreement, the exhibits and schedules hereto or any financial statement or certificate prepared and furnished or to be prepared and furnished by the Corporation or its representatives pursuant hereto contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were furnished. To the knowledge of the Corporation, there is no event, fact or condition specifically relating to the Corporation or the business in which it is engaged that has had, or that reasonably could be expected to have, a material adverse effect on the Corporation that has not been set forth in this Agreement or on the Schedule of Exceptions.

Closing

3. The purchase and sale of the Shares (the "***Closing***") will take place remotely via the exchange of documents, signatures and consideration on the date hereof, or such other date as is otherwise agreed to by the Corporation and the Subscriber (the "***Closing Date***").

(a) Subject to Section 4 hereof, at the Closing, the Subscriber will deliver to the Corporation: (i) a duly completed and originally executed copy of this Agreement, including all applicable Schedules attached hereto; (ii) a duly completed and originally executed copy of the Related Agreements; and (iii) a wire transfer in accordance with the Corporation's instructions, in an amount equal to the Subscription Price.

(b) Subject to Section 5 hereof, at the Closing, the Corporation will deliver to the Subscriber: (i) a duly completed and originally executed copy of this Agreement, including the Schedule of Exceptions; (ii) a duly completed and originally executed copy of the Related Agreements; (iii) the certificates and opinion set forth in Sections 4 below; and (iv) in accordance with the Subscriber's delivery instructions, a definitive certificate registered in the name of the Subscriber (or in the other name or names as requested by the Subscriber), representing the Shares.

4. Conditions to the Subscriber's Obligations to Close. The Subscriber's obligation to purchase the Shares at the Closing is subject to the fulfillment on or before the Closing of each of the following conditions, unless waived by the Subscriber:

(a) Representations and Warranties. Except as set forth or modified by the Schedule of Exceptions, the representations and warranties made by the Corporation in Section 2 will be true and correct in all material respects as of the Closing.

(b) Covenants. The Corporation will have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Corporation on or prior to the Closing.

(c) Blue Sky/B.C. Securities Laws. The Corporation will have obtained all necessary U.S. state securities and "blue sky" law and B.C. Securities Laws permits and qualifications, or have the availability of exemptions therefrom, required by any state or province for the offer and sale of the Shares.

(d) License and Collaboration Agreement. The Corporation will have executed and delivered to the Subscriber the License and Collaboration Agreement, dated as of the date hereof.

(e) Rights Agreement. The Corporation will have executed and delivered to the Subscriber the Rights Agreement, dated as of the date hereof.

(f) Compliance Certificate. The Corporation will have delivered a certificate duly executed by the Chief Executive Officer of the Corporation stating that the conditions in Sections 3(a) and 3(b) have been satisfied.

(g) Secretary's Certificate. The Subscriber will have received from the Corporation's Secretary a certificate having attached thereto (i) the Corporation's Articles, as in effect at the time of the Closing; (ii) the Corporation's Bylaws as in effect at the time of the Closing; and (iii) resolutions approved by the Board of Directors authorizing the transactions contemplated by this Agreement and the Related Agreements.

(h) Good Standing. The Corporation will have delivered to the Subscriber a certificate status of the Corporation issued by Corporations Canada, dated as of a recent date, with respect to the status and good standing of the Corporation.

(i) Board Approval. The Corporation will have received all requisite approvals from its directors.

(j) Legal Opinion. The Subscriber will have received from legal counsel for the Corporation, an opinion, dated as of the Closing Date, in substantially the form of Exhibit B attached to this Agreement.

(k) Completion of Due Diligence. The Subscriber will have completed, to the Subscriber's satisfaction, a due diligence investigation of the Corporation, including with respect to the business, legal matters and intellectual property of the Corporation.

5. Conditions to the Corporation's Obligations to Close. The Corporation's obligation to sell and issue the Shares at the Closing is subject to the fulfillment on or before the Closing of the following conditions, unless waived by the Corporation:

(a) Representations and Warranties. The representations and warranties made by the Subscriber in Section 1 will be true and correct in all material respects as of the Closing.

(b) Covenants. The Subscriber will have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Subscriber on or prior to the Closing Date.

(c) Compliance with Securities Laws. The Corporation will be satisfied that the offer and sale of the Shares will be qualified or exempt from registration or qualification under all applicable Canadian and U.S. federal, state and provincial securities laws.

6. Further Assurances. Each party hereto will, promptly upon request by the other party, provide such other party with any additional information and execute and deliver to such other party additional undertakings, questionnaires and other documents as such other party may reasonably request in connection with the issue and sale of the Shares. Each party acknowledges and agrees that such undertakings, questionnaires and other documents, when duly executed and delivered, will form part of and will be incorporated into this Agreement with the same effect as if each constituted a representation and warranty or covenant of the delivering party hereunder in favor of the requesting party. Each party consents to the filing of such undertakings, questionnaires and other documents as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated under this Agreement.

7. Disclosure of Personal Information. The Subscriber acknowledges that this Agreement requires the Subscriber to provide certain personal information about the Subscriber to the Corporation. Such information is being collected by the Corporation for the purposes of completing the offering of the Shares, which includes, without limitation, determining the eligibility of the Subscriber to purchase the Shares under applicable securities legislation, preparing and registering certificates representing the Shares to be issued to the Subscriber and completing filings required by applicable securities regulatory authorities. Personal information regarding the Subscriber may be disclosed by the Corporation to: (a) stock exchanges or securities regulatory authorities (including the British Columbia Securities Commission (the "***BCSC***") and, if applicable, the Ontario Securities Commission (the "***OSC***"), as discussed below); (b) any government agency, board or other entity; and (c) any of the other parties involved in the offering of the Shares, including the Corporation and its legal counsel, and may be included in record books in connection with the offering of the Shares. By executing this Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of such personal information.

8. Canadian Securities Matters. The Subscriber acknowledges that it has been notified by the Corporation: (a) of the requirement to deliver to BCSC and, if applicable, to the OSC, the full name, residential address and telephone number of the purchaser of the securities, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the BCSC and, if applicable, the OSC, under the authority granted to it under applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of British Columbia and, if applicable, Ontario; (d) that the BCSC can be contacted at British Columbia Securities Commission, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2, Telephone: (604) 899-6500, Toll free across Canada: 1-800-373-6393, Facsimile: (604) 899-658, and can answer any questions about the BCSC's indirect collection of this information; and (e) that, if applicable, the OSC can be contacted through the Administrative Assistant to the Director of Corporate Finance at Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, or at (416) 593¬3684, and can answer any questions about the OSC's indirect collection of this information.

9. Anti-Money Laundering Provisions. The Subscriber represents and warrants, to the knowledge of the Subscriber, that the Subscription Price, which will be paid by the Subscriber to the Corporation hereunder (a) will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "***PCMLA***"), (b) was not and is not, directly or indirectly, derived from activities that may contravene federal or state regulations, including those administered by the U.S. Treasury Department's Office of Foreign Asset Control ("***OFAC***"), or (c) will not represent proceeds of crime under any other applicable similar legislation and acknowledges that the Corporation may in the future be required by law to disclose its name and other information relating to this Agreement and the transaction contemplated hereby, on a confidential basis, pursuant to the PCMLA or other applicable legislation. To the knowledge of the Subscriber, none of the Subscription Price to be provided by the Subscriber (i) has been or will be derived from or related to any activity that is deemed criminal under the law of Canada or the United States of America, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber. The Subscriber will promptly notify the Corporation if it discovers that any of such representations ceases to be true and provide the Corporation with appropriate information in connection therewith. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC website at http://www.treas.gov/ofac.

10. Counterparts; Electronic Delivery. This Agreement may be executed in any number of counterparts, each of which will be enforceable against the parties actually executing such counterparts, and all of which together will constitute one instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any

electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, www.rightsignature.com) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

General

11. Defined Terms. Terms which are used in this Agreement and not otherwise defined and which are defined in B.C. Securities Laws or the Act will have the meanings defined in the B.C. Securities Laws or the Act unless the context otherwise requires.

12. Gender; Number. This Agreement is to be read with all changes in gender or number required by the context.

13. Headings. The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.

14. References. A reference to an Article or a Section is to an Article or a Section of this Agreement unless otherwise specified. In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder.

15. Expenses. Each party acknowledges and agrees that all costs incurred by such party (including any fees and disbursements of any special counsel retained by such party) relating to the sale of the Shares to the Subscriber will be borne by such party.

16. Governing Law; Venue. This Agreement shall be exclusively construed and governed by the laws in force in British Columbia and the laws of Canada applicable thereto and the courts of British Columbia (and the Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. Each of the parties hereto irrevocably attorns to the jurisdiction of said courts and consents to the commencement of proceedings in such courts.

17. Time of the Essence. Time is of the essence of this Agreement.

18. Successors and Assigns. No party may assign any of its rights or benefits under this Agreement, or delegate any of its duties or obligations, except with the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Subscriber may, at any time, assign this Agreement and its interests herein, in whole, to any affiliate of the Subscriber. The Subscriber acknowledges that any such transfer is subject to the transferees agreeing to become subject to the terms and conditions of this Agreement and the Subscriber shall designate a single representative to represent the transferees for the purposes of this Agreement. Such representative shall become a party to this Agreement and shall be entitled to the rights and privileges and subject to the obligations of the transferees pursuant to this Agreement and shall exercise any rights and privileges and perform any obligations of the transferees for and on behalf of the transferees. The Corporation shall be entitled to rely on the representative on behalf of the transferees.

19. Entire Agreement. This Agreement (including the Schedules, Exhibits and the Schedule of Exceptions attached hereto) and the Related Agreements represent the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

20. Amendment. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

21. Survival. The covenants, representations and warranties contained herein will survive the execution and delivery of this Agreement and the Closing for […***…] except (i) with respect to tax matters where the representations and warranties will continue to have full force and effect until the expiry of a period of […***…] after the date at which the statute of limitations expires for action by the applicable tax authorities, (ii) in case of fraud, in which case no time limit shall be applicable.

22. Currency. All references to currency herein, other than in Schedule B, are to lawful money of Canada.

23. Organizational Documents. The Subscriber acknowledges and agrees that the Shares are subject to the rights, privileges, restrictions, and conditions outlined in the constating documents of the Corporation, including but not limited to, the requirement that shareholders of the Corporation under certain terms and conditions must sell all of the shares held by such shareholders under a third party offer.

24. Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, will be severed from this Agreement, and such court will replace such illegal, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Agreement will be enforceable in accordance with its terms.

25. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to a party to this Agreement upon any breach or default of the other party under this Agreement will impair any such right, power or remedy of such non-defaulting party, nor will it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor will any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and will be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party to this Agreement, will be cumulative and not alternative.

26. Notices. All notices and other communications given or made pursuant to this Agreement will be in writing and will be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business (1) day after deposit with a nationally recognized overnight courier, specifying next business day delivery, with written verification of receipt. All communications will be sent to the respective parties at their address, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 26. If notice is given to the Corporation, a copy (which will not constitute notice) will also be sent to Blake, Cassels & Graydon LLP, 595 Burrard St., Suite 2600, Vancouver, BC, V7X 1L3, Attn: […***…]. If notice is given to the Subscriber, a copy (which will not constitute notice) will also be sent to Celgene Corporation as 86 Morris Avenue, Summit, New Jersey 07901, Attn: […***…]. The Subscriber hereby confirms the Shares will be registered in the name of Celgene Alpine Investment Co. LLC and for the purposes of post-closing filings with applicable securities commissions in Canada the Subscriber discloses the address of the Subscriber as 1 Route de Perreux, 2017 Boudry, Switzerland, Attn: […***…].

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CORPORATION:

ZYMEWORKS INC.

By: _____
Name: Ali Tehrani
Title: President and CEO

SUBSCRIBER:

CELGENE ALPINE INVESTMENT CO. LLC

By: _____
Name:
Title:

SCHEDULE A

ACCREDITED INVESTOR EXEMPTION CERTIFICATE

To be completed and signed by all Subscribers relying on the Accredited Investor Exemption under NI 45–106

The Subscriber represents and warrants to the Corporation that the Subscriber is an “accredited investor” as that term is defined in NI 45-106 by virtue of the fact that the Subscriber satisfies one or more of the categories indicated below.

PLEASE PLACE AN “X” AGAINST THE APPROPRIATE CATEGORY OR CATEGORIES BELOW:

(a) a Canadian financial institution, or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

(d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

(e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);

(f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada;

(g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

(i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;

(j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

(k) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;

(l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000;

(m) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;

(n) an investment fund that distributes or has distributed its securities only to

(i) a person that is or was an accredited investor at the time of the distribution;

(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 *[Minimum amount investment]*, or 2.19 *[Additional investment in investment funds]* of NI 45-106; or

(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 *[Investment fund reinvestment]* of NI 45-106;

(o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;

(p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

(q) a person acting on behalf of a fully managed account managed by that person, if that person

(i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and

(ii) in Ontario, is purchasing a security that is not a security of an investment fund;

(r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

(s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;

(t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;

(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or

(v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor.

Date: _____

CELGENE ALPINE INVESTMENT CO. LLC

By: _____
Name:
Title:

For the purposes of this Schedule A, the following definitions are included for convenience:

"**bank**" means a bank named in Schedule I or II of the *Bank Act* (Canada);

"**Canadian financial institution**" means

(a) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

"**director**" means (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

"**eligibility adviser**" means

(a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed;

(b) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not;

(c) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons; and

(d) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

"**financial assets**" means

(a) cash;

(b) securities; or

(c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

"**foreign jurisdiction**" means a country other than Canada or a political subdivision of a country other than Canada;

"**fully managed account**" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

"**investment fund**" has the same meanings as in National Instrument 81-106 – Investment Fund Continuous Disclosure;

"**jurisdiction**" means a province or territory of Canada except when used in the term "foreign jurisdiction";

"**person**" includes (a) an individual, (b) a corporation, (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

"**regulator**" means

(a) the Executive Director, as defined under section 1 of the Securities Act (British Columbia); and

(b) such other person as is referred to in Appendix D of National Instrument 14-101 – Definitions;

"**related liabilities**" means

(a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or

(b) liabilities that are secured by financial assets;

"**Schedule III bank**" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

"**securities legislation**" means

(a) for British Columbia, the *Securities Act* (British Columbia) and the regulations, rules and forms under such Act and the blanket rulings and orders issued by the British Columbia Securities Commission; and

(b) for other Canadian jurisdictions, such other statutes and instruments as are listed in Appendix B of National Instrument 14-101 – Definitions;

"**securities regulatory authority**" means

(a) the British Columbia Securities Commission; and

(b) in respect of any local jurisdiction other than British Columbia, means the securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 – Definitions;

"**spouse**" means, an individual who,

(a) is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual; or

(b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or

(c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

"**subsidiary**" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

"**voting security**" means a security of an issuer that:

(a) is not a debt security; and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing;

An issuer is considered to be affiliated with another issuer if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same person;

A person is considered to beneficially own securities that are beneficially owned by:

(a) an issuer controlled by that person; or

(b) an affiliate of that person or an affiliate of an issuer controlled by that person;

A person (first person) is considered to control another person (second person) if:

(a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;

(b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or

(c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

All terms used in this Schedule A which are not otherwise defined in this Schedule A have the meanings defined in the Subscription Agreement to which this Schedule A is attached. All other terms which are used in this Schedule A and not otherwise defined and which are defined in the Securities Act (British Columbia), the regulations, rules and policy statements made thereunder, as amended, have the meanings defined in such legislation, regulations, rules and policy statements.

SCHEDULE B

To be completed and signed by all Subscribers

CERTIFICATE

TO: Zymeworks Inc.

The Subscriber represents and warrants to the Corporation that he, she or it comes within the category or categories marked below, and that for any category marked, he, she or it has truthfully set forth, where applicable, the factual basis or reason the Subscriber comes within that category. The Subscriber agrees to furnish any additional information which the Corporation deems necessary in order to verify the answers set forth below. All references to $ in this confidential investor questionnaire are to United States dollars.

Category A — The Subscriber is an individual (not a partnership, corporation, etc.) whose individual net worth, or joint net worth together with his or her spouse, presently exceeds USD $1,000,000.

Explanation. In calculating net worth you may include equity in personal property and real estate, excluding your principal residence, but including cash, short-term investments, stock and securities, provided that you deduct any debts you owe. Equity in personal property and real estate should be based on the fair market value of such property less debt secured by such property.

Category B — The Subscriber is an individual (not a partnership, corporation, etc.) who had an income in excess of USD $200,000 in each of the two most recent years, or joint income with his or her spouse in excess of USD $300,000 in each of those years (in each case including foreign income, tax exempt income and full amount of capital gains and losses but excluding any income of other family members and any unrealized capital appreciation) and has a reasonable expectation of reaching the same income level in the current year.

Category C — The Subscriber is a director or executive officer of the Corporation.

Category D — The Subscriber is a bank, as defined in Section 3(a)(2) of the Act; a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; any insurance company as defined in Section 2(a)(13) of the Act; any investment company registered under the *Investment Company Act of 1940* or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company ("**SBIC**") licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958*; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of USD $5,000,000; any employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of USD $5,000,000 or, if a self-directed plan, with investment

decisions made solely by persons that are Accredited Investors (describe entity below).

Category E — The Subscriber is a private business development company as defined in Section 202(a)(22) of the *Investment Advisors Act of 1940*.

Category F — The Subscriber is either a corporation, partnership, Massachusetts or similar business trust, or non-profit organization within the meaning of Section 501(c)(3) of the *Internal Revenue Code*, in each case not formed for the specific purpose of acquiring the Shares and with total assets in excess of USD $5,000,000. (describe entity below)

Category G — The Subscriber is a trust with total assets in excess of USD $5,000,000, not formed for the specific purpose of acquiring the Shares, where the purchase is directed by a "**sophisticated person**" as described in Rule 506(b)(2)(ii) under the Act.

Category H — The Subscriber is an entity in which all of the equity owners are "**accredited investors**" within one or more of the above categories. If relying upon this Category alone, each equity owner must complete a separate copy of this Schedule B. (describe entity below)

The Subscriber agrees that the Subscriber will notify the Corporation at any time on or prior to the Closing Date in the event that the representations and warranties in this Agreement will cease to be true, accurate and complete. The above representations and warranties of the Subscriber will be true and correct both as of the execution of this certificate and as of the closing time of the purchase and sale of the Shares and will survive the completion of the issue of the Shares.

IN WITNESS WHEREOF, the Subscriber has executed this confidential investor questionnaire as of the day of December, 2014.

If a Corporation, Partnership or Other Entity:

CELGENE ALPINE INVESTMENT CO. LLC

Type of Entity

Signature of Person Signing

Printed or Typed Name and Title of Person Signing

If an Individual:

Signature

Printed or Typed Name

Social Security or Taxpayer I.D. Number

Exhibit C-1

Shareholder	Common Shares	Stock Options
Board Members		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Board Observers		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Other Investors		
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
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Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
Employees		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
SAB Members		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
Consultants (Former SAB)		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Total	[…***…]	[…***…]

Exhibit C-2

Shareholder	Common Shares	Stock Options
Board Members		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Board Observers		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Other Investors		

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Employees		
[…***…]	[…***…]	[…***…]
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[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
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[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
SAB Members		
[…***…]	[…***…]	[…***…]

Shareholder	Common Shares	Stock Options
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Consultants (Former SAB)		
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
[…***…]	[…***…]	[…***…]
Total	[…***…]	[…***…]

SCHEDULE OF EXCEPTIONS

ZYMEWORKS INC.
SUBSCRIPTION AGREEMENT FOR COMMON SHARES

DATED December 24, 2014

Confidential

99

These Schedules form an integral part of the Subscription Agreement (the "**Agreement**") entered into between Zymeworks Inc. (the "**Corporation**") and Celgene Alpine Investment Co. LLC (the "**Subscriber**") dated as of the date hereof. The inclusion of any item in a Schedule is intended to qualify the covenants, representations and warranties of the Corporation contained in the Agreement. If a document or matter is listed in one particular section of a Schedule and it is appropriate and reasonably apparent that the disclosure with respect to such document or matter is responsive to the disclosure required in any other Schedule, such listing shall suffice, without specific repetition and with or without cross reference, as a response disclosing the existence of such document or matter to any other Schedule.

Disclosure of any item in a Schedule: (i) shall not imply the existence of any representation, warranty, undertaking or other obligation of the Corporation not expressly set out in the Agreement and shall not extend the scope of the representations, warranties, undertaking or other obligations set forth in the Agreement; and (ii) unless otherwise indicated in such Schedule, shall not be construed to mean that such information is material or outside of the ordinary course (regardless of whether required by the accompanying representation in the Agreement) and such information shall not be used as a basis for interpreting the terms "material," "materially," "materiality," "Material Adverse Effect", "material adverse change" or any similar qualification in the Agreement. The Corporation may elect to include in any Schedule information that is not material and, for greater certainty, any such inclusion shall not be deemed to be an acknowledgement or representation that such information is material.

Schedule 2(c)

Capital Structure

Nil.

Schedule 2(d)

Subsidiaries

Zymeworks Biopharmaceuticals Inc.

Schedule 2(i)

Litigation

Nil.

Schedule 2(j)

Proprietary Information Agreements

Nil.

Schedule 2(k)

Intellectual Property

[…***…]

Schedule 2(m)

Agreements

Merck Agreement - pending achievement of certain scientific, clinical or regulatory milestones.

- Under Section 2(m)(ii)(A) obligations (contingent or otherwise) of, or payments to the Corporation in excess of, $1,000,000. In 2011 Zymeworks entered into a Licensing and Collaboration agreement with Merck, Sharpe and Dhome (DBA Merck). Under the agreement, Zymeworks may receive certain payments totalling up to US$187M upon the achievement of certain scientific, clinical, regulatory or commercial milestones, as well as royalties on sales. In December 2014 Zymeworks and Merck amended the agreement, impacting certain rights and decreasing the total milestone payments under the agreement by $[…***…]. These payments may include balances in excess of $1,000,000.
- Under Section 2(m)(ii)(A) obligations (contingent or otherwise) of, or payments to the Corporation in excess of, $1,000,000. In 2013 and 2014 Zymeworks entered into collaboration and licensing agreements with Eli Lilly & Co., Inc. Under each agreement, Zymeworks may receive payments in excess of $1,000,000 upon the achievement of certain scientific, regulatory, clinical and commercial milestones, as well as royalties on sales. These payments may include balances in excess of US $1,000,000.

Schedule 2(n)

Related Party Transactions

Nil.

Schedule 2(s)

Changes Since Financial Statement Date

[…***…]

Schedule 2(t)

Employee Benefit Plans

Pursuant to the Corporation's group Retirement Savings Plan and Non-Registered Savings Plan (administered by […***…]) (the "**Plan**"), the Corporation matches employees' Plan contributions up to […***…]% of their gross salary, on a matching basis. Contributions beyond […***…]% of an employee's salary are not matched by the Corporation. The Corporation has placed certain restrictions on the withdrawal of Plan contributions by employees. The Corporation has no ongoing funding liabilities beyond matching the employee contributions.

The Corporation provides all employees with an extended medical benefits program which provides various benefits coverage, including; […***…], and other related items. Employees are provided extended medical benefits, provided by […***…], upon hire. Spousal and family benefits may be provided, if employees elect and cover […***…]% of the applicable plan costs.

The Corporation provides employees additional medical benefits through paying for […***…]% of the[…***…]. […***…]are paid to the […***…] directly through payroll deductions and direct remittance.

Schedule 2(u)

Tax

2(u)(i) - Tax Returns

The Corporation may have been required to file Federal and State tax returns in the United States in connection with research and collaboration agreements entered into with United States domiciled partners. The Company has not quantified any potential tax and/or related liabilities that may be applicable, but is of the view that such amounts, if any, are immaterial.

2(u)(iii) - Withholding Tax

The Corporation has identified potential withholding tax liabilities relating to periodic visits of US based scientific advisory members who may have performed services in Canada in conjunction with visits to the Corporation. The Corporation has not quantified the balance but believes the liabilities to be immaterial.

2(u)(iv) - Tax-Related Enforcement Actions

Tax filings made in the province of Québec for the year ended December 31, 2013, to the knowledge of the Corporation, are currently being reviewed or assessed by Revenue Québec.

Schedule 2(y)

Labor Agreements and Employee Compensation

Nil.

COLLABORATION AND LICENSE AGREEMENT

Between

Zymeworks Inc.

and

GlaxoSmithKline Intellectual Property Development Limited

1 December 2015

Confidential

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COLLABORATION AND LICENSE AGREEMENT

THIS COLLABORATION AND LICENSE AGREEMENT (the "**Agreement**"), effective as of 1 December, 2015 (the "**Effective Date**"), by and between **GLAXOSMITHKLINE INTELLECTUAL PROPERTY DEVELOPMENT LIMITED**, a corporation organized and existing under the laws of England and Wales, with its registered office located at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom ("**GSK**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and GSK are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

A. GSK and Zymeworks desire to enter into this Agreement under which Zymeworks shall generate and develop certain Zymeworks Modifications and Zymeworks Modified Scaffolds (each, as defined below) in collaboration with GSK.

B. GSK desires to obtain certain licenses under Zymeworks' interest in the Intellectual Property (as defined below) created pursuant to such collaborative activities to develop and commercialize certain products incorporating such Zymeworks Modified Scaffolds that are directed to certain biological targets selected by GSK, and Zymeworks is willing to grant such rights, all on the terms and conditions as set forth below.

C. Zymeworks desires to obtain certain licenses under GSK's interest in the Intellectual Property created pursuant to such collaborative activities to develop and commercialize certain products incorporating such Zymeworks Modified Scaffolds that are

directed to biological targets selected by Zymeworks, and GSK is willing to grant such rights, all on the terms and conditions as set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, the sufficiency which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires Zymeworks, or to which Zymeworks transfers all or substantially all of its assets to which this Agreement pertains.

1.2 "**Additional Selection Period**" means the period commencing upon the end of the Zymeworks Initial Selection Period and expiring at the end of the […***…] period immediately following the expiration of the Research Collaboration Period.

1.3 "**Affiliate**" means with respect to either Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.3 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.4 "**Annual Net Sales**" means, with respect to a particular GSK Product and Calendar Year, all Net Sales of such GSK Product throughout the Territory during such Calendar Year.

1.5 "**Antibody"** means any and all full-length antibodies, fragments thereof, and chemically modified versions thereof (including pegylated versions and regardless of whether containing amino acid substitutions), all of the foregoing whether naturally occurring, artificially produced, raised in an artificial system, or created through modification of an antibody produced in any of the foregoing ways or otherwise, in each case that incorporate a Zymeworks Modified Scaffold.

1.6 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.7 "[…***…]" means any Antibody that contains independent binding sites Directed To […***…].

1.8 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York, U.S.A are authorized or required by Applicable Law to remain closed.

1.9 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.10 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.11 "[…***…]**"** means […***…].

1.12 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.13 "**Commercially Reasonable Efforts**" means, with respect to particular obligations under this Agreement, those efforts and resources (including expenditures) required to carry out such particular obligation consistent with the usual practices followed by such Party in the exercise of its reasonable business discretion relating to other similarly situated pharmaceutical products at a similar stage of research, development or commercialization which are of similar market potential at a similar stage in their development or product life, taking into account issues of patent coverage, regulatory exclusivity, regulatory structure involved including anticipated or approved labeling and anticipated or approved post-approval requirements, safety and efficacy, product profile, the competitiveness of products in development and in the marketplace, supply chain management considerations, the proprietary position of the compound or product, the regulatory structure involved, present and future market and commercial potential including competitive market conditions and probability of the profitability of the applicable products (including pricing and reimbursement status achieved), and other relevant factors, including technical, legal, scientific and/or medical factors.

1.14 "**Confidential Information**" means all confidential and proprietary, nonpublic information, including Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has provided or otherwise made available to the other Party, whether made available orally, in writing, or in electronic form, including such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Exhibits and amendments constitute Confidential Information of both of the Parties.

1.15 "**Control**" or "**Controlled**" means, with respect to any material, Know-How, or other Intellectual Property right (including Patent Rights), that a Party (a) owns or (b) has a license to such material, Know-How, or Intellectual Property right and, in each case, has the legal right to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, Know-How or Intellectual Property right

owned or licensed by any Acquiring Entity immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity, and (ii) any materials, Know-How or Intellectual Property right that any Acquiring Entity subsequently develops without accessing or practicing any Zymeworks Background Technology or Project Arising IP.

1.16 "**Covered**" means, with respect to a GSK Product in a particular country, that the manufacture, use, sale or importation of such GSK Product in such country would, but for the licenses granted herein, infringe a Valid Claim.

1.17 "**Directed To**" means, with regard to an Antibody, antibody, Product or product, that such respective Antibody, antibody, Product or product (a) binds directly to an identifiable Target, and (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such direct binding to an identifiable Target or modifies the profile (e.g., PK, tissue penetration and distribution) of the antibody as a result of such direct binding, in each of (a) and (b) above as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such Antibody, antibody, Product or product.

1.18 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.19 "**Field**" means diagnosis, prevention, palliation and treatment of human or animal disease and disorders.

1.20 "**First Commercial Sale**" means, the first sale of a Product in a given country or other regulatory jurisdiction in the Territory by or on behalf of GSK, its Affiliates or sublicensees to a Third Party, after receipt of Marketing Authorization (including Pricing Approval, to the extent required for sale of Products in a given country or regulatory jurisdiction, and the completion of any necessary labeling negotiations with Regulatory Authorities that may be required after Regulatory Approval and such Pricing Approval) for Products in such country or regulatory jurisdiction. First Commercial Sale shall specifically exclude sales or transfers for clinical study purposes or compassionate use, named-patient, indigent patient or similar uses, if such uses do not result in monetary compensation to GSK above the cost of goods.

1.21 "**GMP**" means Good Manufacturing Practice which relates to practices required in order to conform to the guidelines recommended by regulatory agencies that control authorization and licensing for manufacture and sale of food, drug products, and active pharmaceutical products.

1.22 "**GMP Cell Line Development"** means, with respect to a Product, the stable transfection by a Party (itself or through an Affiliate or Third Party) of a cell line for the purposes of producing GMP standard Product for preclinical and/or clinical studies.

1.23 "**Governmental Authority**" means any multinational, federal, state, local, municipal or other governmental authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal), in each case, having jurisdiction over the applicable subject matter.

1.24 "**GSK Background IP**" means any and all Patent Rights, Know-How and other Intellectual Property rights, which (a) are Controlled by GSK or its Affiliates as of the Effective Date or (b) are generated outside of this Agreement and Controlled by GSK or its Affiliates.

1.25 "**GSK Initial Selection Period**" means the period commencing on the expiration of the Research Collaboration Term and ending upon the earlier of (a) the date that is […***…] thereafter and (b) the date on which […***…].

1.26 "**GSK Mono-Specific Product**" means a Product, incorporating a Mono-Specific Antibody Directed To a GSK Target.

1.27 "**GSK Multi-Specific Antibody**" means any Multi-Specific Antibody that contains independent binding sites Directed To […***…], which Multi-Specific Antibody includes a Zymeworks Modified Scaffold and in which (i) the full-length monoclonal antibody contains […***…], and (ii) any binding to […***…] to the same monoclonal antibody described in clause (i) above that are Directed To […***…].

1.28 "**GSK Multi-Specific Product**" means a Product incorporating a GSK Multi-Specific Antibody derived and generated from a GSK Sequence Pair.

1.29 "**GSK Product**" means (a) a GSK Mono-Specific Product or (b) a GSK Multi-Specific Product. The Antibodies described in (a) and (b) above may be referred to in this Agreement as "**GSK Antibodies**." For clarity, (x) GSK Product shall not include Products containing Mono-Valent Antibodies or Multi-Specific Antibodies that are not GSK Multi-Specific Antibodies; and (y) GSK Products Directed To a particular Target(s) may be limited to GSK Mono-Specific Products or GSK Multi-Specific Products, but not both, as determined pursuant the Target selection and gatekeeping mechanisms set forth in Article 3.

1.30 "**GSK Project Arising IP**" means the GSK Inventions arising from the Research Collaboration and all Intellectual Property rights therein, including the GSK Project Patent Rights.

1.31 "GSK Sequence Pair" means a Sequence Pair that is available to GSK pursuant to Section 3.4.4.

1.32 "[…***…]" means the […***…] more specifically referred to […***…] as […***…].

1.33 "**IND**" means an investigational new drug application filed with the FDA with respect to a GSK Product, or an equivalent application filed with a Regulatory Authority in a country other than the United States to commence a Clinical Trial of a pharmaceutical product.

1.34 "**Invention**" means any inventions, discoveries or other intellectual property (including all Patent Rights, Know-How and other intellectual property rights therein) made by or under authority of the Parties, whether alone or jointly with the other Party, during the Term.

1.35 "**Intellectual Property"** means Patent Rights, Know-How, utility models, and other like forms of protection, copyrights, database rights, rights in databases, trade names, trade or service marks (whether registered or unregistered), domain names, design rights (whether registered or unregistered), including all applications for registration for the foregoing and all other similar proprietary rights as may exist anywhere in the world.

1.36 "**Invoice**" means any invoice submitted to GSK by Zymeworks under this Agreement, produced in accordance with GSK's processing requirements, as set forth in Exhibit 1.36.

1.37 "**Joint Invention**" means any Invention conceived or reduced to practice in the course of the Research Collaboration jointly by one or more employees or personnel of GSK or any Affiliate or a Third Party acting on behalf of GSK or its Affiliate, on the one hand, and one or more employees or personnel of Zymeworks or its Affiliate or a Third Party acting on behalf of Zymeworks or its Affiliate, on the other hand.

1.38 "**Joint Patent Rights**" means all Patent Rights claiming a Joint Invention.

1.39 "**Know-How**" means any and all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights and materials.

1.40 "**Marketing Authorization**" means all approvals from the relevant Regulatory Authority necessary to initiate marketing and selling a pharmaceutical or biopharmaceutical product (including a Product) in any country. For clarity, unless […***…] in a particular country, Marketing Authorization shall not […***…].

1.41 "**Mono-Specific Antibody**" means any full-length monoclonal antibody that contains […***…] that are Directed To […***…].

1.42 "**Mono-Valent Antibody**" means any Antibody that comprises […***…].

1.43 "**Multi-Specific Antibody**" means any Antibody that contains independent binding sites Directed To […***…].

1.44 "**Net Sales**" means gross invoiced sales of the GSK Products to Third Parties by GSK, its Affiliates, or their respective licensees or sublicensees (each, a "**Selling Party**"), in a particular period, less the following deductions which are actually incurred, allowed, paid, accrued or specifically allocated with respect to such GSK Products, to the extent that such amounts are deducted from gross invoiced sales amounts in calculating net sales as reported by Selling Party in its financial statements in accordance with the International Financial Reporting Standards ("**IFRS**"), applied on a consistent basis:

1.44.1 […***…];

1.44.2 […***…];

1.44.3 […***…];

1.44.4 […***…];

1.44.5 […***…];

1.44.6 […***…]; and

1.44.7 any other items actually deducted from gross invoiced sales amounts as reported by GSK in its financial statements in accordance with the IFRS, applied on a consistent basis.

For purposes of this definition, each GSK Product would be considered "sold" and "deductions" allowed by a Selling Party when recorded as invoiced in such Selling Party's financial statements prepared in accordance with IFRS.

1.45 "**Patent Rights**" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including pediatric exclusivity patent extensions), term restorations, patent term extensions, supplementary protection certificates, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.46 "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.47 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in healthy volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.48 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.49 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such

product is effective and safe for use in a particular indication in a manner sufficient to file for Marketing Authorization, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.50 "**Product**" means any pharmaceutical or biopharmaceutical product incorporating an Antibody.

1.51 "**Pricing Approval**" means any governmental approval, agreement, determination or decision establishing prices for a Product that can be charged and/or reimbursed in regulatory jurisdictions where the applicable Governmental Authorities approve or determine the price and/or reimbursement of pharmaceutical products and where such approval, agreement, determination or decision establishes prices for a Product. For clarity, GSK shall have no obligation to […***…] if it does not […***…] that […***…] to GSK in its sole discretion.

1.52 "**Project Arising IP**" means any Inventions arising from the Research Collaboration, together with all Intellectual Property rights therein. For clarity, the Project Arising IP shall include the Joint Inventions, Joint Patents, Zymeworks Project Patent Rights and GSK Project Patent Rights.

1.53 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and Pricing Approvals for such sale.

1.54 "Sequence" means an Antibody nucleic acid or amino acid sequence corresponding […***…] that is Directed To […***…].

1.55 "Sequence Pair" means two (2) Sequences, each of which is Directed To […***…].

1.56 "**Target**" means any […***…].

1.57 "**Territory**" means all of the countries and territories in the world.

1.58 "**Third Party**" means any Person other than GSK or Zymeworks or an Affiliate of GSK or Zymeworks.

1.59 "Type of Antibody" means, as applicable, any […***…], GSK Multi-Specific Antibody(ies), GSK Mono-Specific Antibody(ies), GSK Multi-Specific Antibody(ies), Mono-Specific Antibody(ies), or Multi-Specific Antibody(ies). Similarly, "**Type of Product**" means Products incorporating only one (1) Type of Antibody and no other Type of Antibody.

1.60 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.61 "**USD**" and "**$**" mean United States dollars.

1.62 "**Valid Claim**" means any claim of an issued, in force and unexpired patent, or pending patent application within the Zymeworks Patent Rights or the Project Arising IP (excluding GSK Project Patent Rights and GSK Project Arising IP) that:

1.62.1 has not been finally cancelled, withdrawn, abandoned or rejected by any administrative agency or other body of competent jurisdiction and is not subject to further appeal,

1.62.2 has not been revoked, held invalid, or declared unpatentable or unenforceable in a decision of a court or other body of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal, and

1.62.3 has not been rendered unenforceable through disclaimer, abandonment, withdrawal, dedication to the public, allowing to lapse through non-payment of renewal fees or otherwise.

A claim within a pending patent application that has been pending issuance for more than […***…] from the date of filing of the earliest priority patent application to which such pending patent application is entitled shall not be a Valid Claim, unless and until it issues.

1.63 "**Zymeworks Initial Selection Period**" means the period commencing on the expiration of […***…] and ending upon the earlier of (a) the date that is […***…] thereafter and (b) the date on which […***…].

1.64 "**Zymeworks Background Technology**" means the Zymeworks Patent Rights and the Zymeworks Know-How (other than any Project Arising IP), which (a) are Controlled by Zymeworks or its Affiliates as of the Effective Date or (b) are generated outside of this Agreement and Controlled by Zymeworks or its Affiliates.

1.65 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date and during the Term of the Agreement, and (b) is necessary or useful to GSK in (i) carrying out the activities assigned to it under the Research Collaboration or (ii) developing, manufacturing or commercializing the Zymeworks Modified Scaffolds for inclusion in GSK Products.

1.66 "**Zymeworks Modified Scaffold IP**" means any and all Zymeworks Inventions comprising the Zymeworks Modified Scaffolds, and all Intellectual Property rights therein.

1.67 "**Zymeworks Patent Rights**" any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including Patent Rights Controlled by Zymeworks claiming Zymeworks Inventions) as of the Effective Date and during the Term of the Agreement, which (a) are necessary or useful for carrying out the Research Collaboration or (b) claim the manufacture or use of the Zymeworks Modifications or the Zymeworks Modified Scaffolds.

1.68 "**Zymeworks Product**" means any Product Directed To a Zymeworks Target. For clarity, Zymeworks Products may (a) include Products containing Mono-Valent Antibodies and Multi-Specific Antibodies and (b) with respect to a particular Zymeworks Target(s), be

limited to a particular Type of Product, as determined pursuant to the Target selection and gatekeeping mechanisms set forth in Article 3.

1.69 "**Zymeworks Project Arising IP**" means the Zymeworks Inventions and all Intellectual Property rights therein, including the Zymeworks Project Patent Rights.

1.70 "**Zymeworks Technology**" means Zymeworks' proprietary antibody engineering tools and capabilities.

1.71 Additional Definitions. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

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1.72 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “day” or “year” means a calendar day or year unless otherwise specified; (c) the word “notice” shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words “shall” and “will” have interchangeable meanings for purposes of this

Agreement; (f) the word “or” shall have the inclusive meaning commonly associated with “and/or”; (g) provisions that require that a Party, the Parties or a committee hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (h) words of any gender include the other gender; (i) words using the singular or plural number also include the plural or singular number, respectively; (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; and (k) neither Party shall be deemed to be acting on behalf of the other Party.

2. GRANT OF LICENSES

2.1 Licenses to GSK. Subject to the terms and conditions of this Agreement,

2.1.1 Conduct of the Research Collaboration. Zymeworks hereby grants to GSK a non-exclusive research license, including the right to sublicense to Affiliates of GSK and Third Parties undertaking Research Collaboration activities with GSK or on GSK’s behalf, under the Zymeworks Background Technology and the Zymeworks Project Arising IP solely for GSK to perform those activities assigned to GSK in the Research Collaboration Plan.

2.1.2 For Antibodies and GSK Products. Subject to the terms and conditions of this Agreement, Zymeworks shall grant, and hereby grants, to GSK a worldwide, sublicensable (in accordance with Section 2.1.3) and transferable (solely in connection with a permitted assignment of this Agreement in accordance with Section 14.1) license under the Zymeworks Project Arising IP to (a) research, develop, make, use, and import GSK Antibodies intended for incorporation into GSK Products, (b) research, develop, make, use, sell, offer to sell and import any GSK Product in the Field in the Territory. The licenses set forth in this Section 2.1.2 shall be exclusive with respect to Zymeworks’ rights in all Project Arising IP other than the Zymeworks Modified Scaffold IP, with respect to which it shall be non-exclusive. For clarity, GSK would have the right to use the Zymeworks Modification and Zymeworks Modified Scaffolds solely for purposes of performing the Research Collaboration; researching and developing GSK Antibodies to be incorporated in any GSK Product; and researching, developing and commercializing such GSK Products, in each case in accordance with this Agreement. In addition, Zymeworks shall grant, and hereby grants, to GSK a non-exclusive license under the Zymeworks Background Technology to research, develop, make, use, sell and import the Zymeworks Modifications and Zymeworks Modified Scaffolds for inclusion in the GSK Products in the Field in the Territory.

2.1.3 Sublicenses. The licenses granted to GSK in Section 2.1.2 include the right to grant sublicenses through multiple tiers, provided that each sublicense granted by GSK shall be consistent with the terms and conditions of this Agreement. GSK shall provide Zymeworks with prompt notice of any such sublicenses that it grants and shall be and remain responsible to Zymeworks for the performance of each sublicensee under such sublicense.

2.2 License to Zymeworks.

2.2.1 Conduct of the Research Collaboration. GSK hereby grants to Zymeworks a non-exclusive license, including the right to sublicense to Affiliates of Zymeworks and Third Parties undertaking Research Collaboration activities with Zymeworks or on Zymeworks' behalf, under the GSK Background IP and the GSK Project Arising IP solely for Zymeworks to perform those activities assigned to Zymeworks in the Research Collaboration Plan.

2.2.2 For Zymeworks Products and Third Party Products. Subject to the terms and conditions of this Agreement, GSK hereby grants to Zymeworks an exclusive, sublicensable (in accordance with Section 2.2.3) license under the GSK Project Arising IP related to the Zymeworks Modifications or Zymeworks Modified Scaffolds to (a) research, develop, make, use, and import Antibodies for incorporation into Zymeworks Products, and (b) research, develop, make, use, sell, and import Zymeworks Products in the Field in the Territory. In addition, and subject to Section 3.7, GSK hereby grants to Zymeworks an exclusive license under the GSK Project Arising IP related to the Zymeworks Modifications or Zymeworks Modified Scaffolds to make, use, sell, and import Products other than the Zymeworks Products and the GSK Products in the Field in the Territory; provided that such license shall be solely for purposes of developing Products for, and granting sublicenses to, Third Parties, so that such Third Parties may further develop and commercialize such Products in the Field in the Territory (each, a "**Third Party Product**").

2.2.3 Sublicenses. The licenses granted to Zymeworks in Section 2.2.2 include the right to grant sublicenses through multiple tiers, provided that each sublicense granted by Zymeworks shall be consistent with the terms and conditions of this Agreement. Zymeworks shall provide GSK with prompt notice of any such sublicenses that it grants and shall be and remain responsible to GSK for the performance of each sublicensee under such sublicense.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other Intellectual Property rights Controlled by the other Party or its Affiliates. Subject to the licenses expressly granted to GSK hereunder and the other terms and conditions of this Agreement, Zymeworks shall retain all rights under the Zymeworks Background Technology. Subject to the licenses expressly granted to Zymeworks hereunder and the other terms and conditions of this Agreement, GSK shall retain all rights under the GSK Background IP. The licenses granted to GSK in Section 2.1, with respect to the Zymeworks Patent Rights, shall apply solely to the extent that the right to practice such Patent Rights is necessary or useful to manufacture, use and import the Zymeworks Modifications and Zymeworks Modified Scaffolds developed pursuant to the Research Collaboration for inclusion in any GSK Antibody to be incorporated into a GSK Product to be researched, developed and commercialized by or on behalf of GSK in accordance with this Agreement.

3. RESEARCH COLLABORATION, TARGET SELECTION AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Research Collaboration.

3.1.1 General. GSK and Zymeworks shall conduct a program to generate and optimize Zymeworks Modified Scaffolds on a collaborative basis and in accordance with the Research Collaboration Plan (the "**Research Collaboration**"). The Research Collaboration shall be coordinated by the Parties through the JPT.

3.1.2 Research Term. The Research Collaboration shall commence on the Effective Date and shall conclude on the earlier of (a) the date that is three (3) years thereafter or (b) the date on which the JPT determines that the Research Collaboration Plan has been completed, unless earlier terminated in accordance with Section 10.2, 10.3 or 10.4 (such period, the "**Research Collaboration Term**"). The Research Collaboration Term may be extended upon mutual written agreement of the Parties.

3.1.3 Research Collaboration Plan. The Research Collaboration shall cover the following activities, as set forth in further detail in a written plan agreed to by the Parties in writing (the "**Research Collaboration Plan**"), which plan may be amended from time to time upon the mutual written consent of the Parties, such consent not to be unreasonably withheld, conditioned or delayed. The initial plan with respect to the Research Program is attached hereto as Exhibit 3.1.3).

(a) Zymeworks shall engineer the Fc region of any number of Antibody(ies) using the Zymeworks Technology to generate […***…] mutually agreed by the Parties in the Research Collaboration Plan, meeting mutually established criteria set forth in the Research Collaboration Plan (the "**Zymeworks Modifications**"). Each resulting Antibody scaffold incorporating any Zymeworks Modification that result directly from the Research Collaboration may be referred to herein as a "**Zymeworks Modified Scaffold**" and may include a […***…]. For clarity, Zymeworks Modified Scaffolds do not include any scaffold that comprises solely the Zymeworks Background Technology (and does not incorporate any Project Arising IP).

(b) GSK shall research, develop, manufacture, test, analyze and/or validate Antibodies incorporating such Zymeworks Modified Scaffolds.

The Research Collaboration Plan shall also include certain 'gates' that mark decision-making points regarding whether to proceed with the Research Collaboration based on whether the Parties successfully achieve the task required to pass through such 'gate' (each, a "**Gate**"). Sections 4.5 shall apply in the event that the Parties fail to achieve any Gate.

3.1.4 Conduct of Research Collaboration. Each Party:

(a) shall conduct its responsibilities under the Research Collaboration, as assigned to it under the Research Collaboration Plan and shall use Commercially Reasonable Efforts to achieve the objectives and timelines within the Research Collaboration Plan;

(b) shall conduct the Research Collaboration in compliance with all Applicable Laws; and

(c) may utilize the services of its Affiliates and Third Parties to perform those activities assigned to it under the Research Collaboration, subject to Section 3.2 below.

3.1.5 Exchange of Know-How and Materials.

(a) Without limiting Section 3.3, promptly after the Effective Date, and on an ongoing basis during the conduct of the Research Collaboration, (i) Zymeworks shall disclose to GSK in writing and/or in an electronic format the Zymeworks Know-How reasonably necessary for GSK's performance of its obligations pursuant to the Research Collaboration Plan and (ii) GSK shall disclose to Zymeworks in writing and/or in electronic format Know-How Controlled by GSK and reasonably necessary for Zymeworks' performance of its obligations pursuant to the Research Collaboration Plan, in each case (i) and (ii) as specified in the Research Collaboration Plan and such disclosure shall be the Confidential Information of the disclosing Party.

(b) Transfers of Materials. In the event that the Parties mutually agree, pursuant to the Research Collaboration Plan, that a transfer of any biopharmaceutical, biological, chemical or other material ("**Material(s)**") from GSK or Zymeworks (the "**Transferor**") to Zymeworks or GSK (as the case may be) (the "**Transferee**") is necessary or desirable to facilitate the Parties' collaborative activities pursuant to this Agreement, the Parties shall document such transfer using the material transfer record form set out in Exhibit 3.1.5 (the "**Material Transfer Record Form**") and the Transferor shall effect such transfer in accordance with the following provisions:

(i) the Transferor shall complete and submit to the Transferee for counter-signature (and the Transferee shall counter-sign), the Material Transfer Record Form prior to the transfer of the Material.

(ii) the Transferor warrants that it has the full right and authority to transfer the Materials to the Transferee for use within the contemplated research as set forth in the Research Collaboration Plan.

(iii) The Material and related information provided by Transferor shall remain the property of Transferor or remain under the control of Transferor and shall be kept securely by Transferee and shall not be provided by Transferee, without the prior written consent of Transferor, to any Third Party, other than Third Parties engaged by the Transferee for purposes of the Research Collaboration in accordance with Section 3.1.4(c) above and subject to Section 3.2 below.

(iv) The Transferee shall only use the Material for the purpose of the performing the applicable work as laid out under the Research Collaboration Plan and shall only use the Material in accordance with all Applicable Laws.

(v) The Transferee shall not, save as necessary for the conduct of work as laid out under the Research Collaboration Plan, use the Material in any human subjects.

(vi) The Transferee acknowledges that the Material is experimental in nature and provided "as is" and that the Transferor makes no representation or extends no warranty of any kind with respect to the Material and hereby disclaims all warranties, either express or implied, including, but not limited to, any warranty of merchantability, fitness for a particular purpose or that their use does not or shall not infringe any patent rights of Third Parties.

(vii) The Transferee shall use the Material at its own risk and in accordance with Applicable Laws and any safety instructions provided by the Transferor.

(viii) The Transferee shall, at the election and direction of the Transferor following completion of the purpose for which the Material was transferred, destroy or return the Material.

(ix) Ownership of all Materials transferred in accordance with this Section 3.1.5(b) shall be retained by the Transferor and licensed to the Transferee solely to the extent provided in ARTICLE 7.

3.2 Affiliates, Sublicensees and Contractors. Each Party, in utilizing the services of its Affiliates, sublicensees, Third Party collaborators and/or contractors under this Agreement, may sublicense its rights under this Agreement in accordance with Section 2.1.3 and 2.2.3, respectively, and share Confidential Information with such Affiliates, sublicensees, Third Party collaborators and/or contractors in furtherance of the Research Collaboration and in undertaking research, development and commercialization activities under this Agreement, in each case in accordance with Article 8; provided, however, that such Party shall remain responsible for such performance of its Affiliates, sublicensees, Third Party collaborators and/or contractors and shall cause such Affiliates, sublicensees and contractors to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use.

3.3 Records and Reports.

3.3.1 Records. Each Party shall maintain records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of Intellectual Property rights (including Patent Rights) in accordance with Article 7 below, regarding its conduct of the Research Collaboration, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which records shall completely and accurately reflect the work done and results achieved by such Party in the performance of the Research Collaboration.

3.3.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.3.1, each Party shall have the right to request copies of such records referred to in Section 3.3.1, which request shall be fulfilled by such Party receiving such request, where reasonably necessary for such requesting Party to exercise its rights or fulfil its obligations under this Agreement.

3.4 Target Selection. Subject to this Section 3.4, GSK and Zymeworks shall each have the right to designate Targets as GSK Targets or Zymeworks Targets, respectively, with respect to which it would have the rights set forth in this Agreement, including pursuant to Sections 2.1 or 2.2, as applicable, to research, develop, manufacture and commercialize designated Types of Antibodies and Types of Products in the Field in the Territory.

3.4.1 […***…]. Prior to the expiration of the Research Collaboration Term and in any event no later than […***…] prior to the JPT's estimated date of expiry of the Research Collaboration Term, Zymeworks shall select […***…], and Zymeworks and GSK shall enter into a written agreement, […***…] setting forth, among other things, the […***…] with respect to the Parties' selection of Targets and Types of Products. […***…] as further described in Section 3.4.3 below. […***…], shall also have the right to audit GSK, on an annual basis, to ensure that GSK is not developing, manufacturing or commercializing Products outside of the scope of the licenses granted to it in Section 2.1, including Products Directed To Targets that are not GSK Targets or derived from Sequence Pairs that are not GSK Sequence Pairs. GSK shall promptly comply with each such audit requests by providing any information or documentation in its possession which GSK is legally able to disclose as requested […***…] with respect to the Products that it is developing, manufacturing or commercializing that is reasonably necessary to understanding the Targets to which such Products are Directed To or the Sequence Pairs from which they are derived. Such information and documentation, disclosed by GSK in accordance with this Section 3.4.1 shall be maintained as the Confidential Information of GSK […***…], other than to the extent necessary to convey […***…]. For clarity, […***…], and GSK shall not be required to […***…].

3.4.2 Target Selection Timeline.

(a) GSK Initial Selection. During the GSK Initial Selection Period, GSK may designate up to […***…] initial Targets as potential GSK Targets for […***…] by submitting written notice of each such designated Target […***…] for gatekeeping in accordance with Section 3.4.3 below. The first […***…] such Targets to become GSK Targets may be referred to herein as the "**Initial GSK Targets**". Notwithstanding anything herein to the contrary, each Initial GSK Target shall be a GSK Target solely for purposes of developing and commercializing […***…], unless and until one or more Sequence Pairs Directed to such GSK Target(s) are designated by GSK and determined to be available pursuant to Section 3.4.4 for purposes of developing and commercializing […***…]. For clarity, any rights granted to GSK under this Agreement with respect to […***…] shall be granted on a GSK Sequence Pair-by-GSK Sequence Pair basis and are subject to Sequence Pair-level gatekeeping by Zymeworks in accordance with Section 3.4.4 below.

(b) Zymeworks Initial Selection.

(i) During the Zymeworks Initial Selection Period, Zymeworks may designate up to […***…] initial Targets as potential Zymeworks Targets for up to four (4) distinct Zymeworks Products by submitting written notice of each such designated Target and the Type of Product to be Directed To such Zymeworks Target or pair of Zymeworks Targets […***…] for gatekeeping in accordance with Section 3.4.3 below and subject to Section 3.4.2(e).

(ii) After the GSK Initial Selection Period and subject to Section 3.7, Zymeworks may also grant rights to Third Parties to develop and commercialize Products Directed To Targets (including Targets other than the Zymeworks Targets) that have not been previously selected as GSK Targets provided further that such Targets shall be […***…] in accordance with Section 3.4.3 below. Such Products are Third Party Products.

(c) Additional Selection Period. During the Additional Selection Period, GSK may designate up to […***…] additional Targets as potential GSK Targets for up to […***…] additional distinct GSK Products and Zymeworks may designate up to […***…] additional Targets as potential Zymeworks Targets for up to […***…] additional distinct Zymeworks Products, in each case by submitting written notice of each such designated Target and, subject to the following two (2) sentences, Type of Product to be Directed To such Target or pair of Targets […***…] for gatekeeping in accordance with Section 3.4.3 and, if applicable, Section 3.4.4. For the avoidance of doubt, Zymeworks shall retain its right to designate […***…] additional Targets during the Additional Selection Period, even if it has already designated four (4) Types of Products associated with other Zymeworks Targets pursuant to Section 3.4.2(b) above; provided that Zymeworks shall be limited to designating a total of four (4) Zymeworks Products, and until Zymeworks designates a Type of Product with respect to a particular Zymeworks Target, such Zymeworks Target shall not be deemed to be an Unavailable Target for GSK with respect to any Type of Product pursuant to Section 3.4.3(a)(1), but shall be available for Product swapping by Zymeworks pursuant to Section 3.4.2(d)(iii). Accordingly, Zymeworks may not […***…] a Type of Product associated with the additional Targets that it designates pursuant to this Section 3.4.2(c), if it has already designated four (4) Types of Products associated with other Zymeworks Targets. For each GSK Target selected after the Initial GSK Targets have been selected, GSK shall pay to Zymeworks […***…] ($[…***…]). Such payment applies on a Target-by-Target basis. Accordingly, if GSK selects two (2) Targets toward which it would develop […***…], and GSK had not previously paid Zymeworks such […***…] ($[…***…]) payment for either of such Targets, GSK shall pay to Zymeworks […***…] ($[…***…]) for such Target pair. Payment for each such designated Target shall be made by GSK within […***…] following the expiry of […***…] from the date of receipt of a corresponding Invoice from Zymeworks. Such GSK Targets shall be considered selected upon […***…] that the Target is available with respect to the designated Type of Product, Zymeworks' receipt of the corresponding payment from GSK, and, if applicable, […***…] that a particular Sequence Pair Directed To such Target(s) is available pursuant to Section 3.4.4. For clarity, the foregoing payment shall not apply with respect to Targets that are substituted for an Initial GSK Target in accordance with Section 3.4.2(d) below.

(d) Substitute Targets and Products.

(i) At any time prior to the expiration of the Additional Selection Period, either Party may substitute any number of new Targets for one or more of its GSK Targets (with respect to GSK) or Zymeworks Targets (with respect to Zymeworks) for any reason, provided the total number of GSK Targets does not exceed […***…] and the total number of Zymeworks Targets does not exceed […***…]. Any such substituted Target shall be subject to the gatekeeping process described in Section 3.4.3 and Section 3.4.4, as applicable, and upon […***…] that such substitute Target is available with respect to the designated Type of Product (and, if applicable, […***…] that the Sequence Pair from which […***…] Directed To such Target(s) are to be derived is available), the Target for which such new Target is a substitute shall cease to be a GSK Target or Zymeworks Target, as applicable. For clarity, each Target in a pair of Targets selected by a Party for purposes of developing […***…] shall count as one Target toward the maximum number of Targets set forth for such Party above.

(ii) At any time there is a GSK Target, a Zymeworks Target or a Third Party Target that subsequently ceases to be, respectively, a GSK Target, a Zymeworks Target or a Third Party Target for any reason or with respect to any Type of Product, if such former GSK Target, Zymeworks Target or Third Party Target was a Target which was previously an Unavailable Target for GSK or Zymeworks with respect to such Type of Product, the Parties shall […***…] notify such event promptly to GSK (in respect of a former Zymeworks Target or Third Party Target) or Zymeworks (in respect of a former GSK Target or Third Party Target) and such former Zymeworks Target, GSK Target or Third Party Target shall be released from the Reserved Targets List, in its entirety or with respect to such Type of Product, as applicable.

(iii) Upon expiration of the Additional Selection Period, the GSK Targets and Zymeworks Targets shall remain fixed for the remainder of the Term, and the Parties shall no longer have the right to substitute Targets. However, the Parties shall retain the right, on a Target-by-Target basis during the Term, to change the Type of Products to be Directed To their respective Targets until initiation of […***…]. By way of example only and without limiting the foregoing, after the Additional Selection Period, GSK could cease all development and commercialization activities with respect to […***…] and, subject to all applicable gatekeeping under Sections 3.4.3 and 3.4.4, substitute for such activities the development and commercialization of […***…]. In such case, […***…]. In no event, however, shall (a) GSK develop or commercialize more than ten (10) GSK Products, which, for clarity, may include […***…] derived from GSK Sequence Pairs if GSK selects GSK Sequence Pairs in accordance with Section 3.4.4 but otherwise shall be limited to […***…], or (b) Zymeworks develop or commercialize more than four (4) Zymeworks Products, in each case at any given time. Each Party shall promptly […***…] of any changes to the Type of Antibody or Type of Product that it is developing with respect to a particular Target or Targets.

(e) Target Hierarchy and […***…]. At any time when the Parties may continue to select Targets or Types of Products hereunder, as applicable, and subject to all applicable gatekeeping under Section 3.4:

(i) if GSK first selects, in sequence, a GSK Target for purposes of developing […***…] (including all Initial GSK Targets) or […***…], then Zymeworks shall not then be permitted to reserve such Target as a Zymeworks Target, or a Third Party Product on behalf of a Third Party, in respect of Products incorporating […***…] or […***…] unless and until such Target is released by GSK with respect to […***…] and […***…] pursuant to Section 3.4.2(d) (however, for clarity, Zymeworks shall have the right to reserve such Target as a Zymeworks Target in respect of a Zymeworks Product, which is a […***…] but not a […***…]);

(ii) if Zymeworks first selects, in sequence, whether for itself or on behalf of a Third Party, a Zymeworks Target for purposes of developing Products incorporating […***…] or a […***…], then GSK shall not then be permitted to reserve such Target as a GSK Target in respect of […***…] unless and until such Target is released by Zymeworks with respect to Products incorporating […***…] and […***…] pursuant to Section 3.4.2(d) (however, for clarity, GSK shall have the right to reserve such Target as a GSK Target in respect of a […***…]);

(iii) if GSK first selects, in sequence, a GSK Target for purposes of developing a […***…] Directed To […***…], then Zymeworks shall not then be permitted to reserve […***…] as Zymeworks Targets in respect of Products incorporating […***…] Directed To such […***…], unless and until such […***…] is released by GSK with respect to such […***…] pursuant to Section 3.4.2(d) (however, for clarity, Zymeworks shall have the right to reserve […***…] as a Zymeworks Target in respect of Products incorporating […***…] or Products incorporating […***…] Directed to a […***…]); and

(iv) if Zymeworks first selects, in sequence, a Zymeworks Target for purposes of developing a Product incorporating […***…] Directed To […***…], then GSK shall not then be permitted to reserve such Target as a GSK Target in respect of […***…] Directed To such […***…], unless and until such […***…] is released by Zymeworks with respect to Products incorporating such […***…] pursuant to Section 3.4.2(d) (however, for clarity, GSK shall have the right to reserve such Target as a GSK Target in respect of […***…] or […***…] Directed to a different […***…]).

3.4.3 <u>Target</u> […***…].

(a) <u>GSK Targets</u>. Each Target or […***…] (with respect to Targets designated for the development of […***…]) designated by GSK and […***…] in accordance with Section 3.4.2(a), (c) or (d) above shall be […***…] as set forth below in this Section 3.4.3, and if such designated Target or […***…] is/are not an Unavailable Target with respect to the Type of Product designated by GSK for such Target(s) in accordance with such gatekeeping such Target(s) shall become a "**GSK Target**" with respect to such Type of Product; provided that a Target or […***…] designated by GSK for the development of […***…] shall not become GSK Target(s) for such purposes unless and until such GSK Target(s) are determined to be available with respect to the Sequence Pair designated by GSK pursuant to Section 3.4.4, and then such Target(s) shall be a GSK Target(s) solely with respect to […***…] and […***…] derived from such GSK Sequence Pair. For clarity, this Section 3.4.3(a) shall apply with respect to changes in the Type of Antibody or Type of Product that GSK intends to develop made pursuant to Section

3.4.2(b)(iii) in addition to new Target designations. A Target or […***…] designated by GSK in accordance with Section 3.4.2 above shall only be an "**Unavailable Target**" if such Target is (or such […***…]includes) […***…]or, at the time GSK […***…], (1) such Target(s) is/are already included on the Reserved Target List as a Zymeworks Target or a Third Party Target with respect to the Type of Product that GSK designated in such submission; or (2) Zymeworks is:

(i) demonstrably contractually obligated to grant pursuant to clearly identifiable and certain rights granted to a Third Party prior to the Effective Date, or has actually granted prior to the Effective Date, to a Third Party rights with respect to products Directed To such Target; or

(ii) actively and in good faith engaged in bona fide negotiations with a Third Party regarding the development or commercialization of Products Directed To such Target (as may be evidenced, among other things by […***…]); provided that Zymeworks may designate, […***…], for reservation on the Reserved Target List, on a Target-by-Target basis, no more than […***…] Targets at any given time pursuant to this clause (ii) for up to […***…] per Target and following such […***…] period, if such Target has not been confirmed for continuing reservation by Zymeworks on the Reserved Target List with […***…], such Target shall be automatically deemed excluded from the Reserved Target List for a minimum of […***…]; and provided further, for clarity, that Zymeworks had […***…] inclusion on the Reserved Target List. For clarity and without limiting clause (i) above, Targets that are subject to this clause (ii) and subsequently become the subject of an executed agreement pursuant to which Zymeworks grants such Third Party rights with respect to the development or commercialization of Products Directed To such Targets shall remain on the Reserved Target List pursuant to clause (1) above.

(b) Zymeworks Targets. Each Target or pair of Targets designated by Zymeworks and […***…] pursuant to Section 3.4.2(b)(i), (c) or (d) above shall be a "**Zymeworks Target**" with respect to the Type of Product designated by Zymeworks for such Target(s), unless, at the time Zymeworks […***…] such Target or pair of Targets is already included on the Reserved Target List as a GSK Target for such Type of Product. For clarity, this Section 3.4.3(b) shall apply with respect to changes in the Type of Antibody or Type of Product that Zymeworks intends to develop made pursuant to Section 3.4.2(b)(iii) in addition to new Target designations.

(c) Third Party Targets. Each Target designated by Zymeworks and […***…] pursuant to Section 3.4.2(b)(ii) above for use with a Third Party shall be available, unless, at the time Zymeworks […***…] such Target is already included on the Reserved Target List as a GSK Target or a Zymeworks Target (each such available Target, a "**Third Party Target**").

(d) Notice of Availability. Within […***…] of […***…] of a Party's written notice with respect to each Target or pair of Targets that such Party proposes to select under Section 3.4.2, […***…] with written notice if such proposed Target or pair of Targets is available or is unavailable for the designated Type of Product for any of the reasons set forth in Section 3.4.3(a) or (b) above, as applicable, and the basis for any such unavailability. If any such Target or pair of Targets is determined to be unavailable in accordance with this Section 3.4.3,

the Party that had proposed such Target may propose another Target(s) in place of such unavailable Target(s) (or, as applicable, another Type of Product for the same Target), subject to this Section 3.4.3 and the process set forth herein. For clarity, […***…] shall not disclose the identity of a Target or pair of Targets designated by one Party to the other Party when providing notice pursuant to this Section 3.4.3(d) and shall, subject to Section 3.4.2(d)(ii), be required to maintain the confidentiality at all times of any such Target(s) proposed by a Party pursuant to this Section 3.4.3. Notwithstanding the foregoing, GSK shall disclose to Zymeworks in writing the identity of each GSK Target or pair of GSK Targets prior to […***…] a GSK Product Directed to such GSK Target or pair of GSK Targets. In the event that GSK does not disclose a GSK Target or […***…] in accordance with the foregoing sentence, Zymeworks shall have the right to […***…] the identity of such GSK Target or […***…].

3.4.4 GSK Multi-Specific Sequence Pair […***…].

(a) <u>GSK Multi-Specific Sequence Pair Designation</u>. After the Zymeworks Initial Selection Period, GSK may designate Sequence Pairs Directed To any previously selected GSK Target or […***…]previously selected GSK Targets for the development of […***…] by […***…] in writing. In addition, solely during the Additional Selection Period, GSK may designate Sequence Pairs Directed To […***…] that include one GSK Target and one Zymeworks Target by […***…] in writing. In each case, such […***…] must be determined to be available […***…] pursuant to Section 3.4.3 with respect to GSK Multi-Specific Products prior to being submitted for Sequence Pair level gatekeeping […***…] pursuant to this Section 3.4.4. Each Sequence Pair so designated by GSK shall be subject to […***…] as set forth below in this Section 3.4.4, and if such designated Sequence Pair is not an Unavailable Sequence Pair in accordance with such gatekeeping it shall become a "**GSK Sequence Pair.**" A Sequence Pair that is designated by GSK in accordance with this Section 3.4.4 shall only be an "**Unavailable Sequence Pair**" if, at the time GSK […***…], Zymeworks:

(i) is contractually obligated to grant pursuant to clearly identifiable and certain rights granted to a Third Party, or has actually granted, to a Third Party rights with respect to products incorporating such Sequence Pair, or exclusive rights with respect to products Directed To the […***…] To which such Sequence Pair is Directed;

(ii) is actively and in good faith engaged in bona fide negotiations with a Third Party regarding the development or commercialization of products incorporating such Sequence Pair (as may be evidenced, among other things, […***…]);

(iii) is actively performing activities on its own behalf regarding the development or commercialization of products incorporating such Sequence Pair, which activities include, or have included, […***…], and […***…] that it has conducted such activities with respect to products incorporating such Sequence Pair;

(iv) has […***…] that the Zymeworks Targets comprising the […***…] that such Sequence Pair is Directed To is a […***…] with respect to which Zymeworks intends to develop […***…].

(b) Notice of Availability. Within […***…] Business Days of […***…] written notice with respect to each Sequence Pair that GSK proposes to select under this Section 3.4.4, […***…] with written notice if such proposed Sequence Pair is available or is unavailable for any of the reasons set forth in Section 3.4.4(a) above, and the basis for any such unavailability. For clarity, […***…] shall not disclose the identity of a Sequence Pair designated by GSK when providing notice pursuant to this Section 3.4.4(b) and shall be required to maintain the confidentiality of any such Sequence Pairs proposed by GSK as Confidential Information of GSK pursuant to this Section 3.4.4(b). Notwithstanding the foregoing, GSK shall disclose to Zymeworks in writing the identity of each GSK Sequence Pair upon the […***…] of a GSK Product, the active ingredient of which is a […***…] derived and generated from such GSK Sequence Pair. In the event that GSK does not disclose a GSK Sequence Pair in accordance with the foregoing sentence, Zymeworks shall have the right to […***…], to Zymeworks the identity of such GSK Sequence Pair.

3.4.5 Scope of GSK Targets and Zymeworks Targets. Notwithstanding anything herein to the contrary, in the event that, in accordance with this Section 3.4, a single Target becomes a GSK Target with respect to certain Types of Products and a Zymeworks Target with respect to other Types of Products, the term GSK Target as used throughout this Agreement (including, without limitation, for purposes of the licenses granted pursuant to Article 2 and the exclusivities set forth in Section 3.7) shall be limited to such Target with respect to the Types of Products to which GSK is granted rights hereunder, and the Zymeworks Targets as used throughout this Agreement shall be limited to such Target with respect to the Types of Products to which Zymeworks is granted rights hereunder. Accordingly, in such circumstances, GSK Products or Zymeworks Products, as applicable, shall be limited to the Type of Product to which such Party has rights with respect to such Target.

3.5 Development and Commercialization of GSK Products. GSK (itself or through its Affiliates or Third Parties) shall have the exclusive right (even as to Zymeworks and its Affiliates) to further research, develop, manufacture and commercialize GSK Products upon the conclusion of the Research Collaboration subject to Article 10. GSK shall use Commercially Reasonable Efforts to research and develop […***…] GSK Antibody Directed To the GSK Targets and to commercialize […***…]. GSK shall provide Zymeworks with written reports summarizing the then-current development and commercialization status of each Product in such detail as is reasonably necessary for Zymeworks to estimate timing for the payments owed pursuant to Article 5, […***…].

3.6 Development and Commercialization of Zymeworks Products. Zymeworks (itself or through its Affiliates or Third Parties) shall have the exclusive right (even as to GSK and its Affiliates) to further research, develop, manufacture and commercialize any Zymeworks Products or, subject to any exclusivity granted to GSK in accordance with Section 3.7, other Products that are not GSK Products upon the conclusion of the Research Collaboration.

3.7 Exclusivity.

3.7.1 Zymeworks Modification Exclusivities. Subject to Section 3.7.3, (a) Zymeworks shall not, and shall not grant rights to any Person to, at any time during the Term for a GSK Product (i) develop or commercialize any antibody or product incorporating a Zymeworks Modification that is […***…], or (ii) grant to any Third Party any rights or license under the Zymeworks Project Arising IP to, develop or commercialize any antibody or product incorporating a […***…]; and (b) GSK shall not, and shall not grant rights to any Person to, at any time during the Term (i) develop or commercialize any antibody or product incorporating a Zymeworks Modification […***…] or (ii) grant to any Third Party any rights or license under the GSK Project Arising IP to develop or commercialize any antibody or product incorporating a […***…]. For clarity, in the event that […***…], nothing in this Section 3.7.1 shall prevent either Party from developing and commercializing, itself or with or through any Affiliate or Third Party, Antibodies and Products Directed To such Target within the scope of its rights hereunder.

3.7.2 […***…]. In addition, Zymeworks shall not grant any Third Party any rights or licenses under the […***…]; provided that the foregoing exclusivity shall be subject to […***…]. For purposes of the foregoing, the "**Exclusivity Period**" means each of up to […***…] periods beginning on the […***…] ("**Year 1**") and each anniversary […***…] (each of "**Year 2**", "**Year 3**", "**Year 4**", and "**Year 5**" below) for which GSK has paid the following amounts per year (each, an "**Exclusivity Payment**"):

Year 1 : $[…***…]

Year 2 : $[…***…]

Year 3 : $[…***…]

Year 4 : $[…***…]

Year 5 : $[…***…]

GSK shall notify Zymeworks of its decision whether or not to exercise its exclusivity option prior to […***…] (with respect to Year 1) in accordance with this Agreement (including Section 3.1.2), which expiration shall be confirmed by the Joint Project Team upon GSK's request, and not less than […***…] prior to the expiration of the prior Year (with respect to each subsequent Year). […***…]. For clarity, […***…]; provided, for clarity, […***…]. If GSK has paid the Exclusivity Payment for each of Years 1-5 and requests an extension of the Exclusivity Period beyond the five (5) years set forth above, the Parties shall discuss, in good faith, the terms on which Zymeworks would, in its sole discretion, make such an extension available to GSK, at that time. For purposes of the foregoing each of Year 1, Year 2, Year 3, Year 4 and Year 5 may be referred to as a "**Year**". Payment for each Year of exclusivity shall be made by GSK within the […***…] from the date of receipt of a corresponding Invoice from Zymeworks.

3.7.3 Limitations. For clarity, nothing in this Agreement, including this Section 3.7, shall prevent Zymeworks or GSK from developing or commercializing, or granting rights with respect to the development or commercialization of, any antibody, antibody-like molecule or product incorporating the same, in each case which do not include any Zymeworks Modifications. Any such rights shall not be deemed to be inconsistent with the licenses granted under Arising Project IP or the exclusivities as set out herein. Further, the exclusivities set forth in this Section 3.7 shall not apply with respect to any antibodies or products being developed or

commercialized by an Acquiring Entity at the time such acquisition closes or thereafter without accessing or practicing the Project Arising IP.

4. GOVERNANCE

4.1 Joint Project Team. The Parties shall establish, as soon as practicable after the Effective Date, a Joint Project Team (the "**JPT**") to oversee and coordinate the activities of the Parties under the Research Collaboration. The JPT shall be comprised of two (2) employees from GSK and two (2) employees from Zymeworks. Subject to the foregoing, each Party may appoint its respective representatives to the JPT, and may change its representatives, in its sole discretion, in each case effective upon notice to the other Party. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Collaboration. One (1) of the members of the JPT appointed by GSK shall be designated the JPT Chair. The JPT Chair shall be responsible for calling meetings of the JPT, circulating agenda and performing administrative tasks required to assure efficient operation of the JPT. The JPT shall be promptly disbanded upon completion of the Research Collaboration.

4.2 JPT Meetings. The JPT shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once every […***…] until expiration of the Research Collaboration Term. The location for meetings shall alternate between Zymeworks and GSK facilities (or such other location as is determined by the JPT). Alternatively, the JPT may meet by means of teleconference, videoconference or other similar means. As appropriate, additional employees or consultants of each Party may from time to time attend the JPT meetings as nonvoting observers, provided that any such consultant shall agree in writing to comply with the confidentiality obligations under this Agreement; and provided further that no Third Party personnel (other than consultants of each Party) may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the JPT meetings by its representatives and nonvoting observers. Each Party may also call for special meetings to resolve particular matters requested by such Party upon not less than […***…] prior written notice to the other Party's JPT representatives. The JPT Chair or his/her designee shall keep minutes of each JPT meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. The JPT Chair shall send meeting minutes to all members of the JPT promptly after a meeting for review. Each member shall have […***…] from receipt in which to comment on and to approve/provide comments to the minutes (such approval not to be unreasonably withheld, conditioned or delayed). If a member, within such time period, does not notify GSK that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member. The JPT shall disband upon expiration of the Research Collaboration Term.

4.3 JPT Functions. The JPT's responsibilities with respect to the Research Collaboration are as follows:

(a) Overseeing and coordinating the activities of the Parties under the Research Collaboration;

(b) Facilitating the exchange of Know-How and materials as required hereunder;

(c) Periodically reviewing the progress and results and data of the Research Collaboration;

(d) Updating or modifying the Research Collaboration Plan for approval by the Parties;

(e) Determining whether to update the Research Collaboration Plan or terminate this Agreement in the event of failure to achieve a Gate;

(f) Completing such other responsibilities as are assigned to the JPT upon mutual written agreement of the Parties; and

(g) Discussing Joint Inventions and Joint Patents in consultation with qualified patent attorneys representing each Party, including without limitation, responsibility for drafting, filing, prosecution and enforcement.

4.4 JPT Disputes. The JPT shall make decisions by consensus, with each of GSK and Zymeworks having one vote. If consensus is not reached by the Parties' representatives pursuant to such vote, then the matter may be escalated by either Party to designated officers of both GSK and Zymeworks with appropriate decision-making authority for resolution in accordance with Section 14.5. In the event the designated officers are unable to resolve the issue within […***…], GSK shall have the right to make the final decision with respect to such dispute, provided that GSK shall not have the right to unilaterally revise the Research Collaboration Plan or to obligate Zymeworks to perform any task or expend any resources outside of or beyond its express obligations in the Research Collaboration Plan or under this Agreement. For clarity and notwithstanding the creation of the JPT, each Party shall retain the rights, powers and discretion granted to it hereunder, and the JPT shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The JPT shall not have the power to amend, waive or modify any term of this Agreement, and no decision of the JPT shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JPT are limited to those specific issues that are expressly provided in this Agreement to be decided by the JPT.

4.5 Failure to Achieve a Gate. In the event that the Parties fail to achieve a Gate, the JPT shall promptly meet to make a determination as to whether to (i) revise the Research Collaboration Plan to allow the Parties to proceed with the Research Collaboration and present such plan to the Parties for approval or (ii) recommend that the Parties terminate the Agreement. If, in such case, the Parties fail to agree

with respect to an appropriate revision to the Research Collaboration Plan within […***…] of the JPT meeting to make the determination described in the foregoing sentence, or the Parties otherwise agree in writing that this Agreement shall be terminated, this Agreement shall terminate. For clarity, decisions regarding whether to proceed in the event of a failure to achieve a Gate shall require mutual agreement by the Parties and shall not be subject to GSK's final decision-making authority.

4.6 **Alliance Managers**. Promptly after the Effective Date, each Party shall appoint an individual to act as alliance manager during the Term for such Party (each, an "**Alliance Manager**"). The Alliance Managers shall be the primary point of contact for all business development and/or contract related communications between the Parties for all matters in connection with this Agreement and in particular matters related to clauses 3.4 and 3.7, outside the purview of the technical matters for which the Joint Project Team is responsible. The Alliance Managers shall be responsible for facilitating communications between the Parties regarding any finance, legal and business issues that may arise during the Term of the Agreement.

5. FINANCIAL PROVISIONS

5.1 Expenses. Zymeworks and GSK shall each bear all expenses it incurs in performance under this Agreement, except as expressly set forth in this Agreement.

5.2 Development Milestones. Within […***…] of receipt of an Invoice following after the […***…]of each milestone event set forth in the table below for each applicable GSK Product (each, a "**Development Milestone Event**"), GSK shall make the corresponding milestone payment to Zymeworks (each, a "**Development Milestone Payment**"). For clarity, each Development Milestone Payment shall be payable […***…] GSK Products to achieve such Development Milestone Event, regardless of how many times such Development Milestone Event occurs for such GSK Product.

Development Milestone Event	**Development Milestone Payment GSK Products** […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]

5.3 Commercialization Milestones. Within […***…] of receipt of an Invoice following the […***…] of each milestone event set forth in the table below for each GSK Product (each, a "**Commercialization Milestone Event**"), GSK shall make the corresponding milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**"):

First time Annual Net Sales of such GSK Product achieve the following thresholds	Commercialization Milestone Payment
$[…***…]	$ […***…]
$[…***…]	$ […***…]
$[…***…]	$ […***…]
$[…***…]	$ […***…]

For clarity, each of the foregoing Commercialization Milestone Payments shall […***…].

5.4 Royalties.

5.4.1 Patent Royalty Payments. On a […***…], GSK shall pay Zymeworks a royalty (the "**Royalty**") on Net Sales of each GSK Product at the rates set forth below:

Annual Net Sales on a GSK Product-by-GSK Product basis	Royalty Rate (as a percentage of Net Sales)
$[…***…] to $[…***…]	[…***…]%
Above $[…***…] to $[…***…]	[…***…]%
Above $[…***…]	[…***…]%

5.4.2 Royalty Term. The Royalty shall be payable on a GSK Product-by-GSK Product and country-by-country basis from First Commercial Sale in such country until (i) such GSK Product is no longer Covered by a Valid Claim in such country or (ii) ten (10) years after the First Commercial Sale of such GSK Product in such country, whichever is later (the "**Royalty Term**"). Upon the expiration of the last Valid Claim that Covers a GSK Product in a country, the Royalties set forth above with respect to such GSK Product in such country shall continue as a royalty paid in consideration for the value of the rights and licenses granted hereunder to GSK with respect to the Know-How within the Zymeworks Project Arising IP, but

shall be reduced by […***…]percent ([…***…]%) for the remainder of the Royalty Term. Notwithstanding anything herein to the contrary, in no event shall the Royalties owed during the Royalty Term be reduced by more than […***…]([…***…]%) from the percentages set forth above (i.e., to […***…]%, […***…]%, and […***…]%, respectively), regardless of whether multiple reductions set forth in this Agreement apply.

6. REPORTS AND PAYMENT TERMS

6.1 Payment Terms.

6.1.1 Milestone Payments. GSK shall notify Zymeworks in writing of the achievement of a Development Milestone Event or Commercialization Milestone Event within […***…] of its achievement, and Zymeworks shall issue an Invoice to GSK for the corresponding Development Milestone Payment or Commercial Milestone Payment. Each Milestone Payment shall be made by GSK within […***…].

6.1.2 Royalties. During the Term, following the First Commercial Sale of a GSK Product, GSK shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by GSK Product sold during such Calendar Quarter and the Royalties payable under this Agreement on a Product-by-Product basis, and the Royalties (in US dollars) payable in total for all GSK Products in accordance with Section 6.2, in each case in reasonable detail to allow Zymeworks to verify that the amount of Royalties paid by GSK with respect to such Calendar Quarter is correct. Reports shall be due no later than […***…]. Royalties shown to have accrued by each report provided under this Section 6.1.2 shall be due and payable on the date such report is due.

6.2 Payment Currency / Exchange Rate / Interest. All payments to be made by GSK to Zymeworks under this Agreement shall be made in USD. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to GSK. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with GSK's normal practices used to prepare its audited financial statements for external reporting purposes; provided that such practices use a widely accepted source of published exchange rates. If GSK shall fail to make a timely payment pursuant to this Agreement, any such payment shall bear interest at the average one-month London Inter-Bank Offering Rate (LIBOR) as reported on the day such payment was due in *The Wall Street Journal* (U.S. Internet version at www.wsj.com under the "Market Data" tab), plus three percent (3%) annually.

6.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 6.3, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon Zymeworks with respect to any payments made by GSK to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws require the

withholding of Taxes, GSK shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. GSK shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. GSK shall provide Zymeworks reasonable assistance in order to allow Zymeworks to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such Party shall be responsible for all such additional Taxes.

6.4 Records and Audit Rights.

6.4.1 Records. GSK shall keep (and shall cause each Selling Party to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Royalties. GSK shall keep (and shall cause each Selling Party to keep) such books and records for at least […***…] following the end of the Calendar Year to which they pertain.

6.4.2 Audit Rights. Zymeworks shall have the right during the […***…]period described in Section 6.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "Accounting Firm") to inspect or audit the relevant records of GSK and each Selling Party to verify that the amount of such payments were correctly determined. GSK shall make, and shall cause each Selling Party to make, their respective records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon at least […***…] notice from Zymeworks, solely to verify the payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by Zymeworks more than once in any Calendar Year. All records made available for inspection or audit shall be deemed to be Confidential Information of GSK. The results of each inspection or audit, if any, shall be binding on both Parties. Zymeworks shall bare full cost of any audit conducted unless the audit reveals an error of greater than […***…]per cent ([…***…]%), in which case GSK will pay. If the Accounting Firm determines through such audit or inspection additional royalties are payable then such amounts (together with interest as required in Section 6.2) shall be paid by GSK within […***…]; and if the Accounting Firm determines through such audit or inspection excess royalties are refundable then such amount will be deducted from future royalty payments; however if future royalty payments are unlikely to be sufficient, then Zymeworks shall pay such amounts within […***…] of the Parties agreeing to the amount.

7. INTELLECTUAL PROPERTY RIGHTS

7.1 Ownership of Inventions. Ownership of all Project Arising IP shall be as set forth in this Article 7. Determination of inventorship of Project Arising IP shall be made in accordance with US laws. Each Party

shall continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or created or obtained outside the scope of this Agreement, or which it licenses to the other Party under this Agreement. Notwithstanding anything in this Section 7.1 to the contrary, Zymeworks shall retain all rights in the Zymeworks Technology, the Zymeworks Background Technology and any Project Arising IP comprising improvements thereto ("**Improvements**"). For clarity, all antibody mutations created in the conduct of the Research Collaboration, including the Zymeworks Modifications and the Zymeworks Modified Scaffolds, shall comprise Improvements and shall be owned by Zymeworks. Except as otherwise provided in the foregoing sentence, Inventions within the Project Arising IP that are made solely by Zymeworks or its Affiliates or subcontractors (such Project Arising IP and any and all Improvements, the "**Zymeworks Inventions**"), and all Intellectual Property rights in and to the Zymeworks Inventions, including the Patent Rights claiming them (such Patent Rights, including Patent Rights claiming Improvements, the "**Zymeworks Project Patent Rights**")) shall be owned solely by Zymeworks. Other than any such Inventions comprising Improvements, Inventions within the Project Arising IP that are made solely by GSK or its Affiliates or subcontractors ("**GSK Inventions**") and all Intellectual Property rights therein, including the Patent Rights claiming them (the "**GSK Project Patent Rights**") shall be owned solely by GSK. Other than any such Inventions comprising Improvements, Joint Inventions (and the Joint Patent Rights) shall be owned jointly by the Parties. Subject to Article 2 and Article 11, each Party has the right to grant licenses under and otherwise exploit its interest in such Joint Inventions (and the Joint Patent Rights) to any Third Party without the consent of, or accounting to, the other Party.

7.2 Patent Prosecution and Maintenance.

7.2.1 Definitions. As used in this Section 7.2, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

7.2.2 Zymeworks Project Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Project Patent Rights using patent counsel of Zymeworks' choice. Zymeworks shall keep GSK reasonably advised with respect to the status of the filing, prosecution and maintenance of the Zymeworks Project Patent Rights and, upon GSK's request, shall provide copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Zymeworks Project Patent Rights. Zymeworks shall promptly give notice to GSK of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Project Patent Rights licensed to GSK under this Agreement.

7.2.3 GSK Project Patent Rights. GSK, at GSK's expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of GSK Project Patent Rights, including, for clarity, all decisions relating to Patent listing and Patent term extensions (including supplementary protection certificates) using patent counsel of GSK's choice. GSK shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the GSK Project Patent Rights and, upon Zymeworks' request, shall provide

copies of material submissions to any patent office related to the filing, prosecution and maintenance of the GSK Project Patent Rights. GSK shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any GSK Project Patent Rights licensed to Zymeworks under this Agreement.

7.2.4 Joint Patent Rights.

(a) GSK, at GSK's expense, shall have the first right to control the preparation, filing, prosecution and maintenance of Joint Patent Rights (including, for clarity, all decisions relating to Patent listing and Patent term extensions (including supplementary protection certificates) using patent counsel reasonably acceptable to Zymeworks. GSK shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights (including, for clarity, all decisions relating to Patent listing and Patent term extensions (including supplementary protection certificates)) and shall provide advance copies of material submissions to any patent office related to the filing, prosecution and maintenance of the Joint Patent Rights to Zymeworks for review and comment. GSK shall take into consideration any comments from Zymeworks. GSK shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights.

(b) GSK may elect not to file or to cease prosecution or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, GSK shall give timely notice to Zymeworks. Upon receipt of such notice from GSK, Zymeworks may elect to assume prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense, in which case GSK shall promptly assign to Zymeworks all of its rights, title and interest in and to such Joint Patents. For clarity, upon such assignment by GSK of its interest in such Joint Patent Rights, such assigned Patent Rights shall immediately become Zymeworks Patent Rights for all purposes under this Agreement.

7.2.5 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in Section 7.2, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Project Patent Rights, GSK Project Patent Rights and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information, subject to Article 8. For clarity, all such communications regarding the Zymeworks Project Patent Rights shall be the Confidential Information of Zymeworks; all such communications regarding the GSK Project Patent Rights shall be the Confidential Information of GSK; and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties.

7.3 Enforcement and Defense.

7.3.1 Notice. Each Party shall provide prompt notice to the other Party of any infringement of Zymeworks Project Patent Rights, the GSK Project Patent Rights or Joint Patent Rights which cover a Product then under development or being commercialized of which such Party becomes aware (an "**Infringement**"). GSK and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both GSK and Zymeworks, to terminate any such Infringement of a Zymeworks Project Patent Right, GSK Project Patent Rights or Joint Patent Right. In the event that either Party becomes aware of any Patent Rights of any Third Party which it believes Covers the Zymeworks Modifications or Zymeworks Modified Scaffolds as used in the activities of the Parties under this Agreement, GSK and Zymeworks shall thereafter consult and cooperate to determine a course of action to obtain freedom to operate under such Third Party Patent Rights with respect to the Parties' use of Zymeworks Modifications or Zymeworks Modified Scaffolds hereunder, which may include, but not be limited to, the commencement of legal action by either or both GSK and Zymeworks, to challenge the validity of any such Patent Rights of any Third Party.

7.3.2 Zymeworks Project Patent Rights. Zymeworks shall have the first right to enforce the Zymeworks Project Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify GSK of such enforcement actions. If Zymeworks fails to bring or defend any such action against an Infringement by a Product Directed To a GSK Target within (a) […***…] following the notice of alleged Infringement or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, GSK shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall GSK admit the invalidity of, in exercising its rights under this Section 7.3.2, any Zymeworks Project Patent Rights without Zymeworks' prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.3 GSK Project Patent Rights. GSK shall have the first right to enforce the GSK Project Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of GSK and shall notify Zymeworks of such enforcement actions. If GSK fails to bring or defend any such action against an Infringement by a product Directed To any Target other than a GSK Target within (a) […***…] following the notice of alleged Infringement or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and GSK shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall Zymeworks admit the invalidity of, in exercising its rights under this Section 7.3.2, any GSK Project Patent Rights without GSK's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.4 Joint Patent Rights. GSK shall have the first right to enforce Joint Patent Rights and to control the defense of any declaratory judgment action relating thereto, with respect to such Infringement at its own expense and by counsel of its own choice reasonably

acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld, conditioned or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If GSK fails to bring or defend such action within (a) […***…] following the notice of alleged Infringement or (b) […***…] before the time limit, if any, set forth in the Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and GSK shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.4, fail to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

7.3.5 Infringement Action. In the event a Party brings an Infringement action in accordance with this Section 7.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, including by providing information and materials, at the Controlling Party's request and expense and if required to bring such action, the furnishing of a power of attorney or being named as a party. The other Party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall have the right to settle any Infringement action under this Section 7.3 relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed.

7.3.6 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both GSK and Zymeworks in connection with or as a result of any action contemplated by this Section 7.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining related to the Products hereunder shall be shared by the Parties […***…] in favor of the Controlling Party.

7.3.7 Certification. Each Party shall inform the other Party of any certification regarding any Zymeworks Project Patent Rights, GSK Project Patent Rights or Joint Patent Rights it has received pursuant to either 21 U.S.C. §§355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or its successor provisions, or any similar provisions in a country in the Territory other than the United States, and shall provide the other Party with a copy of such certification within […***…] of receipt. Zymeworks' and GSK's rights with respect to the initiation and prosecution of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be as defined in Section 7.3.2 through Section 7.3.6 hereof. Regardless of which Party has the right to initiate and prosecute such action, both Parties shall, as soon as practicable after receiving notice of such certification, convene and consult with each other regarding the

appropriate course of conduct for such action. The non-initiating Party shall have the right to be kept reasonably informed and participate in decisions regarding the appropriate course of conduct for such action.

7.3.8 Enforcement of Zymeworks Patent Rights. Notwithstanding anything in this Section 7.3 to the contrary, Zymeworks shall have the sole right to enforce the Zymeworks Patents Rights other than the Zymeworks Project Patent Rights and shall retain all recoveries resulting from such enforcement.

7.3.9 Defense of Infringement Claims. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party Intellectual Property right based on the manufacture, use, sale or importation of the Products based on the inclusion of a Zymeworks Modification or Zymeworks Modified Scaffold, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall enter into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties.

7.3.10 Trademarks. GSK shall be responsible for the selection of all trademarks which it employs in connection with any GSK Product; and Zymeworks shall be responsible for the selection of all trademarks it employs in connection with any Zymeworks Product in the Territory and each respective Party shall own and control such respective trademarks. GSK shall be responsible for registration and maintenance of all trademarks it owns in respect of any GSK Product and Zymeworks shall be responsible for registration and maintenance of all trademarks it owns in respect of any Zymeworks Product. Nothing in this Agreement shall be construed as a grant of rights, by licence or otherwise, by one Party to the other Party to use such trademarks or any other trademarks owned by GSK (in the case of any GSK Product) or Zymeworks (in the case of any Zymeworks Product) for any purpose. Each Party shall own such trademarks and shall retain such ownership upon termination or expiration of this Agreement. For clarity, trademark selection, registration and maintenance pursuant to this Section 7.3.10 may be done in the responsible party's sole discretion, and this Section 7.3.10 does not create any obligation of one Party to the other with respect thereto.

7.3.11 Pharmacovigilance. GSK shall be responsible for the timely reporting of product quality complaints, adverse events and product safety data related to any GSK Product to the appropriate Regulatory Authority or other applicable health authorities. Zymeworks shall be responsible for the timely reporting of product quality complaints, adverse events and product safety data related to any Zymeworks Product to the appropriate Regulatory Authority or other applicable health authorities. For clarity, reporting pursuant to this Section 7.3.10 may be done in the responsible party's sole discretion, and this Section 7.3.11 does not create any obligation of one Party to the other with respect thereto.

7.3.12 Ownership of Regulatory Filings. GSK shall own and maintain all regulatory filings related to all GSK Products filed pursuant to this Agreement, including all INDs. As between the Parties, Zymeworks shall own and maintain all regulatory filings related to all Zymeworks Products pursuant to this Agreement, including all INDs.

8. CONFIDENTIALITY

8.1 Duty of Confidence. During the Term and for […***…] thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party. All Confidential Information disclosed by the Parties pursuant to that certain Confidential Disclosure Agreement, dated […***…] and subsequently amended on […***…] (the "**CDA**") shall be deemed to have been disclosed pursuant to this Agreement and shall be subject to the protections of this Article 8. The CDA shall remain in force with respect to ongoing business negotiations between the Parties in accordance with its terms.

8.2 Exceptions. The obligations under this Article 8 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

8.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

8.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

8.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

8.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

8.3 Authorized Disclosures. Subject to this Section 8.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

8.3.1 to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent

accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

8.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 7 or disclosure to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products in accordance with this Agreement, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations; or

8.3.4 disclosure to potential or actual investors, potential or actual acquirers and actual or potential licensees or sublicensees of the Project Arising IP in connection with due diligence or similar investigations by such Third Parties; provided, in each case, that any such potential or actual investor or acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Article 8, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 8.3 shall remain otherwise subject to the confidentiality and non-use provisions of this Article 8, and the Party disclosing Confidential Information as permitted by this Section 8.3 shall take all steps reasonably necessary, including obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

9. PUBLICATIONS AND PUBLICITY

9.1 Publications.

9.1.1 Each Party shall have the right to publish the results of the Research Collaboration with respect to its respective Products in accordance with this Section 9.1. Except for disclosures permitted pursuant to this Article 9, a Party, its employees or consultants wishing to make a publication of the results of its activities under the Agreement that contains the other Party's Confidential Information, shall deliver to such Party a copy of the proposed written publication or an outline of an oral disclosure at least […***…] prior to submission for publication or presentation.

9.1.2 Notwithstanding Section 9.1.1, the reviewing Party shall have the right (a) to request the removal of its Confidential Information from any such publication or presentation

by the other Party, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If a reviewing Party requests the removal of its Confidential Information from any such publication or presentation, the publishing Party shall remove such Confidential Information prior to submission or presentation of such publication. If a reviewing Party requests such a delay, the other Party shall delay submission or presentation for a period of […***…] from delivery of the proposed publication pursuant to Section 9.1.1 to enable patent applications protecting the reviewing Party's rights in such information to be filed in accordance with Article 7.

9.2 Publicity. The Parties have mutually approved a press release attached hereto as Exhibit 9.2 with respect to this Agreement and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any the activities under the Research Collaboration conducted hereunder without the prior written consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed), provided however, that neither Party shall be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding the achievement of any milestone event under Section 5.2 or 5.3, Zymeworks shall provide GSK with no less than […***…] in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

10. TERM AND TERMINATION

10.1 Term.

10.1.1 The term of this Agreement shall commence on the Effective Date and (subject to earlier termination in accordance with Section 10.2, Section 10.3 or Section 10.4) shall expire unless otherwise mutually agreed: (i) one hundred and twenty (120) days after termination of the Research Collaboration Term (such period constituting the "**120 Day Period**"), unless, during the Research Collaboration Term or within the 120 Day Period, GSK provides written notice to Zymeworks of its intention to advance into research and development any one or more Antibody(ies) for inclusion in one or more corresponding GSK Product(s) in accordance with this Agreement; or (ii) (where GSK has provided written notice to Zymeworks of its intention to advance into research and development any one or more Antibody(ies) for inclusion in one or more corresponding GSK Product(s) in accordance with this Agreement) until expiration, on a GSK Product-by-GSK Product and country-by-country basis, of the Royalty Term under Section 5.4.2 with respect to such GSK Product in such country. The period from the Effective Date until the date of expiration of the entire Agreement, or termination of this Agreement in its entirety pursuant to Sections 10.1, 10.2, 10.3 or 10.4, shall be the "**Term**".

10.1.2 Upon expiration of this Agreement under Section 10.1.1(ii) (but not Section 10.1.1(i)), on a country-by-country and GSK Product-by-GSK Product basis, all licenses granted to GSK under Article 2 shall become non-exclusive, fully paid-up, perpetual licenses.

10.2 Termination.

10.2.1 GSK Right of Termination. GSK may terminate this Agreement, in its entirety or on a GSK Product-by-GSK Product basis or country by country basis, in its sole discretion upon […***…] prior written notice at any time and for any reason or for no reason at all, without incurring any penalty or liability, at any time after completion of Gate 1 of the Research Collaboration Plan.

10.2.2 During the Research Collaboration Term. During the Research Collaboration Term, this Agreement shall terminate in the event of failure to achieve a Gate and the Parties fail to agree with respect to an appropriate revision to the Research Collaboration Agreement or as mutually agreed by the Parties, in each case in accordance with Section 4.5. In the event of a termination pursuant to this Section 10.2.2, GSK shall cease to make use of any and all Zymeworks Project Arising IP, the Zymeworks Modifications and the Zymeworks Modified Scaffolds; and Zymeworks shall cease to make use of any and all GSK Project Arising IP.

10.2.3 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that GSK or its Affiliates file or initiate an action challenging in court or by administrative proceeding seeking the invalidity or unenforceability of any Zymeworks Patent Rights or Zymeworks Project Patent Rights which Covers a GSK Product, then Zymeworks, in its discretion, may give written notice to GSK that Zymeworks shall terminate this Agreement, in its entirety, or on a GSK Product-by-GSK Product basis, unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…]. In the event that GSK or its Affiliate (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] period, Zymeworks may terminate this Agreement.

10.3 Termination for Cause. If either GSK or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give written notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] after receipt of such written notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement, in its entirety or with respect to the Target(s) or Product(s) that are the subject of such breach, immediately by giving written notice to the breaching Party to such effect.

10.4 Termination for Insolvency. To the extent permitted under Applicable Laws, either Party may terminate this Agreement, (a) if, at any time, the other Party files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization

or for an arrangement or for the appointment of a receiver or trustee of the Party or of substantially all of its assets, or (b) if the other Party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within […***…] after the filing thereof, or (c) if the other Party shall propose or be a party to any dissolution or liquidation, or (d) if the other Party shall make an assignment of substantially all of its assets for the benefit of creditors. Each Party agrees to give the other Party prompt written notice of the foregoing events giving rise to termination under this Section 10.4.

11. EFFECTS OF TERMINATION

11.1 Termination of Agreement.

(a) General. Any termination or expiration of this Agreement shall: (i) be without prejudice to any other damage or legal redress that a Party may be entitled to, and (ii) shall not release a Party from any indebtedness, liability or other obligation, in each case incurred under this Agreement by such Party prior to the date of termination or expiration of this Agreement. On or after the effective date of such termination, Zymeworks shall send GSK an Invoice for any payments that are due and for which it has not previously issued an Invoice to GSK; and GSK shall pay all such amounts within […***…] from the date of receipt of the corresponding Invoice from Zymeworks. GSK shall pay any previously Invoiced amounts in accordance with this Agreement.

(b) Expiration of Financial Obligations. On the expiration of all royalty obligations with respect to a GSK Product that is being commercialized by GSK in a particular country, if any, subject to the terms and conditions of this Agreement, the licenses granted to GSK in Section 2.1.2 shall become perpetual, non-exclusive, fully-paid and royalty-free right with respect to such GSK Product in such country, as set forth in Section 10.1.2. The licenses granted to Zymeworks in Section 2.2.2 (including the right to grant sublicenses in accordance with Section 2.2.3) shall survive the expiration of this Agreement.

(c) Zymeworks Continuing Rights.

(i) Upon the termination of this Agreement by GSK after the Research Collaboration Term in accordance with Section 10.2.1, (1) Zymeworks shall continue to have all rights and licenses granted to it under Section 2.2.2, which shall continue in full force and effect, (2) the rights and licenses granted to GSK under Section 2.1 shall terminate, and GSK shall cease all use of the Zymeworks Project Arising IP, the Zymeworks Modifications and the Zymeworks Modified Scaffolds.

(ii) Upon the termination of this Agreement by Zymeworks pursuant to Section 10.2.3, Section 10.3 or Section 10.4, the rights and licenses granted to GSK under Section 2.1 shall terminate and GSK shall cease all use of the Zymeworks Project Arising IP, the Zymeworks Modifications and the Zymeworks Modified Scaffolds; Zymeworks shall continue to have the exclusive right to research, develop and commercialize any Zymeworks Product Directed To a Zymeworks Target selected prior to the effective date of such termination;

and the licenses and rights granted to Zymeworks in Section 2.2.2 shall continue in full force and effect.

(d) GSK Continuing Rights.

(i) Upon the termination of this Agreement by GSK pursuant to Section 10.3 or Section 10.4, GSK shall continue to have the exclusive right to research, develop and commercialize GSK Products Directed To GSK Targets selected prior to the effective date of such termination and the obligation of the Parties in Section 3.7, pursuant to the licenses and rights granted to GSK in Section 2.1.2, which shall continue in full force and effect solely with respect to GSK Products Directed To GSK Targets selected prior to the effective date of such termination subject to the payment by GSK of the applicable amounts set out in Sections 5.2 to 5.4 (and associated reporting obligations) and Section 3.7. Subject to the last sentence of Section 5.4.2, if GSK terminates this Agreement in its entirety pursuant to Section 10.3, GSK shall then decrease any milestone and royalty payment payable to Zymeworks in respect of the GSK Products by […***…] percent ([…***…]%), for so long as GSK has the right to commercialize such Product on the terms set out under this Agreement.

(e) Return of Information. Upon the expiration or termination of this Agreement, each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep the Confidential Information received from the other Party to the extent reasonably necessary to exercise any surviving rights and such other Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes.

11.2 Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Article 1; Section 3.3, all then-existing payment obligations owed by GSK to Zymeworks pursuant to Sections 5.2, 5.3, 5.4; Sections 6.1, 6.2, 6.3, and 6.4 (in each case, solely to the extent of any then outstanding payment obligations); the Parties' rights with respect to ownership of Intellectual Property as set forth in Section 7.1; Article 8; Article 9; Section 12.5; Section 12.6; Article 13; and Article 14 shall survive any expiration or termination of this Agreement. Sublicenses granted by Zymeworks under the GSK Project Arising IP shall survive any expiration or termination of this Agreement provided that under no circumstance shall Zymeworks accept a sublicence to such GSK Project Arising IP from any of its sublicensees in the event that Zymeworks' rights to such GSK Project Arising IP is terminated). In the event of termination by GSK pursuant to Section 10.2.1, or by Zymeworks pursuant to Section 10.2.3, 10.3, and 10.4, (a) the licenses granted to Zymeworks in Section 2.2.2 and Zymeworks' rights with respect to the GSK Project Patent Rights set forth in Sections 7.2.3, 7.3.3-7.3.6 shall survive, in each case with solely respect to Project Arising IP created prior to the date of such termination and (b) GSK shall cease to make use of any and all Project Arising IP licensed by Zymeworks to GSK, the Zymeworks Modifications and the Zymeworks Modified

Scaffolds, and shall cease all development and commercialization of the GSK Product(s) that are the subject of the termination. In the event of termination by GSK pursuant to Section 10.4, the licenses granted to GSK in Section 2.1.2 and GSK's rights with respect to the Zymeworks Project Patent Rights set forth in Sections 7.2.2, 7.3.2, and 7.3.4-7.3.6 shall survive, in each case with solely respect to Project Arising IP created prior to the date of such termination and subject to the payment and reporting obligations under Article 5. In the event of the expiration or termination of this Agreement, except as expressly set forth otherwise in this Agreement (including under the surviving provisions set forth in Section 11.1(b), (c) and (d) and this Section 11.2), the rights and obligations of the Parties hereunder shall terminate as of the date of such expiration or termination.

11.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

11.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against a Party under the Code, the other Party shall be entitled to, to the extent required under the Code, a complete duplicate of, or complete access to (as such other Party deems appropriate), any such intellectual property and all embodiments of such intellectual property, if not already in such other Party's possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by such other Party, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The foregoing provisions of this Section 11.4 are without prejudice to any rights a Party may have arising under the Code.

12. REPRESENTATIONS AND WARRANTIES AND COVENANTS

12.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

12.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

12.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

12.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

12.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and (solely to the extent specified below) covenants to GSK as follows:

12.2.1 Zymeworks has the right to grant the rights and licenses that it purports to grant to GSK under this Agreement, free and clear of all liens or encumbrances; and

12.2.2 Zymeworks has not granted and covenants not to grant during the Term rights to any Third Party under the Project Arising IP that conflicts with the rights granted to GSK hereunder.

12.2.3 Zymeworks represents and warrants that it has not granted as of the Effective Date, and covenants that it shall not during the Term grant, to any Third Party (i) any right or licence or (ii) any lien, mortgage or security interest or any other similar interest in Zymeworks Background Technology or the Project Arising IP that would conflict with, restrict or otherwise limit the scope of any of the rights granted to GSK hereunder pertaining to the Research Collaboration or any GSK Product.

12.2.4 to Zymeworks' knowledge, having conducted certain searches and made certain enquiries, the use of Zymeworks Background Technology pursuant to the Research Collaboration, does not infringe the valid and enforceable Intellectual Property rights or any other rights of any Third Party;

12.2.5 Zymeworks has not received any written notification from a Third Party alleging that any of the Zymeworks Background Technology infringes any Intellectual Property rights of a Third Party;

12.2.6 there are no pending, and no threatened, adverse actions, suits or proceedings against Zymeworks involving Zymeworks Background Technology;

12.2.7 to Zymeworks' knowledge, having conducted certain searches and made certain enquiries, Zymeworks does not require any additional licenses or any other Intellectual Property rights to conduct the Research Collaboration;

12.2.8 Zymeworks does not require any consent or waiver under any contractual arrangement with a Third Party to which Zymeworks is a party to conduct the activities to be conducted by Zymeworks under the Research Collaboration hereunder or to grant the rights and licenses that it purports to grant under this Agreement;

12.2.9 Zymeworks covenants that all employees, consultants and agents of Zymeworks or its Affiliates working in or otherwise involved in the Research Collaboration, shall be under the obligation to assign to Zymeworks all right, title and interest in and to their inventions conceived and discoveries made within the scope of their employment, whether or not patentable, if any, which constitutes the GSK Inventions and the GSK Project Patent Rights as the sole owner thereof;

12.3 Representations, Warranties and Covenants by GSK. GSK represents, warrants as of the Effective Date and covenants to Zymeworks as follows:

12.3.1 GSK has the right to grant to Zymeworks the licenses under Section 2.2; and

12.3.2 GSK has not granted, and shall not grant during the Term, rights to any Third Party under the Project Arising IP that conflict with the rights granted to Zymeworks hereunder.

12.4 Covenants. Each Party hereby covenants to the other Party that:

12.4.1 all employees, consultants and agents of such Party or its Affiliates working in or otherwise involved in the Research Collaboration shall be under the obligation to assign all right, title and interest in and to, or (with respect to consultants) grant sufficient licenses under, their inventions conceived and discoveries made within the scope of their employment, whether or not patentable, if any, to such Party to allow such Party to grant the rights and licenses granted to the other Party hereunder; and

12.4.2 it shall at all times perform its activities pursuant to this Agreement in compliance in all material respects with good laboratory practices, in each case to the extent customary for any particular activity and as applicable under the laws and regulations of the country and the state and local government wherein such activities are conducted.

12.5 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS HEREUNDER WITH REGARD TO ANY ANTIBODY OR PRODUCT SHALL BE SUCCESSFUL.

12.6 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. INDEMNIFICATION AND LIABILITY

13.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold GSK and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**GSK Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any GSK Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any GSK Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of Zymeworks Products by Zymeworks or its Affiliates, licensees or sublicensees (excluding GSK and its Affiliates) under this Agreement; (b) the negligence or willful misconduct of Zymeworks or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to GSK under this Agreement. Zymeworks is only obliged to so indemnify and hold the GSK Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of GSK.

13.2 Indemnification by GSK. GSK shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of GSK Products by GSK or its Affiliates, licensees or sublicensees (excluding Zymeworks and its Affiliates) under this Agreement; (b) the negligence or willful misconduct of GSK or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by GSK to Zymeworks under this Agreement. GSK is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks.

13.3 Indemnification Procedure.

13.3.1 Any GSK Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

13.3.2 Subject to the provisions of Section 13.3.3 below, the Indemnifying Party shall have the right, upon providing written notice to the Indemnified Party of its intent to do so within […***…] after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

13.3.3 The Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING ANY SUCH LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 9. NOTHING IN THIS SECTION 13.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 13.

13.5 Insurance. Zymeworks, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term. Zymeworks shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to GSK upon request. GSK hereby represents and warrants to Zymeworks that it is self-insured against liability and other risks associated with its activities and obligations under this Agreement in such amounts and on such terms as are customary for prudent practices for global pharmaceutical companies and agrees that it shall remain so insured throughout the Term. GSK shall furnish to Zymeworks evidence of such self-insurance, upon request.

14. GENERAL PROVISIONS

14.1 Assignment. Except as provided in this Section 14.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party, provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 14.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement. For clarity, the foregoing is not intended to limit a Party's right to grant sublicenses in accordance with Article 2 above.

14.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and immunities granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and immunities. The Party extending the rights and immunities granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

14.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties shall use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties

14.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

14.5 Dispute Resolution.

14.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "**Dispute**"), arises between the Parties, either Party shall first attempt in good faith to resolve such Dispute by negotiation and consultation between themselves. In the event that such Dispute is not resolved on an informal basis within […***…], either Party shall, by written notice to the other Party, refer such Dispute to senior representatives of each Party for attempted resolution. Each Party, within […***…] after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. Such representatives shall attempt in good faith to promptly resolve such Dispute within […***…] thereafter. In the event that any matter is not resolved under the foregoing provisions, each Party shall seek resolution of such matter in accordance with Section 14.5.2.

14.5.2 If a Dispute is not resolved through negotiation by the Parties and their senior representatives under Section 14.5.1, the Parties agree that they shall try in good faith to resolve the Dispute by referring it for confidential mediation under the CPR Mediation Procedure in effect at the start of mediation. Unless otherwise agreed, the Parties shall select a mediator from the CPR Panels of Distinguished Neutrals. If the Parties cannot agree, they shall defer to the CPR to select a mediator. The cost of the mediator shall be borne equally by the Parties. The place of mediation shall be Wilmington, Delaware. Any Dispute not resolved within […***…] (or within such other time period as may be agreed to by the Parties in writing) after appointment of the mediator shall be finally resolved by arbitration pursuant to the remainder of this Section 14.5.

14.5.3 If, after mediation pursuant to Section 14.5.2, the Parties have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration in accordance with the American Arbitration Association ("**Rules**"). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude Parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

14.5.4 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific, technical or commercial matters, the arbitrator chosen hereunder shall engage experts having educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] period, the arbitrator shall be appointed in accordance with the Rules. The place of arbitration shall be Wilmington, Delaware, and all proceedings and communications shall be in English.

14.5.5 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties.

Once the arbitrator has been selected, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrator agrees otherwise.

14.5.6 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor the arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable Delaware statute of limitations. The content and resolution of any arbitration conducted pursuant to this Section 14 shall be the Confidential Information of both Parties, and Parties shall instruct the arbitrator to maintain the same as confidential.

14.5.7 As used in this Section 14.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory, (c) tax matters, or (d) international law. Any Excluded Claim may be submitted by either Party to the State and Federal Courts located in Delaware or, if such courts are found not to have jurisdiction, any court of competent jurisdiction over such Excluded Claim.

14.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected shall use Commercially Reasonable Efforts to resume performance of its obligations and shall keep the other Party informed of actions related thereto.

14.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

14.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and GSK, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

14.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and shall be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks:

Zymeworks Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
Attention: […***…]
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to GSK: […***…]
GSK
Medicines Research Centre
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2NY
UK

Attention: […***…]
E-mail address: […***…]

and

GSK
709 Swedeland Road
PO Box 1539
King of Prussia, PA

Attention: […***…]
E-mail address: […***…]

Zymeworks shall also provide a copy of any notice (via e-mail if available) to GSK's Project Leader.

14.10 Further Assurances. GSK and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

14.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

14.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

14.13 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter, other than the CDA.

14.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

14.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

14.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

14.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

14.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it shall not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

14.20 Good Data Management Practices

14.20.1 Each of the Parties acknowledges the importance of ensuring that the Research Collaboration is undertaken in accordance with the following good data management practices ("**Good Data Management Practices**"):

(a) Results are generated using sound scientific techniques and processes;

(b) Results are accurately recorded in accordance with good scientific practices by persons conducting research hereunder;

(c) Results are analysed appropriately without bias in accordance with good scientific practices;

(d) Results are stored securely and can be easily retrieved,

(e) Data trails exist to easily demonstrate and/or reconstruct key decisions made during the conduct of the research, presentations made about the research and conclusions reached with respect to the research; and

(f) Results relating to each project are documented in separate dedicated laboratory notebooks relating solely and specifically to each project.

14.20.2 If a Party discovers that the other Party is in material breach of Section 14.20.1, such Party may provide a notice of termination to the breaching Party in accordance with Section 10.3.

14.21 Ethical Standards

14.21.1 Human Rights

(a) Unless otherwise required or prohibited by Applicable Laws, the Parties warrant, to the best of their knowledge, that in relation to the performance of this Agreement:

(i) they do not employ engage or otherwise use any child labour in circumstances such that the tasks performed by any such child labour could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;

(ii) they do not use forced labour in any form (prison, indentured, bonded or otherwise) and its employees are not required to lodge papers or deposits on starting work;

(iii) they provide a safe and healthy workplace, presenting no immediate hazards to its employees. Any housing provided by the Parties to their employees is safe for habitation. The Parties provides access to clean water, food, and emergency healthcare to their employees in the event of accidents or incidents in the workplace;

(iv) they do not discriminate against any employees on any ground (including race, religion, disability or gender);

(v) they do not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and does not use cruel or abusive disciplinary practices in the workplace;

(vi) they pay each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is the higher) and provides each employee with all legally mandated benefits;

(vii) they comply with the laws on working hours and employment rights in the countries in which they operate;

(viii) they are respectful of their employees' right to join and form independent trade unions and freedom of association.

(b) The Parties agree that they are responsible for controlling their own supply chain and that they shall encourage compliance with ethical standards and human rights by any subsequent supply of goods and services that are used by the Parties when performing their obligations under this Agreement.

(c) The Parties shall ensure that they have ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

14.22 Anti-Corruption

14.22.1 Zymeworks acknowledges receipt of the 'Prevention of Corruption – Third Party Guidelines' (attached at Exhibit 14.22) and agrees to perform its obligations under the Agreement in accordance with the principles set out therein.

14.22.2 The Parties shall comply fully at all time with all Applicable Laws in their performance under this Agreement, including but not limited to applicable anti-corruption laws, of the territory in which the Parties conduct business with each other.

14.22.3 The Parties shall be entitled to terminate this Agreement immediately on written notice to the other, if the other Party fails to perform its obligations in accordance with this Section 14.22. The defaulting Party shall have no claim against the non-defaulting Party for compensation for any loss of whatever nature by virtue of the termination of this Agreement in accordance with this Section 14.22.3. To the extent (and only to the extent) that the laws of the territory provide for any such compensation to be paid to the non-defaulting upon the termination of this Agreement, the Parties hereby expressly agree to waive (to the extent possible under the laws of the territory) or to repay any such compensation or indemnity.

14.23 Human Biological Samples

14.23.1 Each of the Parties represents, warrants and undertakes to other that any human biological samples used in the Research Collaboration have been and shall be obtained, and shall be stored and used, in accordance with all relevant laws including, but not limited to, the Human Tissue Act 2004 and any generally accepted ethical guidelines in

particular the MRC Guidelines entitled “Human Tissue and Biological Samples for use in Research” regarding the collection, use and transport of human tissue.

14.23.2 Each of the Parties represents, warrants and undertakes to the other that all the relevant ethics committee approvals have been and shall be obtained to enable the use of any human biological samples obtained from patients or human subject volunteers or other donors in the Research Collaboration under this Agreement.

14.23.3 Each of the Parties represents, warrants and undertakes to the other that all uses of any human biological samples in the Research Collaboration fall and shall fall within the terms of the informed consent given by the donors of the samples including without limitation transfer to, and use by, a commercial organisation of the human biological samples and associated personal information in anonymised or coded form.

[*Remainder of page left blank intentionally.*]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

Zymeworks Inc.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

GlaxoSmithKline Intellectual Property Development Limited

By: /s/ Paul Williamson
Name: Paul Williamson
Title: Authorised Signatory for and on behalf of
Edinburgh Pharmaceutical Industries Limited
Corporate Director

EXHIBIT 1.36
Invoice Details

Each invoice must include the following details:

a. Zymeworks letterhead.

b. Bank details - Bank details must be provided at least five (5) days prior to payment due date, so GSK treasury can be notified in advance that a payment may be required.

c. Contact name and contact number.

d. Invoice date and invoice number.

e. Reference stating the contractual clause invoice relates to.

f. Payment terms and currency, with reference to the relevant clause. e.g. 60 days after receipt of invoice.

g. Invoice must be addressed to GSK Alliance Management at the following address:

GlaxoSmithKline Intellectual Property Development Limited
980 Great West Road,
Brentford,
Middlesex,
TW8 9GS
United Kingdom

All non-royalty payments made by GSK should be ‘payable’ AFTER receipt of an original invoice from Zymeworks.

EXHIBIT 3.1.3
INITIAL RESEARCH COLLABORATION PLAN

[…***…]

EXHIBIT 3.1.5
MATERIAL TRANSFER RECORD FORM

GSK and Zymeworks

Capitalized terms used herein that are not defined herein shall have the meanings set forth in the Collaboration and License Agreement dated [●] made between GSK and Zymeworks.

In connection with the performance of the Agreement and pursuant to the terms of the Agreement:

(i) GSK will transfer to Zymeworks the Materials set forth below;

and/or

(ii) Zymeworks will transfer to GSK the Materials set forth below.

This Material Transfer Record Form shall be used as the record of all such Material transfers, whether from GSK to Zymeworks or from Zymeworks to GSK.

Transfer Date:

Description of Materials

Description of Research for which the Material(s) will be Used

Signature – GSK Representative _____

Date

Signature – Zymeworks Representative _____

Date

Note: This MTR is to be completed and signed by the Zymeworks and the GSK Representative for each transfer. A copy of each completed MTR is to be timely provided to Alliance Manager (for GSK) and to the Alliance Manager (for Zymeworks). This MTR should not be used to transfer any materials in which the Transferor believes that third parties have rights, or which the Transferor believes infringe or violate any intellectual property rights held by any Third Party. If there are any questions about the appropriateness of a transfer, please contact the Named representatives identified herein before making the transfer.

EXHIBIT 9.2
PRESS RELEASE

Zymeworks Announces Antibody Fc Engineering Collaboration and License Agreement with GSK

Vancouver, Canada (November XX, 2015) – Zymeworks Inc. today announced that it has entered into a collaboration and license agreement with GSK for the research, development, and commercialization of novel Fc-engineered monoclonal and bi-specific antibody therapeutics which have been optimized for specific therapeutic effects.

Under the terms of the agreement, Zymeworks and GSK will collaborate to further develop Zymeworks' Effector Function Enhancement and Control Technology (EFECT™) platform through the design, engineering, and testing of novel engineered Fc domains tailored to induce specific antibody-mediated immune responses. At the conclusion of the research collaboration, both GSK and Zymeworks will have the right to develop and commercialize monoclonal and bi-specific antibody candidates that incorporate Zymeworks' optimized immune-modulating Fc domains. Under the terms of the agreement, GSK will have the right to develop a minimum of 4 products across multiple disease areas, and Zymeworks will be eligible to receive pre-clinical, clinical, and commercial milestones of up to USD$110 million for each product, as well as tiered sales royalties. Further financial details are not disclosed.

"We are thrilled to collaborate with GSK on the development of next-generation antibody therapeutics that incorporate the EFECT™ platform to help fight life-threatening diseases," said Ali Tehrani, Ph.D., President & CEO of Zymeworks. "This is a unique opportunity for Zymeworks to apply our antibody engineering expertise in collaboration with GSK's drug discovery capabilities to develop and commercialize novel antibody therapeutics. The collaboration will also allow Zymeworks to combine the novel immune-modulating Fc domains with our Azymetric™ platform to generate bi-specific antibodies with customized immune modulatory functions."

About the EFECT™ Platform

The EFECT™ platform is a library of antibody Fc modifications engineered to modulate the activity of the antibody-mediated immune response, which includes both the up and down-regulation of effector functions. This platform is compatible with traditional monoclonal as well as Azymetric™ bi-specific antibodies to further enable the customization of therapeutic responses for different diseases.

About Zymeworks Inc.

Zymeworks is a privately held biotherapeutics company that is developing best-in-class Azymetric™ bi-specific antibodies and antibody drug conjugates for the treatment of cancer, autoimmune and inflammatory diseases. The company's novel Azymetric™, AlbuCORE™, and EFECT™ platforms, and its proprietary ZymeCAD™ structure-guided protein engineering

technology, enable the development of highly potent bi-specific antibodies and multivalent protein therapeutics across a range of indications. Zymeworks is focused on accelerating its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

Contact:

Zymeworks Inc.
David Poon, Ph.D.
Senior Director, External R&D and Alliances
info@zymeworks.com
Source: Zymeworks Inc.

EXHIBIT 14.22
Prevention of Corruption – Third Party Guidelines

[…***…]

Exhibit 10.24

CONFIDENTIAL

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

PLATFORM TECHNOLOGY TRANSFER AND LICENSE AGREEMENT

Between

Zymeworks Inc.

and

GlaxoSmithKline Intellectual Property Development Limited

April 21, 2016

Confidential

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PLATFORM TECHNOLOGY TRANSFER AND LICENSE AGREEMENT

THIS PLATFORM TECHNOLOGY TRANSFER AND LICENSE AGREEMENT (the "**Agreement**"), effective as of 21 April, 2016 (the "**Effective Date**"), by and between **GLAXOSMITHKLINE INTELLECTUAL PROPERTY DEVELOPMENT LIMITED**, a corporation organized and existing under the laws of England and Wales, with its registered office located at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom ("**GSK**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extraprovincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and GSK are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

GSK desires to obtain access to the Zymeworks Platform (as defined below) and certain licenses under the Zymeworks Intellectual Property (as defined below) to research, develop and commercialize certain products comprising bi-specific antibodies created using the Zymeworks Platform, and Zymeworks is willing to grant such access and rights, all on the terms and conditions as set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, the sufficiency which is acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires Zymeworks, or to which Zymeworks transfers all or substantially all of its assets to which this Agreement pertains.

1.2 "**Affiliate**" means with respect to either Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.2 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.3 "**Annual Net Sales**" means, with respect to a particular Product and Calendar Year, all Net Sales of such Product throughout the Territory during such Calendar Year.

1.4 "**Antibody**" means any and all full-length antibodies, fragments thereof, and chemically modified versions thereof (including pegylated versions and regardless of whether containing amino acid substitutions), all of the foregoing whether naturally occurring, artificially produced, raised in an artificial system, or created through modification of an antibody produced in any of the foregoing ways or otherwise, in each case made through the application of the Zymeworks Platform.

1.5 "**Applicable Laws**" means all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder

1.6 "[…***…]" means any Antibody that contains independent binding sites Directed To […***…].

1.7 "**Bispecific Antibody**" means any Antibody that contains independent binding sites Directed To […***…].

1.8 "**BLA**" means a "**Biologics License Application**" (as more fully defined in 21 U.S.C. §262(a)(2)(C), 21 C.F.R. 601.2(a), or their successor provisions) seeking Marketing Authorization of a Product and all amendments and supplements thereto filed with the FDA with respect to a Product, or an equivalent application filed with a Regulatory Authority in a country other than the United States to market a biopharmaceutical product.

1.9 "**Bona Fide Collaborator(s)**" means any Third Party collaborator who has entered into a written agreement with GSK and/or any Affiliate of GSK, involving the research, development, manufacture and/or commercialization of one or more Antibodies, GSK Antibodies or Products.

1.10 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York, U.S.A or London, U.K. are authorized or required by Applicable Law to remain closed.

1.11 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.12 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.13 "[…***…]**"** means […***…].

1.14 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.15 "**Confidential Information**" means all confidential and proprietary, non public information, including Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates has provided or otherwise made available to the other Party, whether made available orally, in writing, or in electronic form, including such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement. This Agreement and its Exhibits and amendments constitute Confidential Information of both of the Parties.

1.16 "**Control**" or "**Controlled**" means, with respect to any materials, Know-How or Intellectual Property right, that a Party (a) owns or (b) has a license, to such material, Know-How, or Intellectual Property right and, in each case, has the legal right to grant to the other Party a license or sublicense to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, Know-How or Intellectual Property right owned or licensed by any Acquiring Entity immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity, and (ii) any materials, Know-How or Intellectual Property right that any Acquiring Entity subsequently develops without accessing or practicing any Zymeworks Intellectual Property.

1.17 "**Cover**", "**Covering**", "**Covered**" or "**Covers**" means, with respect to a Patent Right in a particular country, that the manufacture, use, sale, offer for sale, or importation of a product or other material or practice of a claimed method would in such country, but for the licenses granted herein, infringe such Patent Right.

1.18 "**Directed To**" means, with regard to an Antibody, Sequence Pair, Product or product, that such respective Antibody, antibody generated and derived from such Sequence Pair, Product or product (a) binds directly to an identifiable Target, and (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such direct binding to an identifiable Target or modifies the profile (e.g., PK, tissue penetration and distribution) of the antibody as a result of such direct binding, in each of (a) and (b) above as determined based on reasonable experimental data or generally accepted scientific literature, in either case available at the time of completion of preclinical development of such Antibody, antibody, Product or product.

1.19 "**Disclosure Period**" means the Nomination Period; provided that GSK may extend the Disclosure Period by […***…] period by providing Zymeworks with written notice of such extension not more than […***…] and not less than […***…] prior to the expiration of the Nomination Period; and provided further that the Disclosure Period shall terminate sooner if […***…] are commenced for […***…] prior to the expiration of the Disclosure Period (or any extension thereof) (with such termination effective upon commencement of the […***…]).

1.20 "**EU Major Markets**" means the […***…].

1.21 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.22 "**Field**" means diagnosis, prevention, palliation and treatment of human or animal disease and disorders.

1.23 "**First Commercial Sale**" means, the first sale of a Product in a given country or other regulatory jurisdiction in the Territory by or on behalf of GSK, its Affiliates or sublicensees to a Third Party, after receipt of Marketing Authorization (including Pricing Approval, to the extent required for sale of Products in a given country or regulatory jurisdiction, and the completion of any necessary labeling negotiations with Regulatory Authorities that may be required after Marketing Authorization) for Products in such country or regulatory jurisdiction. First Commercial Sale shall specifically exclude sales or transfers for clinical study purposes or compassionate use, named-patient, indigent patient or similar uses, if such uses do not result in monetary compensation to GSK above the cost of goods.

1.24 "**Governmental Authority**" means any multinational, federal, state, local, municipal or other governmental authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal), in each case, having jurisdiction over the applicable subject matter.

1.25 "**GSK Antibody**" means a […***…], in each case that is derived and generated from a GSK Sequence Pair, by or on behalf of GSK or its Affiliate or sublicensee, as permitted under this Agreement.

1.26 "**GSK Arising Improvement(s)**" means any modification or technical advance of the Zymeworks Platform conceived or reduced to practice by or on behalf of GSK or its Affiliates or sublicensees described in Section 2.2 arising from the exercise by GSK of the Licenses: (i) which is not otherwise a GSK Disclosed Improvement or an Other GSK Disclosed Improvement; and (ii) which for clarity, […***…] (and which GSK may […***…]. GSK Arising Improvement(s) shall always exclude Zymeworks Improvements and Zymeworks Platform Improvements.

1.27 "**GSK Disclosed Improvement**" means any modification or technical advance of the Zymeworks Platform conceived or reduced to practice by or on behalf of GSK or its Affiliates or sublicensees described in Section 2.2 comprising amino acid changes or modifications to an Antibody that enable or improve the […***…]. GSK Disclosed Improvements shall always exclude Zymeworks Improvements and Zymeworks Platform Improvements.

1.28 "**GSK Disclosed Improvement Patent**" means a patent application filed by Zymeworks or its Affiliates after the Effective Date, and any resulting Patent Rights, in each case to the extent such application or Patent Right Covers a GSK Disclosed Improvement.

1.29 "**GSK Patent Right**" means any and all Patent Rights that are Controlled by GSK or its Affiliates as of the Effective Date in respect of any GSK Antibody or Product, excluding the Zymeworks Patent Rights and any Patent Rights licensed to GSK by Zymeworks or its Affiliates pursuant to the Prior Agreement or any other agreement entered into following the Effective Date between Zymeworks and GSK (or any Affiliate of Zymeworks and/or GSK).

1.30 "**GSK Sequence Pair**" means a Sequence Pair that is selected by, and available to, GSK pursuant to Section 3.4.3.

1.31 "[…***…]" means the […***…] more specifically referred to […***…] as […***…].

1.32 "**Invention**" means any inventions, discoveries or other Intellectual Property (including all Patent Rights, Know-How and other Intellectual Property rights therein) made by or under the express authority of the Parties (including by GSK's sublicensees and subcontractors) pursuant to the agreements described in Section 1.9), whether alone or jointly with the other Party, pursuant to this Agreement during the Term.

1.33 "**Intellectual Property**" means Patent Rights, utility models, and other like forms of protection, copyrights, rights in databases, trade names, trade or service marks (whether registered or unregistered), domain names, design rights (whether registered or unregistered), including all applications for registration for the foregoing and all other similar proprietary rights as may exist anywhere in the world.

1.34 "**Invoice**" means any invoice submitted to GSK by Zymeworks under this Agreement, produced in accordance with GSK's processing requirements, as set forth in Exhibit 1.34.

1.35 "**Know-How**" means any and all technical information, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity Know-How excludes Patent Rights.

1.36 "**Licenses**" means the licenses expressly granted to GSK in Sections 2.1.1 and 2.1.2.

1.37 "**Marketing Authorization**" means all approvals from the relevant Regulatory Authority necessary to initiate marketing and selling a pharmaceutical or biopharmaceutical product (including a Product) in any country. For clarity, unless […***…] in a particular country, Marketing Authorization shall not […***…].

1.38 "**Net Sales**" means gross invoiced sales of the Products to Third Parties by GSK, its Affiliates, or their respective licensees or sublicensees (each, a "**Selling Party**"), in a particular period, less the following deductions which are actually incurred, allowed, paid, accrued or specifically allocated with respect to such Products, to the extent that such amounts are deducted from gross invoiced sales amounts in calculating net sales as reported by Selling Party in its financial statements in accordance with the International Financial Reporting Standards ("**IFRS**"), applied on a consistent basis:

1.38.1 […***…];

1.38.2 […***…];

1.38.3 […***…];

1.38.4 […***…];

1.38.5 […***…];

1.38.6 […***…]; and

1.38.7 any other items actually deducted from gross invoiced sales amounts as reported by GSK in its financial statements in accordance with the IFRS, applied on a consistent basis.

For purposes of this definition, each Product would be considered "sold" and "deductions" allowed by a Selling Party when recorded as invoiced in such Selling Party's financial statements prepared in accordance with IFRS.

1.39 "**Nomination Period**" means the period commencing on the Effective Date and ending […***…] thereafter.

1.40 "**Other GSK Disclosed Improvement**" shall have the meaning given to it in Section 6.1.3.

1.41 "**Patent Rights**" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including pediatric exclusivity patent extensions), term restorations, patent term extensions, supplementary protection certificates, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.42 "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.43 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in healthy volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.44 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.45 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular indication in a manner sufficient to file for Marketing Authorization, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.46 "**Prior Agreement**" means that certain Collaboration Agreement by and between the Parties, dated December 1, 2015.

1.47 "**Product**" means any pharmaceutical or biopharmaceutical product that incorporates one (1) or more GSK Antibodies but no other Antibodies. For clarity, a Product (i) shall include one or more GSK Antibody(ies); and (ii) may include another antibody that is not an Antibody.

1.48 "**Pricing Approval**" means any governmental approval, agreement, determination or decision establishing prices for a Product that can be charged and/or reimbursed in regulatory jurisdictions where the applicable Governmental Authorities approve or determine the price and/or reimbursement of pharmaceutical products and where such approval, agreement, determination or decision establishes prices for a Product. For clarity, GSK shall have no obligation to […***…] if it does not […***…] that […***…] to GSK in its sole discretion.

1.49 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product), which may include the authority to grant the required reimbursement and Pricing Approvals for such sale.

1.50 "Sequence" means an Antibody nucleic acid or amino acid sequence corresponding only to the […***…] that are Directed To […***…].

1.51 "Sequence Pair" means two (2) Sequences, each of which is Directed To […***…].

1.52 "**Target**" means any […***…] that an Antibody may bind.

1.53 "**Target Pair**" means any two (2) Targets in combination.

1.54 "**Technical Dossier**" means a technical dossier outlining […***…].

1.55 "[…***…]" means an […***…].

1.56 "**Territory**" means all of the countries and territories in the world.

1.57 "**Third Party**" means any Person other than GSK or Zymeworks or an Affiliate of GSK or Zymeworks.

1.58 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.59 "**USD**" and "**$**" mean United States dollars.

1.60 "**Valid Claim**" means any claim of an issued, in force and unexpired patent, or pending patent application within the Zymeworks Patent Rights (excluding GSK Disclosed Improvement Patents) that:

1.60.1 has not been finally cancelled, withdrawn, abandoned or rejected by any administrative agency or other body of competent jurisdiction and is not subject to further appeal,

1.60.2 has not been revoked, held invalid, or declared unpatentable or unenforceable in a decision of a court or other body of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal, and

1.60.3 has not been rendered unenforceable through disclaimer, abandonment, withdrawal, dedication to the public, allowing to lapse through non-payment of renewal fees or otherwise.

A claim within a pending patent application that has been pending issuance for more than […***…] from the date of filing of the earliest priority patent application to which such pending patent application is entitled shall not be a Valid Claim, unless and until it issues.

1.61 "**Zymeworks Improvement(s)**" means any modification or technical advance of the Zymeworks Platform, which (a): (i) […***…] or (ii) […***…] or (ii) […***…], in each case that are […***…].

1.62 "**Zymeworks Intellectual Property**" means the (a) Zymeworks Patent Rights, (b) the Zymeworks Know-How, (c) any Zymeworks Improvements that Zymeworks discloses to GSK and GSK elects, in accordance with Section 3.2, to include in the Licenses, and (d) the Technical Dossier and […***…].

1.63 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date, (b) covers the Zymeworks Platform, and (c) is necessary for the research, development and (to the extent GSK Antibodies are incorporated into Products) commercialization of Antibodies.

1.64 "**Zymeworks Patent Rights**" any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (a) as of the Effective Date that Cover the Zymeworks Platform, as set forth in Exhibit 1.64 or (b) that Cover any Zymeworks Improvement that Zymeworks discloses to GSK and GSK elects, in accordance with Section 3.2, to include in the Licenses.

1.65 "**Zymeworks Platform**" means Zymeworks' proprietary Azymetric™ […***…] technology platform, comprised of mutations which enable the efficient formation of […***…], as described in the Technical Dossier.

1.66 "**Zymeworks Platform Improvements**" means any and all (a) Zymeworks Improvements, (b) GSK Disclosed Improvements, (c) any Know-How described in any Technical Dossier Update, and (d) all other modifications or technical advances of the Zymeworks Platform made by or on behalf of Zymeworks or any Affiliate of Zymeworks.

1.67 Additional Definitions. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/Exhibit
Accounting Firm	5.4.2
Agreement	Preamble
Agreement Payments	5.3
Background IP	6.1.1
CDA	7.1
Claims	12.1
Code	10.4
Commercialization Milestone Event	4.4
Commercialization Milestone Payment	4.4
Controlling Party	6.3.4
Development Milestone Event	4.3
Development Milestone Payment	4.3
Dispute	13.5.1
Effective Date	Preamble
Excluded Claim	13.5.7
[…***…]	3.4.1
GSK	Preamble
GSK Indemnified Party	12.1
GSK Inventions	6.1
IFRS	1.38
Indemnified Party	12.3.1
Indemnifying Party	12.3.1
Infringement	6.3.1
Losses	12.1
Nomination Fee	4.2
Parties	Preamble
Party	Preamble
prosecution	6.2.1
Royalty	4.5.1
Royalty Term	4.5.2
Rules	13.5.3
Selling Party	1.38
Taxes	5.3
Term	9.1.1
Unavailable Target Pair	3.4.2(a)
Zymeworks	Preamble

Definition	Section/Exhibit
Zymeworks Indemnified Party	12.2
Zymeworks Inventions	6.1

1.68 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words "include" or "including" shall be construed as incorporating, also, "but not limited to" or "without limitation;" (b) the word "day" or "year" means a calendar day or year unless otherwise specified; (c) the word "notice" shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words "shall" and "will" have interchangeable meanings for purposes of this Agreement; (f) the word "or" shall have the inclusive meaning commonly associated with "and/or"; (g) provisions that require that a Party, the Parties or a committee hereunder "agree," "consent" or "approve" or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (h) words of any gender include the other gender; (i) words using the singular or plural number also include the plural or singular number, respectively; (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; and (k) neither Party shall be deemed to be acting on behalf of the other Party.

2. GRANT OF LICENSES

2.1 Licenses to GSK. Subject to the terms and conditions of this Agreement,

2.1.1 Research and Development License. Subject to the terms and conditions of this Agreement, during the Nomination Period, Zymeworks hereby grants to GSK a non-exclusive, worldwide, fully paid-up, license, including the right to sublicense to Affiliates of GSK and any Third Parties (in accordance with Section 2.2), under the Zymeworks Intellectual Property solely for GSK in accordance with this Section 2.1.1, to use the Zymeworks Platform to conduct pre-clinical research and development of Antibodies, including to […***…] such Antibodies. Subject to the terms and conditions of this Agreement, […***…] pursuant under the foregoing license in this Section 2.1.1. Notwithstanding anything herein to the contrary, the license set forth in this Section 2.1.1 shall not include the right to conduct Clinical Trials of any Antibody or Product.

2.1.2 Commercial License. Subject to the terms and conditions of this Agreement, during the Term, Zymeworks hereby grants to GSK an exclusive, worldwide,

royalty-bearing, sublicensable to Affiliates of GSK and any Third Parties (in accordance with Section 2.2) and transferable (solely in connection with a permitted assignment of this Agreement in accordance with Section 13.1) license under the Zymeworks Intellectual Property to (a) further research and develop, make, have made, import and export GSK Antibodies intended for incorporation into Products, (b) research, develop, make, have made, use, sell, offer to sell, import and export Products in the Field in the Territory. For clarity, GSK would have the right to use the Zymeworks Platform solely for purposes of researching and developing GSK Antibodies to be incorporated in any Product; and researching, developing and commercializing such Products, in each case in accordance with the Licenses and this Agreement.

2.2 Sublicenses.

2.2.1 The licenses granted to GSK in Section 2.1.1 and 2.1.2 include the right to grant sublicenses to its Affiliates and any Third Parties as required as noted thereunder, provided that: (i) GSK may not grant any sublicenses under Section 2.1.1 or 2.1.2 , to […***…]; (ii) GSK will not […***…]; and (iii) each sublicense granted by GSK shall be consistent with the terms and conditions of this Agreement. GSK shall provide Zymeworks with prompt notice of any such sublicense to any Third Party that it grants other than to the extent that GSK is prevented, pursuant to terms of agreement entered into between GSK and its Third Party (each, a "**GSK Bona Fide Collaboration Agreement**"), from disclosing the identity of such Third Party or the nature of the collaboration between GSK and such Third Party. In such event, GSK shall provide to Zymeworks all such reasonable information requested by Zymeworks which GSK is permitted to disclose to Zymeworks pursuant to the GSK Bona Fide Collaboration Agreement provided that in no circumstance would GSK be required to provide information that it reasonably believes would disclose the nature of the relationship or the existence of any relationship between GSK and its Third Parties if the disclosure of such information to Zymeworks is prohibited under the GSK Bona Fide Collaboration Agreement. Notwithstanding anything herein to the contrary, GSK shall disclose to Zymeworks the identity of any Third Party sublicensee who has been granted rights or a sublicense by GSK pursuant to this Section 2.2.1, in connection with any clinical development or commercialization of a GSK Antibody or Product.

2.2.2 GSK shall remain responsible for the performance of its Affiliates and sublicensees under this Agreement and shall cause all such Affiliates and sublicensees to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use and ownership of Inventions.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other Intellectual Property rights Controlled by the other Party or its Affiliates. Subject to the Licenses expressly granted to GSK hereunder and the other terms and conditions of this Agreement, as between the Parties, Zymeworks shall retain all rights, title and interest in and to the Zymeworks Platform and the Zymeworks Intellectual Property.

2.4 Prior Agreement. For so long as, and solely to the extent that, GSK has rights, pursuant to the Prior Agreement, to develop, manufacture and commercialize GSK Multi-Specific Products incorporating Zymeworks Modifications or Zymeworks Modified Scaffolds (each, as defined under the Prior Agreement), which products comprise Antibodies generated and derived from a GSK Sequence Pair selected in accordance with this Agreement, the License granted to GSK pursuant to Section 2.1.2 shall include (a) the right to incorporate such Zymeworks Modifications or Zymeworks Modified Scaffolds into Products comprising GSK Antibodies that are derived and generated from such GSK Sequence Pair pursuant to this Agreement and (b) a license under the Zymeworks Project Arising IP (as defined under the Prior Agreement) solely to the extent necessary to incorporate such Zymeworks Modifications or Zymeworks Modified Scaffolds into Products comprising GSK Antibodies that are derived and generated from such GSK Sequence Pair pursuant to this Agreement; provided that such license shall be […***…] with respect to […***…]. Products developed, manufactured or commercialized by or on behalf of GSK, its Affiliates or sublicensees in accordance with this Section 2.4, which incorporate the Zymeworks Modifications or Zymeworks Modified Scaffolds, shall be subject to the terms and conditions of this Agreement and the Prior Agreement, including the payment obligations under each agreement. Each such Product shall […***…] that GSK is permitted to develop or commercialize under the Prior Agreement; and, as between the Parties, Zymeworks shall own and retain all rights, title and interest in and to the Zymeworks Modifications and Zymeworks Modified Scaffolds and all improvements thereto. For clarity, upon expiration or termination of GSK's rights to such Zymeworks Modifications or Zymeworks Modified Scaffolds under the Prior Agreement, GSK's rights described in this Section 2.4 shall terminate.

2.5 Performance by Subcontractors. GSK may perform, by way of subcontract, some or all of its obligations or exercise some or all of its rights under this Agreement through any one or more Third Parties; provided, however, that GSK shall remain responsible for the performance of such obligations or exercise of such rights by such Third Parties and shall cause all such subcontractors to comply with the provisions of this Agreement in connection with such performance, including the provisions regarding confidentiality and non-use and ownership of Inventions; and provided further that (i) GSK may not enter into a subcontract with any Third Party to […***…]; (ii) GSK will not […***…] and (iii) each subcontract entered into by GSK with any Third Party shall be consistent with the terms and conditions of this Agreement.

3. TECHNOLOGY TRANSFER, TARGET SELECTION AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Technology Transfer.

3.1.1 […***…] days after the Effective Date, Zymeworks shall provide GSK with an electronic copy of the Technical Dossier. For clarity, the content of the Technical Dossier is limited to that described on Exhibit 1.54.

3.1.2 During the Nomination Period, Zymeworks shall provide GSK with technical support, information and assistance as GSK reasonably requests, in each case solely with respect to the application of the Zymeworks Platform as is necessary to enable GSK to

exercise the Licenses and to streamline the engineering and production process for GSK Antibodies.

3.1.3 Zymeworks shall provide […***…] to GSK in accordance with Section 3.2.3 and in any event, no less frequently than […***…] during the Disclosure Period.

3.2 Improvements. In the event that Zymeworks Improvements arise, all Zymeworks Improvements shall be offered to GSK […***…] other than as set forth in Article 4, as follows:

3.2.1 Zymeworks shall summarize such Zymeworks Improvements in writing to GSK in such limited detail as is appropriate for non-confidential disclosures of inventions. Zymeworks shall not be obligated to make such disclosures more frequently than […***…].

3.2.2 If GSK wishes to learn further, more detailed, information relating to Zymeworks Improvements disclosed by Zymeworks pursuant to Section 3.2.1 in order to assess whether GSK desires to include such Zymeworks Improvements in the Licenses, GSK shall request such information from Zymeworks in writing. After receipt of such request, Zymeworks shall provide GSK such further information as may be reasonably requested by GSK in order to make such assessment with respect to the applicable Zymeworks Improvements as to whether to include it in the Licenses; provided that Zymeworks may require GSK to execute a confidentiality agreement covering such disclosure and limiting GSK's use and disclosure of such information to that reasonably which is necessary for purposes of such assessment.

3.2.3 Within […***…] days of receiving detailed information from Zymeworks regarding a Zymeworks Improvement, pursuant to Section 3.2.2, GSK shall provide Zymeworks with written notice as to whether it wishes to include such Zymeworks Improvement in the Licenses, which shall be […***…] other than as set forth in Article 4. If GSK provides Zymeworks with written notice within such period that it does desire to include a Zymeworks Improvement in the Licenses, such Zymeworks Improvement (and any Patent Rights Covering such Zymeworks Improvement that are Controlled by Zymeworks) shall, in each instance automatically become part of the Zymeworks Intellectual Property which shall be licensed to GSK under the Licenses. Zymeworks shall then, as soon as reasonably practicable, update and disclose to GSK the then current […***…] which contains such relevant update disclosing such Zymeworks Improvement in such reasonable detail to enable GSK to practice such Zymeworks Improvement independently of Zymeworks. If GSK provides Zymeworks with written notice that it does not desire to include a Zymeworks Improvement in the Licenses, or fails to provide Zymeworks with written notice as to whether it wishes to include such Zymeworks Improvement in the Licenses within the applicable […***…] period, such Zymeworks Improvement (and Patent Rights Covering such Zymeworks Improvement) shall then not be included in the Licenses or (for purposes of this Agreement) the Zymeworks Intellectual Property, and GSK shall cease all use of such Zymeworks Improvement, or any relevant part of any such Zymeworks Improvement, for so long as such Zymeworks Improvement or any relevant part of any such Zymeworks Improvement is the Confidential Information of Zymeworks.

3.3 Records and Inspections.

3.3.1 Records. GSK shall maintain records, for so long as reasonably necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of Intellectual Property rights (including Patent Rights) in accordance with Article 6 below, regarding its exercise of the Licenses and performance under this Agreement, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which records shall completely and accurately reflect the work done and results achieved by GSK in its exercise of the Licenses and its performance under this Agreement.

3.3.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.3.1, Zymeworks shall have the right to request copies of such records referred to in Section 3.3.1, which request shall be fulfilled by GSK, where it is reasonably necessary for Zymeworks to exercise its rights or fulfil its obligations under this Agreement, or to confirm compliance by GSK with Section 3.3.1.

3.4 […***…] **and GSK Sequence Pair Selection**. Following the Effective Date and from time to time during the Nomination Period, GSK shall have the right to submit any number of Target Pairs of interest to GSK […***…] to enable GSK to decide whether to nominate Sequence Pairs Directed To such Target Pairs as potential GSK Sequence Pairs; […***…] by or on behalf of GSK shall not occur so frequently in any given calendar month so as to be unduly burdensome […***…]. GSK shall not be granted any rights or exclusivities with respect to any Target Pairs that it submits […***…]. GSK shall, subject to Section 3.4.4, have the right to select up to six (6) Sequence Pairs to be GSK Sequence Pairs in accordance with this Section 3.4, and the Licenses under Section 2.1.2 shall be granted to GSK solely with respect to such GSK Sequence Pairs, GSK Antibodies generated and derived from such GSK Sequence Pairs and Products incorporating such GSK Antibodies.

3.4.1 […***…].

(a) Within […***…] after the Effective Date or such longer period as is reasonably necessary, the Parties shall […***…] with respect to GSK's Target Pairs of interest and GSK Sequence Pairs hereunder (the "[…***…]"). Zymeworks and GSK shall then […***…]. Such […***…] shall set forth, among other things, the […***…] with respect to the evaluation of Target Pairs and the selection of Sequence Pairs. If, for whatever reason, the Parties are unable to […***…], the Parties shall, as soon as reasonably practicable, […***…] in accordance with the aforementioned in this Section 3.4.1(a). Such […***…] shall then be the "[…***…]" for the purposes of this Agreement. […***…].

(b) Zymeworks shall have the right, no more frequently than […***…], to […***…], in writing, reasonable details of […***…], which is under […***…] by GSK or its Affiliates, to confirm that GSK or such Affiliate is […***…] in the […***…] of any such antibody that is not covered by the license granted under Section 2.1.2. Zymeworks shall not have the aforementioned right in the preceding sentence to make such request […***…] GSK shall, as soon as reasonably practicable, comply with each such request […***…] by providing such information or documentation […***…]. All such information and documentation of GSK or its Affiliates

disclosed […***…] shall be the Confidential Information of GSK except to the extent necessary to convey […***…].

3.4.2 Target […***…].

(a) GSK Targets. Each Target Pair of interest submitted by GSK […***…] as set forth below in this Section 3.4.2, and […***…] whether such Target Pair is an Unavailable Target Pair as soon as reasonably practicable but in no event later than […***…] following GSK's submission of the relevant information regarding such Target Pair. A Target Pair submitted by GSK in accordance with this Section 3.4.2(a) shall only be an "**Unavailable Target Pair**" if such Target Pair […***…] or, at the time GSK submits such Target Pair […***…], Zymeworks is:

(i) demonstrably contractually obligated to grant pursuant to clearly identifiable and certain rights granted to a Third Party prior to the Effective Date, or has actually granted prior to the Effective Date, to a Third Party exclusive rights with respect to any products Directed To […***…] in such Target Pair; or

(ii) subject to Section 3.4.2(c), actively and in good faith engaged in bona fide negotiations with a Third Party regarding the grant of exclusive rights to the Zymeworks Platform for the development or commercialization of any products Directed To such Target Pair (as may be evidenced, among other things by […***…]).

(b) Identity of Target Pairs. For clarity, […***…] when providing notice of availability pursuant to this Section 3.4.2 and shall […***…] pursuant to this Section 3.4.2.

(c) […***…]. During the […***…] period immediately following the Effective Date, Zymeworks shall not […***…]. For clarity, the foregoing restriction shall expire on the […***…].

3.4.3 Sequence Pair […***…].

(a) Sequence Pair Designation. GSK may, during the Nomination Period, nominate Sequence Pairs that are Directed To any available Target Pair, as potential GSK Sequence Pairs by submitting such Sequence Pair […***…] in accordance with this Section 3.4.3. In each case, such Target Pair must be determined not to be an Unavailable Target Pair […***…] pursuant to Section 3.4.2 immediately prior to Sequence Pairs Directed To such Target Pair being submitted […***…] for Sequence Pair level […***…]pursuant to this Section 3.4.3. Each Sequence Pair so nominated by GSK shall be subject to […***…] as set forth below in this Section 3.4.3, and if such nominated Sequence Pair is not an Unavailable Sequence Pair in accordance with such […***…] it shall automatically become a "**GSK Sequence Pair**" and shall be automatically deemed within the scope of the commercial license set forth in Section 2.1.2 from the date upon which GSK is notified of such GSK Sequence Pair in accordance with Section 3.4.3(b); provided that GSK shall be limited to six (6) GSK Sequence Pairs. Subject to any substitutions made in accordance with Section 3.4.4 and termination in accordance with Article 9, the license set forth in Section 2.1.2 shall apply solely with respect to the GSK Antibodies derived and generated from the six (6) GSK Sequence Pairs selected in accordance

with this Section 3.4.3 and Products comprising such GSK Antibodies. A Sequence Pair that is designated by GSK in accordance with this Section 3.4.3 shall only be an "**Unavailable Sequence Pair**" if, at the time […***…], Zymeworks:

(i) is contractually obligated to grant pursuant to clearly identifiable and certain rights granted to a Third Party, or has actually granted, to a Third Party rights with respect to any products incorporating antibodies derived or generated from such Sequence Pair, or exclusive rights with respect to products incorporating Antibodies Directed To the Target Pair To which such Sequence Pair is Directed;

(ii) is actively and in good faith engaged in bona fide negotiations with a Third Party regarding the development or commercialization of any products incorporating antibodies derived or generated from such Sequence Pair (as may be evidenced, among other things, by […***…]); or

(iii) is actively performing activities on its own behalf regarding the development or commercialization of any products incorporating antibodies derived or generated from such Sequence Pair, which activities include, or have included, […***…] with respect to products incorporating antibodies derived or generated from such Sequence Pair.

(b) Notice of Availability. As soon as reasonably practicable but in any event within […***…] Business Days of […***…] written notice with respect to each Sequence Pair that GSK nominates under this Section 3.4.3, […***…] with written notice if such proposed Sequence Pair is available as a GSK Sequence Pair or is an Unavailable Sequence Pair for any of the reasons set forth in Section 3.4.3(a) above, and the basis for any such unavailability. For clarity, […***…]. Notwithstanding the foregoing, GSK shall […***…]. In the event that GSK does not […***…] in accordance with the foregoing sentence, Zymeworks shall, without limiting any other rights or remedies available to it, have the right to […***…].

3.4.4 Substitution of Sequence Pairs. GSK would have the right to substitute, on a GSK Sequence Pair-by-GSK Sequence Pair basis, any GSK Sequence Pair previously selected by GSK in accordance with Section 3.4.3 for any alternative Sequence Pair which has been confirmed as available by […***…] at the time of such substitution. Such alternative Sequence Pair confirmed as available […***…] shall then replace the original GSK Sequence Pair which GSK had selected for substitution. Such substitution(s) may be made at any time during the Nomination Period […***…]; provided that the number of GSK Sequence Pairs would not, in any event, exceed the total number of six (6) Sequence Pairs at any one time during the Nomination Period. For clarity, GSK would have the right to substitute on a GSK Sequence Pair-by-GSK Sequence Pair basis any existing GSK Sequence Pair, from time to time during the Nomination Period, even when fewer than six (6) GSK Sequence Pairs have been previously selected. Upon the expiration of the Nomination Period, the GSK Sequence Pairs shall remain fixed for the remainder of the Term, and GSK shall no longer have the right to substitute Sequence Pairs.

3.4.5 Nomination Timing. Notwithstanding anything herein to the contrary, all Sequence Pairs nominated by GSK must be nominated prior to the commencement, by or on behalf of GSK, of […***…] of products incorporating Antibodies derived or generated from such

Sequence Pair. For clarity, GSK shall have no rights under the commercial license set forth in Section 2.1.2 with respect to any Sequence Pair that is not so nominated and confirmed as a GSK Sequence Pair prior to the […***…] of a product incorporating Antibodies derived or generated from such Sequence Pair, and Zymeworks shall not be obligated to grant GSK rights to licenses with respect to any such Sequence Pair after the […***…] of a such a product.

3.5 Development and Commercialization of GSK Products. GSK (itself or through its Affiliates or Third Parties) shall have the exclusive right (even as to Zymeworks and its Affiliates) to further research, develop, manufacture and commercialize Products. GSK shall provide Zymeworks with written reports summarizing the then-current development and commercialization status of each GSK Antibody and Product in such detail as is reasonably necessary for Zymeworks to estimate timing for the Development Milestones Payments in Section 4.3 and the […***…], on an annual basis.

3.6 Transfers of Materials. In the event that the Parties mutually agree that a transfer of any biopharmaceutical, biological, chemical or other material ("**Material(s)**") from Zymeworks or GSK respectively (the "**Transferor**") to GSK or Zymeworks respectively (the "**Transferee**") is necessary or desirable to facilitate the Parties' activities pursuant to this Agreement (including, in connection with GSK deciding to include a Zymeworks Improvement within the Licenses or otherwise in connection with any right of Zymeworks or GSK in connection with this Agreement or to be agreed in connection with this Agreement), the Parties shall document such transfer using the material transfer record form set out in Exhibit 3.6 (the "**Material Transfer Record Form**") and the Transferor shall effect such transfer in accordance with the following provisions:

(i) The Transferor shall complete and submit to the Transferee for counter-signature (and the Transferee shall counter-sign), the Material Transfer Record Form prior to the transfer of the Material.

(ii) The Transferor warrants that it has the full right and authority to transfer the Materials to the Transferee for use within the scope agreed by the Parties in writing in the Material Transfer Record Form.

(iii) The Material and related information provided by Transferor shall remain the property of Transferor or remain under the control of Transferor and shall be kept securely by Transferee and shall not be provided by Transferee, without the prior written consent of Transferor, to any Third Party, other than any Third Party appointed by the Transferee and set forth in the Material Transfer Record Form.

(iv) The Transferee shall only use the Material for the purpose of the performing the activities agreed to by the Parties in writing in the Material Transfer Record Form and shall only use the Material in accordance with all Applicable Laws.

(v) The Transferee shall not use the Material in any human subjects.

(vi) The Transferee acknowledges that the Material is experimental in nature and provided "as is" and that the Transferor makes no representation or extends no warranty of any kind with respect to the Material and hereby disclaims all warranties, either express or implied, including, but not limited to, any warranty of merchantability, fitness for a particular purpose or that their use does not or shall not infringe any patent rights of Third Parties.

(vii) The Transferee shall use the Material at its own risk and in accordance with Applicable Laws and any safety instructions provided by the Transferor.

(viii) The Transferee shall, at the election and direction of the Transferor following completion of the purpose for which the Material was transferred, destroy or return the Material.

(ix) Ownership of all Materials transferred in accordance with this Section 3.6 shall be retained by the Transferor.

4. FINANCIAL PROVISIONS

4.1 Upfront Payment. In partial consideration of the Licenses, GSK shall pay to Zymeworks an upfront, non-refundable, technology access fee of Six Million U.S. Dollars ($6,000,000) within ten (10) days of the Effective Date.

4.2 Sequence Pair Nomination Right Exercise Fee Payments. In partial consideration of the Licenses, GSK shall pay Zymeworks a fee equal to […***…] U.S. Dollars ($[…***…]) ("**Nomination Fee**") per GSK Sequence Pair in accordance with Section 5.1.1 upon […***…].

4.3 Development Milestones. In partial consideration of the Licenses, following the […***…] of each milestone event set forth in the table below for each applicable Product (each, a "**Development Milestone Event**"), GSK shall make the corresponding non-refundable milestone payment to Zymeworks (each, a "**Development Milestone Payment**") in accordance with Section 5.1.2. For clarity, each Development Milestone Payment set forth in the column entitled, "Development Milestone Payment Product 1" shall be payable […***…], and each Development Milestone Payment set forth in the column entitled "Development Milestone Payment for Subsequent Products" shall be payable […***…].

Development Milestone Event	Development Milestone Payment Product 1	Development Milestone Payment for Subsequent Products
[…***…]	$ […***…]	$ […***…]

[…***…]	$[…***…]	$[…***…]
[…***…]	$[…***…]	$[…***…]

4.4 Commercialization Milestones. In partial consideration of the Licenses, following the […***…] of each milestone event set forth in the table below for each Product (each, a "**Commercialization Milestone Event**"), GSK shall make the corresponding non-refundable milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**") in accordance with Section 5.1.2:

Commercialization Milestone Event	Commercialization Milestone Payment
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]
[…***…]	$ […***…]

For clarity, each of the foregoing Commercialization Milestone Payments shall […***…] for each Product.

4.5 Royalties.

4.5.1 Patent Royalty Payments. On a […***…], GSK shall pay Zymeworks a royalty (the "Royalty") on Net Sales of each Product at the rates set forth below:

Annual Net Sales on a Product-by-Product basis	Royalty Rate (as a percentage of Net Sales)
$[…***…] up to $[…***…]	[…***…]%

Annual Net Sales on a Product-by-Product basis	Royalty Rate (as a percentage of Net Sales)
Above $[…***…] to $[…***…]	[…***…]%
Above $[…***…]	[…***…]%

4.5.2 Royalty Term. The Royalty shall be payable, on a Product-by-Product and country-by-country basis, from First Commercial Sale of such Product in such country until (i) such Product is no longer Covered by a Valid Claim in such country or (ii) ten (10) years after the First Commercial Sale of such Product in such country, whichever is later (the "**Royalty Term**"). Upon the expiration of the last Valid Claim that Covers a Product in a country, the Royalties set forth above with respect to such Product in such country shall continue as a royalty paid in consideration for the value of the rights and licenses granted hereunder to GSK with respect to the Know-How within the Zymeworks Intellectual Property, but shall be reduced by […***…]percent ([…***…]%) for the remainder of the Royalty Term. Notwithstanding anything herein to the contrary, in no event shall the Royalties owed during the Royalty Term be reduced by more than […***…]([…***…]%) from the percentages set forth above (i.e., to […***…]%, […***…]%, and […***…]%, respectively), regardless of whether multiple reductions set forth in this Agreement apply.

4.5.3 Anti-Stacking. GSK would be entitled to credit against the royalties owed by GSK to Zymeworks pursuant to this Section 4.5 up to […***…]percent ([…***…]%) of any royalties paid by GSK to Third Parties on sales of Products in consideration for licenses under Patent Rights Covering the Zymeworks Platform for purposes of manufacturing or commercializing such Product; provided that such credit shall be subject to the limitation set forth in the last sentence of Section 4.5.2.

4.5.4 Royalty Buy-Down. At any time prior to the initiation of the first Phase III Clinical Trial of a Product by or on behalf of GSK, GSK shall have the right, at its sole discretion, to buy down the royalty percentages set forth in Section 4.5.1, solely with respect to such Product, from […***…]%, […***…]% and […***…]%, respectively, to a floor of […***…]%, […***…]% and […***…]% by making a one-time payment of Ten Million U.S. Dollars ($10,000,000) for such Product.

5. REPORTS AND PAYMENT TERMS

5.1 Payment Terms.

5.1.1 Sequence Pair Nomination Right Exercise Fee Payments. Upon Zymeworks' […***…] that a Sequence Pair is available to be a GSK Sequence Pair, Zymeworks shall issue an Invoice to GSK for the corresponding Nomination Fee. Each Nomination Fee shall be paid by GSK on […***…].

5.1.2 Milestone Payments. GSK shall notify Zymeworks in writing of the achievement of a Development Milestone Event or Commercialization Milestone Event within […***…] days of its achievement, and Zymeworks shall issue an Invoice to GSK for the corresponding Development Milestone Payment or Commercial Milestone Payment. Each Milestone Payment shall be made by GSK on […***…].

5.1.3 Royalties. During the Term, following the First Commercial Sale of a Product, GSK shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by Product sold during such Calendar Quarter and the Royalties payable under this Agreement on a Product-by-Product basis, and the Royalties (in US dollars) payable in total for all Products in accordance with Section 4.5, in each case in reasonable detail to allow Zymeworks to verify that the amount of Royalties paid by GSK with respect to such Calendar Quarter is correct. Reports shall be due no later than […***…]. Royalties shown to have accrued by each report provided under this Section 5.1.3 shall be due and payable on the date such report is due.

5.2 Payment Currency / Exchange Rate / Interest. All payments to be made by GSK to Zymeworks under this Agreement shall be made in USD. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to GSK. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with GSK's normal practices used to prepare its audited financial statements for external reporting purposes; provided that such practices use a widely accepted source of published exchange rates. If GSK shall fail to make a timely payment pursuant to this Agreement, any such payment shall bear interest at the average one-month London Inter-Bank Offering Rate (LIBOR) as reported on the day such payment was due in *The Wall Street Journal* (U.S. Internet version at www.wsj.com under the "Market Data" tab), plus three percent (3%) annually.

5.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 5.3, Zymeworks shall be liable for all income and other taxes (including interest) ("**Taxes**") imposed upon Zymeworks with respect to any payments made by GSK to Zymeworks under this Agreement ("**Agreement Payments**"). If Applicable Laws require the withholding of Taxes from an Agreement Payment, GSK shall make such withholding payments in a timely manner and shall subtract the amount thereof from such Agreement Payment. GSK shall promptly (as available) submit to Zymeworks appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. GSK shall provide Zymeworks reasonable assistance in order to allow Zymeworks to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such assigning Party shall be responsible for all such additional Taxes.

5.4 Records and Audit Rights.

5.4.1 Records. GSK shall keep (and shall cause each Selling Party to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Development Milestones, Commercial Milestones, and Royalties. GSK shall keep (and shall cause each Selling Party to keep) such books and records for at least […***…] following the end of the Calendar Year to which they pertain.

5.4.2 Audit Rights. Zymeworks shall have the right during the […***…] period described in Section 5.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") to inspect or audit the relevant records of GSK and each Selling Party to verify that the amount of such payments were correctly determined. GSK shall make, and shall cause each Selling Party to make, their respective records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon at least[…***…] notice from Zymeworks, solely to verify the payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by Zymeworks more than once in any Calendar Year. All records made available for inspection or audit shall be deemed to be Confidential Information of GSK. The results of each inspection or audit, if any, shall be binding on both Parties. Zymeworks shall bear full cost of any audit conducted unless the audit reveals an error of greater than […***…] percent ([…***…]%), in which case GSK will pay. If the Accounting Firm determines through such audit or inspection that additional royalties are payable then such amounts (together with interest as required in Section 5.2) shall be paid by GSK within […***…]; and if the Accounting Firm determines through such audit or inspection excess royalties are refundable then such amount will be deducted from future royalty payments or refunded by GSK to Zymeworks within […***…] of receipt of the results of such inspection or audit, whichever is sooner.

6. INTELLECTUAL PROPERTY RIGHTS

6.1 Ownership.

6.1.1 Background IP. Subject always to the rights and licenses expressly granted under this Agreement, each Party would, at all times and as between the Parties, continue to own all rights, title and interest in and to any and all Know-How and Intellectual Property that it owned or Controlled prior to the Effective Date, or which it generates, or to which it obtains rights, outside of this Agreement or outside of the Licenses ("**Background IP**") on or after the Effective Date.

6.1.2 Inventions. Subject to Section 6.1.1., ownership of all Inventions, including all Inventions arising in the exercise of the Licenses, shall be as set forth in this Section 6.1.2. Determination of inventorship of such Inventions shall be made in accordance with US patent laws. Notwithstanding anything in this Section 6.1.2 to the contrary (but subject always to

Section 6.1.1), Zymeworks shall own and retain all rights in the Zymeworks Platform Improvements. Inventions that are made solely by Zymeworks or its Affiliates or subcontractors (such Inventions and any and all Zymeworks Platform Improvements, collectively, the "**Zymeworks Inventions**"), together with all Know-How and Intellectual Property rights therein, shall be owned solely by Zymeworks. Other than any such Inventions comprising Zymeworks Platform Improvements, Inventions created in the exercise of the Licenses solely by GSK or its Affiliates, sublicensees or subcontractors ("**GSK Inventions**"), together with all Know-How and Intellectual Property rights therein, shall be owned solely by GSK. For clarity, GSK shall exclusively own GSK Sequence Pairs, GSK Antibodies, the Products and any mutations or modifications to the GSK Sequence Pairs made by GSK alone or jointly with Third Parties; provided that Zymeworks shall retain all rights in and to the Zymeworks Platform and any Zymeworks Platform Improvements.

6.1.3 Zymeworks Platform Improvements. GSK shall promptly disclose to Zymeworks any GSK Disclosed Improvements, in such detail as is reasonably necessary to enable Zymeworks to practice such GSK Disclosed Improvement. GSK shall assign, and hereby assigns to Zymeworks, all rights, title and interest in and to any and all GSK Disclosed Improvements. GSK agrees to sign, execute and acknowledge or cause to be signed, executed and acknowledged without cost, but at the expense of Zymeworks, any and all documents and to perform such acts as may be reasonably necessary for the purposes of perfecting the foregoing assignments and obtaining, enforcing and defending Intellectual Property in any and all countries with respect to GSK Disclosed Improvements. GSK may disclose any other modifications or technical advances of the Zymeworks Platform made by or on behalf of GSK or its Affiliates or sublicensees, which shall always exclude Zymeworks Improvements and Zymeworks Platform Improvements (each, an "**Other GSK Disclosed Improvement**") in its sole discretion to Zymeworks or a Third Party; provided that if GSK does disclose an Other GSK Disclosed Improvement to Zymeworks, an Affiliate of Zymeworks or any Third Party and such Other GSK Disclosed Improvement is severable from GSK's Background IP, GSK shall grant, and hereby grants, to Zymeworks a non-exclusive, sublicensable, fully paid-up, perpetual license to use such Other GSK Disclosed Improvement.

6.2 Patent Prosecution and Maintenance.

6.2.1 Definitions. As used in this Section 6.2, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant or post-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

6.2.2 Zymeworks Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks shall keep GSK reasonably advised with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights.

6.2.3 GSK Patent Rights. GSK, at GSK's expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of GSK Patent Rights using patent counsel of GSK's choice.

6.2.4 Cooperation in Prosecution. GSK shall provide Zymeworks with all reasonable assistance and cooperation in the patent prosecution efforts provided above in Sections 6.2.2, including providing any necessary powers of attorney and assignments of employees of GSK and its Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patent Rights, shall be considered Confidential Information of Zymeworks, subject to Article 7.

6.3 Enforcement and Defense.

6.3.1 Notice. Each Party shall provide prompt notice to the other Party of any infringement of Zymeworks Patent Right, which Covers a Product then under development or being commercialized of which such Party becomes aware (an "**Infringement**"). GSK and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both GSK and Zymeworks, to terminate any such Infringement of a Zymeworks Patent Right.

6.3.2 Zymeworks Patent Rights. Zymeworks shall have the first right to enforce the Zymeworks Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify GSK of such enforcement actions. If Zymeworks fails to bring or defend any such action against an Infringement by a Product within (a) […***…] following the notice of alleged Infringement or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, GSK shall have the right but not the obligation, to bring and control any such action against such Infringement at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall GSK admit the invalidity of, in exercising its rights under this Section 6.3.2, any Zymeworks Patent Rights without Zymeworks' prior written consent, which may be withheld in Zymeworks' sole discretion.

6.3.3 GSK Patent Rights. GSK shall have the sole right to enforce the GSK Patent Rights with respect to any Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of GSK.

6.3.4 Infringement Action. In the event that a Party brings an Infringement action in accordance with this Section 6.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other

Party shall cooperate fully with the Controlling Party, including by providing information and materials, at the Controlling Party's request and expense and if required to bring such action, the furnishing of a power of attorney or being named as a party.

6.3.5 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both GSK and Zymeworks in connection with or as a result of any action contemplated by this Section 6.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining related to the Products hereunder shall be shared by the Parties […***…] in favor of the Controlling Party.

6.3.6 Notification of Infringement Claims of the Third Party Patent Rights. If a Third Party asserts in writing to a Party that a Patent Right or other right owned by a Third Party may be infringed or misappropriated by the manufacture, use, sale, offer for sale, development, commercialization, or importation of a Product, then such Party shall promptly notify the other Party within […***…] of becoming aware of such possible infringement or misappropriation.

6.3.7 Defense of Infringement Claims of Third Party Patent Rights. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party Know-How or Intellectual Property right based on the manufacture, use, sale, offer for sale, or importation of any Product as a result of the use of the Zymeworks Platform, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall enter into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties. Each Party shall have the right to defend itself against such action. If only one of the Parties is being sued by the Third Party, then the other Party shall have the right, but not the obligation, to join the suit. Subject to the provisions of Section 12, and except as otherwise provided in this Agreement, agreed by the Parties in writing or awarded by a court or arbitrator, each Party shall bear its own costs for its defence of or joinder in such a claim.

6.3.8 Trademarks. GSK shall be responsible for the selection, registration and maintenance of all trademarks which it employs in connection with any Product.

6.3.9 Pharmacovigilance. GSK shall be responsible for the timely reporting of product quality complaints, adverse events and product safety data related to any Product to the appropriate Regulatory Authority or other applicable health authorities.

6.3.10 Ownership of Regulatory Filings. GSK shall own and maintain all regulatory filings related to all Products filed pursuant to this Agreement, including all BLAs.

7. CONFIDENTIALITY

7.1 Duty of Confidence. During the Term and for […***…] thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party. All Confidential Information disclosed by the Parties pursuant to that certain Confidential Disclosure Agreement, dated […***…] and subsequently amended on […***…] (the "**CDA**") shall be deemed to have been disclosed pursuant to this Agreement and shall be subject to the protections of this Article 8. The CDA shall remain in force with respect to ongoing business negotiations between the Parties in accordance with its terms.

7.2 Exceptions. The obligations under this Article 7 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

7.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

7.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party or its Affiliates;

7.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential or confidential basis (but, in the case of confidential disclosures, solely to the extent that use or disclosure of such information is permitted pursuant to such confidential disclosure) by a Third Party that is entitled to disclose it (including as a result of independent development of such information by such Third Party) without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

7.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates (including by a Third Party), as evidenced by its written records without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

7.3 Authorized Disclosures. Subject to this Section 7.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

7.3.1 to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

7.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 6 or disclosure to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization in accordance with this Agreement, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

7.3.3 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations; or

7.3.4 disclosure to potential or actual investors, potential or actual acquirers in connection with due diligence or similar investigations by such Third Parties; provided, in each case, that any such potential or actual investor or acquirer agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information pursuant to Section 7.3.3, such Party shall promptly inform the other Party of the disclosure that is being sought and provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 7.3 shall remain otherwise subject to the confidentiality and non-use provisions of this Article 7, and the Party disclosing Confidential Information as permitted by this Section 7.3 shall take all steps reasonably necessary, including obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

8. PUBLICITY

8.1 Publicity. The Parties have mutually approved a press release attached hereto as Exhibit 8.1 with respect to this Agreement, which each Party may issue in connection with the execution of this Agreement, and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any the activities conducted hereunder without the prior written consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed), provided however, that neither Party shall be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested

by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding the achievement of any milestone event under Section 4.2, 4.3 or 4.4, Zymeworks shall provide GSK with no less than […***…] in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

8.2 Clinical Trial Registries. GSK shall have the right to post GSK's clinical trial register summaries of the results of Clinical Trials of Products conducted by or on behalf of GSK or its Affiliates; provided that such summaries shall not include Zymeworks' name or other trademarks, or any of Zymeworks' Confidential Information, without Zymeworks' prior written consent.

9. TERM AND TERMINATION

9.1 Term.

9.1.1 The term of this Agreement shall commence on the Effective Date and (subject to earlier termination in accordance with Section 9.2, Section 9.3 or Section 9.4) shall expire upon the expiration, on a Product-by-Product and country-by-country basis, of the Royalty Term under Section 4.5.2 with respect to such Product in such country. The period from the Effective Date until the date of expiration of the entire Agreement pursuant to this Section 9.1.1, or termination of this Agreement in its entirety pursuant to Sections 9.2, 9.3, or 9.4, shall be the "**Term**".

9.1.2 Upon expiration of this Agreement in accordance with Section 9.1.1 (but not the earlier termination of this Agreement), on a country-by-country and Product-by-Product basis, the Licenses granted to GSK in Section 2.1.2 shall become non-exclusive, fully paid-up, perpetual licenses.

9.2 Termination.

9.2.1 GSK Right of Termination. GSK may terminate this Agreement, in its entirety or on a Product-by-Product basis or country by country basis, in its sole discretion upon […***…] prior written notice at any time and for any reason or for no reason at all, without incurring any penalty or liability.

9.2.2 Termination for Patent Challenge. Notwithstanding anything herein to the contrary, in the event that GSK or its Affiliates file or initiate an action challenging in court or by administrative proceeding seeking the invalidity or unenforceability of any Zymeworks Patent Rights, then Zymeworks, in its discretion, may give written notice to GSK that Zymeworks shall terminate this Agreement, in its entirety, or on a Product-by-Product basis, unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…]. In the event that GSK or its Affiliate (as the case may be) does not withdraw, abandon or

terminate (as appropriate) such challenge within such […***…] period, Zymeworks may terminate this Agreement, in its entirety, or on a Product-by-Product basis.

9.3 Termination for Cause. If either GSK or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give written notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] after receipt of such written notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement, in its entirety or with respect to the Product(s) that are the subject of such breach, immediately by giving written notice to the breaching Party to such effect.

9.4 Termination for Insolvency. To the extent permitted under Applicable Laws, either Party may terminate this Agreement, (a) if, at any time, the other Party files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of the Party or of substantially all of its assets, or (b) if the other Party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within […***…] after the filing thereof, or (c) if the other Party shall propose or be a party to any dissolution or liquidation, or (d) if the other Party shall make an assignment of substantially all of its assets for the benefit of creditors. Each Party agrees to give the other Party prompt written notice of the foregoing events giving rise to termination under this Section 9.4.

10. EFFECTS OF TERMINATION

10.1 Termination of Agreement.

(a) General. Any termination or expiration of this Agreement shall: (i) be without prejudice to any other damage or legal redress that a Party may be entitled to, and (ii) shall not release a Party from any indebtedness, liability or other obligation, in each case incurred under this Agreement by such Party prior to the date of termination or expiration of this Agreement. On or after the effective date of such termination, Zymeworks shall send GSK an Invoice for any payments that are due and for which it has not previously issued an Invoice to GSK; and GSK shall pay all such amounts within […***…] from the date of receipt of the corresponding Invoice from Zymeworks. GSK shall pay any previously Invoiced amounts in accordance with this Agreement. In the event that Zymeworks terminates the Agreement in its entirety pursuant to Section 9.2.2, 9.3 or 9.4, or GSK terminates this Agreement in its entirety pursuant to Section 9.2.1, all rights and licenses granted to GSK under this Agreement shall terminate upon the effective date of such termination, and GSK shall cease all use of the Zymeworks Platform and all development, manufacture and commercialization of the Antibodies and the Products. In the event that Zymeworks terminates the Agreement on a Product-by-Product basis pursuant to Section 9.2.2 or 9.3, or GSK terminates this Agreement on a Product-by-Product basis pursuant to Section 9.2.1, all rights and licenses granted to GSK under this Agreement with respect to the terminated Products (and the GSK Antibodies incorporated

therein) shall terminate upon the effective date of such termination, and GSK shall cease all development, manufacture and commercialization of such Products (and the GSK Antibodies incorporated therein).

(b) Expiration of Financial Obligations. On the expiration of the Royalty Term with respect to a Product that is being commercialized by GSK in a particular country, if any, subject to the terms and conditions of this Agreement, the Licenses granted to GSK in Section 2.1.2 shall become perpetual, non-exclusive, fully-paid and royalty-free right with respect to such Product in such country, as set forth in Section 9.1.2.

(c) GSK Continuing Rights. Upon the termination of this Agreement by GSK pursuant to Section 9.3 or Section 9.4, GSK shall continue to have the exclusive right to research, develop and commercialize Products comprising GSK Antibodies derived and generated from GSK Sequence Pairs selected prior to the effective date of such termination until the expiration of the Term in accordance with Section 9.1.1, pursuant to the Licenses and rights granted to GSK in Section 2.1.2, which shall continue in full force and effect solely with respect to such Products subject to the payment by GSK of the applicable amounts set out in Article 4. Subject to the last sentence of Section 4.5.2, if GSK terminates this Agreement in its entirety pursuant to Section 9.3, GSK shall then decrease any milestone and royalty payment payable to Zymeworks in respect of the Products by fifty percent (50%), for so long as GSK has the right to commercialize such Product on the terms set out under this Agreement.

(d) Return of Information. Upon the expiration or termination of this Agreement, each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep the Confidential Information received from the other Party to the extent reasonably necessary to exercise any surviving rights and such other Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes.

10.2 Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Article 1, Article 4 and Article 5 (solely to the extent of any then-outstanding payment obligations; provided that Section 5.4 shall survive for the period set forth therein with respect to any payments due to Zymeworks under this Agreement and records related thereto), Section 6.1, Article 7, Section 8.1, Article 10, Section 11.4, Article 12, and Article 13.

10.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

10.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against a Party under the Code, the other Party shall be entitled to, to the extent required under the Code, a complete duplicate of, or complete access to (as such other Party deems appropriate), any such intellectual property and all embodiments of such intellectual property, if not already in such other Party's possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by such other Party, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The foregoing provisions of this Section 10.4 are without prejudice to any rights a Party may have arising under the Code.

11. REPRESENTATIONS AND WARRANTIES AND COVENANTS

11.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

11.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

11.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

11.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

11.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

11.2 Representations, Warranties and Covenants by Zymeworks. Zymeworks represents, warrants as of the Effective Date and (solely to the extent specified below) covenants to GSK as follows:

11.2.1 Zymeworks has the right to grant the rights and licenses that it purports to grant to GSK under this Agreement, free and clear of all liens or encumbrances;

11.2.2 Zymeworks has not granted and covenants not to grant during the Term rights to any Third Party under the Zymeworks Intellectual Property that conflict with the rights granted to GSK hereunder;

11.2.3 Zymeworks has not received any written notification from a Third Party alleging that any of the Zymeworks Intellectual Property infringes any intellectual property rights of a Third Party;

11.2.4 there are no pending, and no threatened, adverse actions, suits or proceedings against Zymeworks involving Zymeworks Intellectual Property that would impact Zymeworks ability to grant the rights and licenses that it purports to grant to GSK under this Agreement; and

11.2.5 Zymeworks does not require any consent or waiver under any contractual arrangement with a Third Party to which Zymeworks is a party to grant the rights and licenses that it purports to grant under this Agreement.

11.3 Representations, Warranties and Covenants by GSK. GSK represents, warrants as of the Effective Date and covenants to Zymeworks as follows:

11.3.1 that all employees, consultants, agents and sublicensees of GSK or its Affiliates working in or otherwise involved in the activities to be conducted pursuant to this Agreement, shall be under the obligation to assign to GSK all right, title and interest in and to their inventions conceived and discoveries made within the scope of their employment, whether or not patentable, if any, which constitute GSK Disclosed Improvements or GSK Other Disclosed Improvements as the sole owner thereof; and

11.3.2 it shall at all times perform its activities pursuant to this Agreement in compliance with Applicable Laws.

11.4 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11.5 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS HEREUNDER WITH REGARD TO ANY ANTIBODY OR PRODUCT SHALL BE SUCCESSFUL.

12. INDEMNIFICATION AND LIABILITY

12.1 **Indemnification by Zymeworks**. Zymeworks shall indemnify, defend and hold GSK and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**GSK Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any GSK Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any GSK Indemnified Party (including product liability claims) arising or resulting from: (a) the negligence or willful misconduct of Zymeworks or its Affiliates pursuant to this Agreement; or (b) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to GSK under this Agreement. Zymeworks is only obliged to so indemnify and hold the GSK Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of GSK.

12.2 **Indemnification by GSK**. GSK shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of GSK Antibodies or Products by GSK or its Affiliates, licensees or sublicensees (excluding Zymeworks and its Affiliates) under this Agreement; (b) the negligence or willful misconduct of GSK or its Affiliates pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by GSK to Zymeworks under this Agreement. GSK is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks.

12.3 **Indemnification Procedure**.

12.3.1 Any GSK Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("**Indemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it

may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

12.3.2 Subject to the provisions of Section 12.3.3 below, the Indemnifying Party shall have the right, upon providing written notice to the Indemnified Party of its intent to do so within […***…] after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

12.3.3 The Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

12.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING ANY SUCH LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 7. NOTHING IN THIS SECTION 12.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 12.

12.5 Insurance. Zymeworks, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term. Zymeworks shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to GSK upon request. GSK hereby represents and warrants to Zymeworks that it is self-insured against liability and other risks associated with its activities and obligations under this Agreement in such amounts and on such terms as are customary for prudent practices for global pharmaceutical companies and agrees that it shall remain so insured throughout the Term. GSK shall furnish to Zymeworks evidence of such self-insurance, upon request.

13. GENERAL PROVISIONS

13.1 Assignment. Except as provided in this Section 13.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent,

assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party, provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 13.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement. For clarity, the foregoing is not intended to limit GSK's right to grant sublicenses in accordance with Article 2 above.

13.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and immunities granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and immunities. The Party extending the rights and immunities granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

13.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties shall use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties

13.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

13.5 Dispute Resolution.

13.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "Dispute"), arises between the Parties, either Party shall first attempt in good faith to resolve such Dispute by negotiation and consultation between themselves. In the event that such Dispute is not resolved on an informal basis within […***…], either Party shall, by written notice to the other Party, refer such Dispute to senior representatives of each Party for attempted resolution. Each Party, within […***…] after a Party has received such written request from the other Party

to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. Such representatives shall attempt in good faith to promptly resolve such Dispute within […***…] thereafter. In the event that any Dispute, other than an Excluded Claim, is not resolved under the foregoing provisions, each Party shall seek resolution of such matter in accordance with Section 13.5.2.

13.5.2 If a Dispute, other than an Excluded Claim, is not resolved through negotiation by the Parties and their senior representatives under Section 13.5.1, the Parties agree that they shall try in good faith to resolve the Dispute by referring it for confidential mediation under the CPR Mediation Procedure in effect at the start of mediation. Unless otherwise agreed, the Parties shall select a mediator from the CPR Panels of Distinguished Neutrals. If the Parties cannot agree, they shall defer to the CPR to select a mediator. The cost of the mediator shall be borne equally by the Parties. The place of mediation shall be Wilmington, Delaware. Any Dispute not resolved within […***…] (or within such other time period as may be agreed to by the Parties in writing) after appointment of the mediator shall be finally resolved by arbitration pursuant to the remainder of this Section13.5.

13.5.3 If, after mediation pursuant to Section 13.5.2, the Parties have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration in accordance with the American Arbitration Association ("**Rules**"). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude Parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

13.5.4 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific, technical or commercial matters, the arbitrator chosen hereunder shall engage experts having educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] period, the arbitrator shall be appointed in accordance with the Rules. The place of arbitration shall be Wilmington, Delaware, and all proceedings and communications shall be in English.

13.5.5 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties. Once the arbitrator has been selected, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear

its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrator agrees otherwise.

13.5.6 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor the arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable Delaware statute of limitations. The content and resolution of any arbitration conducted pursuant to this Section 13 shall be the Confidential Information of both Parties, and Parties shall instruct the arbitrator to maintain the same as confidential.

13.5.7 As used in this Section 13.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory, (c) tax matters, or (d) international law. Any Excluded Claim may be submitted by either Party to the State and Federal Courts located in Delaware or, if such courts are found not to have jurisdiction, any court of competent jurisdiction over such Excluded Claim.

13.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected shall use commercially reasonable efforts to resume performance of its obligations and shall keep the other Party informed of actions related thereto.

13.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

13.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and GSK, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

13.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and shall be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks:

Zymeworks Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
Attention: […***…]
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to GSK:

GSK
980 Great West Road
Brentford, Middlesex
TW8 9GS
Attention: […***…]
E-mail address: […***…]

and

GSK
709 Swedeland Road
PO Box 1539
King of Prussia, PA

Attention: […***…]
E-mail address: […***…]

Zymeworks shall also provide a copy of any notice (via e-mail if available) to GSK's project leader and alliance manager; provided that GSK has provided the contact information for such individuals in writing in advance of Zymeworks' sending such notice.

13.10 Further Assurances. GSK and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

13.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

13.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

13.13 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter, other than the CDA.

13.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

13.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

13.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of

or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

13.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

13.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it shall not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

13.20 Ethical Standards

13.20.1 Human Rights

(a) Unless otherwise required or prohibited by Applicable Laws, the Parties warrant, to the best of their knowledge, that in relation to the performance of this Agreement:

(i) they do not employ engage or otherwise use any child labour in circumstances such that the tasks performed by any such child labour could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;

(ii) they do not use forced labour in any form (prison, indentured, bonded or otherwise) and its employees are not required to lodge papers or deposits on starting work;

(iii) they provide a safe and healthy workplace, presenting no immediate hazards to its employees. Any housing provided by the Parties to their employees is safe for habitation. The Parties provides access to clean water, food, and emergency healthcare to their employees in the event of accidents or incidents in the workplace;

(iv) they do not discriminate against any employees on any ground (including race, religion, disability or gender);

(v) they do not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and does not use cruel or abusive disciplinary practices in the workplace;

(vi) they pay each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is the higher) and provides each employee with all legally mandated benefits;

(vii) they comply with the laws on working hours and employment rights in the countries in which they operate;

(viii) they are respectful of their employees' right to join and form independent trade unions and freedom of association.

(b) The Parties agree that they are responsible for controlling their own supply chain and that they shall encourage compliance with ethical standards and human rights by any subsequent supply of goods and services that are used by the Parties when performing their obligations under this Agreement.

(c) The Parties shall ensure that they have ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

13.21 Anti-Corruption

13.21.1 Zymeworks acknowledges receipt of the 'Prevention of Corruption – Third Party Guidelines' (attached at Exhibit 13.21) and agrees to perform its obligations under the Agreement in accordance with the principles set out therein.

13.21.2 The Parties shall comply fully at all time with all Applicable Laws in their performance under this Agreement, including but not limited to applicable anti-corruption laws, of the territory in which the Parties conduct business with each other.

13.21.3 The Parties shall be entitled to terminate this Agreement immediately on written notice to the other, if the other Party fails to perform its obligations in accordance with this Section13.21. The defaulting Party shall have no claim against the non-defaulting Party for compensation for any loss of whatever nature by virtue of the termination of this Agreement in accordance with this Section 13.21.3. To the extent (and only to the extent) that the laws of the territory provide for any such compensation to be paid to the non-defaulting upon the termination of this Agreement, the Parties hereby expressly agree to waive (to the extent possible under the laws of the territory) or to repay any such compensation or indemnity.

[*Remainder of page left blank intentionally.*]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

Zymeworks Inc.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

GlaxoSmithKline Intellectual Property Development Limited

By: /s/ Paul Williamson
Name: Paul Williamson
Title: Authorised Signatory for and on behalf of
Edinburgh Pharmaceutical Industries Limited
Corporate Director

EXHIBIT 1.34
Invoice and Bank Detail Formats Required

1. Invoice details:

The name and address details for the invoices are as follows:

GlaxoSmithKline Intellectual Property Development Limited

980 Great West Road

Brentford

Middlesex

TW8 9GS

United Kingdom

All invoices should include, at a minimum, the following information:

- Invoice Date, Number and Amount
- Invoicing party Name, Address, Phone Number, Vat No. if applicable
- Bank details
- GSK contact names and respective email addresses
- Agreement Reference Information (e.g. Effective Date)
- Description of Event that triggers Invoice

Invoices in PDF format should be sent via email […***…] and the […***…]

For any queries in relation to invoicing, please contact […***…].

2. Bank information details format:

- Third Party shall provide a scan copy of a letter (on Company letterhead), signed by finance and copied into a ‘read only’ word document i.e. password protected.
- The word file referred to above shall be sent via email to the GSK Contact listed in the invoice section i.e. (GSK person with whom the Third Party team engages in Business As Usual) and also copying the […***…]
- Please do not disclose the password to any GSK contact.

Exhibit 1.54
TECHNICAL DOSSIER OUTLINE

[…***…]

Exhibit 1.64
ZYMEWORKS PATENT RIGHTS
[…***…]

Exhibit 3.6
MATERIAL TRANSFER RECORD FORM

GSK and Zymeworks

Capitalized terms used herein that are not defined herein shall have the meanings set forth in the Platform Technology Transfer and License Agreement dated [●] made between GSK and Zymeworks.

In connection with the performance of the Agreement and pursuant to the terms of the Agreement:

(i) GSK shall transfer to Zymeworks the Materials set forth below;

and/or

(ii) Zymeworks shall transfer to GSK the Materials set forth below.

This Material Transfer Record Form shall be used as the record of all such Material transfers, whether from GSK to Zymeworks or from Zymeworks to GSK.

Transfer Date:

Description of Materials

Description of Research for which the Material(s) shall be Used

Description of general nature of the business of the Third Party(ies) to whom Materials will be transferred for purposes of such research

Signature – GSK Representative _____

Date

Signature – Zymeworks Representative _____

Date

Note: This MTR is to be completed and signed by the Zymeworks and the GSK representative for each transfer. A copy of each completed MTR is to be timely provided to project manager (for GSK) and to the project manager (for Zymeworks). This MTR should not be used to transfer any materials in which the Transferor believes that third parties have rights, or which the Transferor believes infringe or violate any intellectual property rights held by any Third Party. If there are any questions about the appropriateness of a transfer, please contact the named representatives identified herein before making the transfer.

EXHIBIT 8.1
PRESS RELEASE

Zymeworks and GSK Enter Second Strategic Collaboration to Develop and Commercialize Bi-Specific Antibodies

Vancouver, Canada (TBD, 2016) – Zymeworks Inc., a leader in the development of bi-specific and multi-specific antibodies and antibody drug conjugates, announced today that it has entered into a new licensing agreement with GSK for the research, development, and commercialization of novel bi-specific antibodies enabled using Zymeworks' Azymetric™ drug discovery platform. Under the agreement, GSK will have the option to develop and commercialize multiple bi-specific drugs across different disease areas. Zymeworks will receive upfront and preclinical payments of up to USD$36 million and is eligible to receive up to USD$152 million in development and clinical milestone payments, along with commercial sales milestone payments of up to USD$720 million, and tiered royalties on potential sales.

As previously announced in December 2015, Zymeworks and GSK entered into a collaboration and license agreement to further develop Zymeworks' Effector Function Enhancement and Control Technology (EFECT™) platform and to research, develop, and commercialize novel Fc-engineered monoclonal and bi-specific antibody therapeutics that have been optimized for specific therapeutic effects. As part of this second agreement, GSK has also gained the right to combine the Azymetric™ platform with novel engineered Fc domains developed under the previously announced collaboration.

"We are excited to be expanding our relationship with GSK to include our Azymetric™ bi-specific platform. We view this new collaboration as evidence of our valuable role as a partner and the strength of our proprietary drug development platforms," said Ali Tehrani, Ph.D., President and CEO of Zymeworks. "The proceeds from this collaboration will be used to advance our pipeline of therapeutic candidates, including the Azymetric™ antibody ZW25 and the Azymetric™ antibody drug conjugate ZW33, into human clinical trials this year. They will also be utilized to support the continued expansion and strengthening of our core capabilities in antibody discovery, protein engineering, and antibody drug conjugates."

About the Azymetric™ Platform

Bi-specific antibodies developed using the Azymetric™ platform resemble conventional mono-specific antibodies while being able to simultaneously bind to two different targets resulting in additive or synergistic therapeutic responses. Azymetric™ antibodies spontaneously assemble into a single molecule with two different Fab domains comprising of unique heavy and light chain pairings. Azymetric™ antibodies are manufactured using conventional monoclonal antibody processes and can also be easily adapted to rapidly screen target and sequence combinations for bi-specific activities in the final therapeutic format thereby significantly reducing drug development timelines.

About the EFECT™ Platform

The EFECT™ platform is a library of antibody Fc modifications engineered to modulate the activity of the antibody-mediated immune response, which includes both the up and down-regulation of effector functions. This platform is compatible with traditional monoclonal as well as Azymetric™ bi-specific antibodies to further enable the customization of therapeutic responses for different diseases.

About Zymeworks Inc.

Zymeworks is a privately held biotherapeutics company that is developing best-in-class Azymetric™ bi-specific antibodies and antibody drug conjugates for the treatment of cancer, autoimmune and inflammatory diseases. The company's novel Azymetric™, AlbuCORE™, and EFECT™ platforms, its Zymelink™ conjugation platform and cytotoxins, and its proprietary ZymeCAD™ structure-guided protein engineering technology, enable the development of highly potent bi-specific antibodies, multivalent protein therapeutics, and antibody drug conjugates across a range of indications. Zymeworks is focused on accelerating its preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

EXHIBIT 13.21
PREVENTION OF CORRUPTION – THIRD PARTY GUIDELINES

[…***…]

Exhibit 10.25

CONFIDENTIAL

CONFIDENTIAL TREATMENT REQUESTED UNDER RULE 406 UNDER THE SECURITIES ACT OF 1933, AS AMENDED. […***…] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

COLLABORATION AND CROSS LICENSE AGREEMENT

Between

ZYMEWORKS INC.

and

DAIICHI SANKYO CO., LTD.

September 26, 2016

Confidential

TABLE OF CONTENTS

COLLABORATION AND CROSS LICENSE AGREEMENT

THIS COLLABORATION AND CROSS LICENSE AGREEMENT (the "**Agreement**"), effective as of , 2016 (the "**Effective Date**"), by and between **DAIICHI SANKYO CO., LTD.**, a corporation organized and existing under the laws of Japan, with its principal business office located at 3-5-1, Nihonbashi honcho, Chuo-ku, Tokyo, 103-8426, Japan ("**DS**") and **ZYMEWORKS INC.**, a corporation organized and existing under the laws of Canada, and extra provincially in British Columbia, having an address at 540-1385 West 8th Avenue, Vancouver, BC, Canada V6H 3V9 ("**Zymeworks**"). Zymeworks and DS are each referred to individually as a "**Party**" and together as the "**Parties**".

BACKGROUND

A. Zymeworks controls a proprietary […***…] heterodimerization platform that was developed using Zymeworks' proprietary molecular simulation software, known as ZymeCAD™. Zymeworks also controls a proprietary […***…] platform, known as the EFECT™ […***…] platform.

B. DS and Zymeworks desire to enter into this agreement under which the Parties will utilize such platforms to generate and develop certain […***…] Antibodies (as defined below) based on pairs of binding sequences nominated by DS.

C. DS desires to obtain certain licenses and options under certain intellectual property controlled by Zymeworks to develop and commercialize certain products incorporating such Antibodies, and Zymeworks is willing to grant such rights, all on the terms and conditions as set forth below.

D. Zymeworks desires to obtain certain licenses under certain intellectual property controlled by DS to develop and commercialize certain products incorporating antibodies derived and generated from the […***…] Binding Domain (as defined below), and DS is willing to grant such rights, all on the terms and conditions as set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein below, and other good and valuable consideration, the sufficiency of which is hereby acknowledged by both Parties, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1 and elsewhere in this Agreement, whether used in the singular or plural, shall have the meanings specified.

1.1 "**Acquiring Entity**" means a Third Party that merges or consolidates with or acquires Zymeworks, or to which Zymeworks transfers all or substantially all of its assets to which this Agreement pertains.

1.2 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time.

1.3 "**Affiliate**" means with respect to either Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For purposes of this Section 1.3 only, "control" means (i) direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of directors of such corporate entity or (ii) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

1.4 "**Annual Net Sales**" means, with respect to a particular Product and Calendar Year, all Net Sales of such Product throughout the Territory during such Calendar Year.

1.5 "**Antibody**" means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the DS […***…] through the application of the Zymeworks Platform pursuant to the Research Program. For clarity, all Antibodies shall be […***…].

1.6 "**Applicable Laws**" means, in all countries, all federal, state, local, national and supra-national laws, statutes, rules and regulations, including any rules, regulations, guidelines or requirements of Regulatory Authorities, national securities exchanges or securities listing organizations that may be in effect from time to time during the Term and applicable to a particular activity hereunder.

1.7 "**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in Japan or New York, New York, U.S.A. are authorized or required by Applicable Law to remain closed.

1.8 "**Calendar Quarter**" means any respective period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31 of any Calendar Year.

1.9 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.10 "[…***…]" means the Target more specifically identified as entry P07766 in the UniProt/SwissProt database.

1.11 "[…***…]" means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the […***…], other than the Antibodies.

1.12 "[…***…]" means DS' proprietary Sequence Directed To […***…], which is agreed upon by the Parties and set forth on Exhibit 1.12.

1.13 "[…***…]" shall have the same meaning as Net Sales; provided that all references to DS in the definition of Net Sales shall be replaced with references to Zymeworks for purposes of defining […***…], all references to the Product in the definition of Net Sales shall be replaced with references to […***…] for purposes of defining […***…], and all references to Antibody in the definition of Net Sales shall be replaced with reference to […***…] for purposes of defining […***…].

1.14 "[…***…]" means a pharmaceutical preparation in final form containing one or more […***…].

1.15 "[…***…] **Combination**" means a […***…] that contains one or more active agents that are not […***…] (e.g., one or more antibodies that are not […***…] and/or one or more chemotherapeutics) in addition to an […***…].

1.16 "**Clinical Trial**" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval human clinical trial, as applicable.

1.17 "**Combination Product**" means, with respect to a Product, a Product Combination and, with respect to a […***…] Product, a […***…] Product Combination.

1.18 "**Confidential Information**" means all Know-How, which is generated by or on behalf of a Party under this Agreement or which one Party or any of its Affiliates or contractors has provided or otherwise made available to the other Party, whether made available orally, in writing, or in electronic form, including (a) such Know-How comprising or relating to concepts, discoveries, Inventions, data, designs or formulae arising from this Agreement and (b) any unpublished patent applications disclosed hereunder. This existence and terms of this Agreement constitute Confidential Information of both of the Parties.

1.19 "**Control**" or "**Controlled**" means, with respect to any material, Know-How, or intellectual property right (including Patent Rights), that a Party (a) owns or (b) has a license to such material, Know-How, or intellectual property right and, in each case, has the power to grant to the other Party access, a license, or a sublicense (as applicable) to the same on the terms and conditions set forth in this Agreement without violating any obligations of the granting Party to a Third Party or subjecting the granting Party to any additional fee or charge. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by Zymeworks: (i) any materials, Know-How or intellectual property right owned or licensed by any Acquiring Entity immediately prior to the effective date of the merger, consolidation or transfer making such Third Party an Acquiring Entity, and (ii) any materials, Know-How or intellectual property right that any Acquiring Entity subsequently develops without accessing or practicing the Zymeworks Platform or any Zymeworks Intellectual Property.

1.20 "**Covered**" means, with respect to a Product or […***…] Product in a particular country, that the manufacture, use, sale or importation of such Product or […***…] Product, as applicable, in such country would, but for the licenses granted herein, infringe a Valid Patent Claim.

1.21 "**Directed To**" means, with regard to an antibody or product, that such antibody or product (a) binds directly to a Target, and also (b) exerts its primary diagnostic, prophylactic or therapeutic activity as a result of such binding or modifies the profile (e.g., pharmacokinetics, tissue penetration and distribution) of the antibody as a result of such binding; provided, however, if the phrase "Directed To" is used with respect to the […***…] Binding Domain, independent of an antibody or product derived or generated from the […***…] Binding Domain, only clause (a) above (and not clause (b)) shall apply. When required grammatically, the defined term "Directed To" may be separated and shall have the same meaning set forth above; e.g., when discussing Targets To which an antibody is Directed.

1.22 "**DS Intellectual Property**" means the DS Know-How and DS Patent Rights.

1.23 "**DS Know-How**" means all Know-How, which: (a) is Controlled by DS or its Affiliates as of the Effective Date or during the Term of this Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to Zymeworks in exploiting the […***…] Binding Domain or […***…] Variable Domain Improvements, or otherwise in exercising the DS Patent Rights, in each case to develop, manufacture or commercialize […***…] Antibodies. The list of DS Know-How to be disclosed by DS to Zymeworks as of the Effective Date is specified in the Exhibit 1.23.

1.24 "**DS Patent Rights**" means any and all Patent Rights that are Controlled by DS or its Affiliates as of the Effective Date or during the Term of the Agreement, to the extent they claim the […***…] Binding Domain or […***…] Variable Domain Improvements (including any such Patent Rights Controlled by DS or its Affiliates to the extent claiming Inventions directed to the […***…] Binding Domain or […***…] Variable Domain Improvements). For clarity, if such a Patent Right claims both (i) the […***…] Binding Domain and/or […***…] Variable Domain Improvements and (ii) any of inventions other than the […***…] Binding Domain and/or […***…] Variable Domain Improvements, including Antibody, Product and Research Sequence Pair, only part (i) above falls in the scope of DS Patent Rights, and part (ii) is excluded from the scope of DS Patent Rights.

1.25 "**European Union**" means the European Union as it exists as of the Effective Date, together with any countries or territories that subsequently join the European Union. For clarity, any countries or territories that exit the European Union after the Effective Date shall remain part of the European Union for purposes of this Agreement. As of the Effective Date, the European Union includes the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

1.26 "**EU Major Market**" means […***…].

1.27 "**FDA**" means the United States Food and Drug Administration and any successor thereto.

1.28 "**Field**" means any and all uses, including diagnostic, prophylactic, and therapeutic uses, in humans.

1.29 "**First Commercial Sale**" means, with respect to a Product or […***…] Product in any country in the Territory, the first sale, transfer or disposition for value or for end use or consumption of such Product or […***…] Product, as applicable, in such country after Marketing Authorization has been received in such country.

1.30 "**FTE Costs**" means an amount equal to the product of the FTE Rate and actual hours worked by Zymeworks FTEs on the Research Program.

1.31 "**FTE Rate**" means the annual compensation rate for an FTE, which shall be $[…***…] (USD) as of the Effective Date. The FTE Rate shall be subject to an annual adjustment equal to the change in the consumer price index for such Calendar Year as reported by United States Bureau of Labor Statistics.

1.32 "**FTE**" means the equivalent of a full-time employee's work time over an accounting period (including normal vacations, sick days and holidays) based on […***…]. The portion of an FTE year devoted by an employee to activities under the Research Program shall be determined by dividing (a) the number of hours during any accounting period devoted by such individual to such activities by (b) the product of eight (8) hours * the number of Business Days during such accounting period.

1.33 "**GLP**" means consistent with good laboratory practices as set forth under Applicable Law, including as set forth in 21 C.F.R., Part 58.

1.34 "**IND**" means an investigational new drug application, clinical trial application, or similar application, filed with, and accepted by, a Regulatory Authority in any country or group of countries prior to beginning Clinical Trials in that country or in that group of countries.

1.35 "**Invention**" means any Know-How, composition of matter, article of manufacture or other subject matter, whether patentable or not, that is conceived or reduced to practice under and as a result of any work performed under the Agreement, including any work performed pursuant to the Research Program.

1.36 "**Joint Invention**" means any Invention conceived or reduced to practice jointly by one or more employees of DS or its Affiliate or a Third Party acting under authority of DS or its Affiliate, on the one hand, and one or more employees of Zymeworks or its Affiliate or a Third Party acting under authority of Zymeworks or its Affiliate, on the other hand.

1.37 "**Joint Patent Rights**" means all Patent Rights claiming a Joint Invention.

1.38 "**Know-How**" means all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data relevant to any of the foregoing. For clarity, Know-How excludes Patent Rights and materials. The scope of disclosure of Know-How is handled in accordance with Section 2.2.2(a) (with respect to DS Know-How) and Section 3.1.5.

1.39 "**Marketing Authorization**" means all approvals from the relevant Regulatory Authority necessary to initiate marketing and selling a product (including a Product or […***…]Product) in any country. For clarity, unless necessary to initiate marketing and selling of a product in a particular country, Marketing Authorization shall not include pricing or reimbursement approval.

1.40 "[…***…] **Antibody**" means an antibody or an antibody analogue, generated through the application of the Zymeworks Platform, that contains independent binding sites Directed To […***…].

1.41 "**Net Sales**" means the gross amount invoiced by DS or its Related Parties for sales or other transfer of Product to a Third Party, less the following deductions to the extent included in the gross invoiced sales price with respect to such sales:

1.41.1 any […***…] and […***…], and other usual and customary […***…];

1.41.2 […***…] and […***…] granted to […***…], their respective […***…], adjustments arising from […***…];

1.41.3 […***…];

1.41.4 […***…] to the extent relating to the Product;

1.41.5 […***…] actually allowed or paid for […***…], to the extent included in the gross sales price; and

1.41.6 […***…], in each case to the extent not reimbursed.

Each of the foregoing deductions shall be determined as incurred in the ordinary course of business in type and amount consistent with good industry practice and in accordance with applicable accounting requirements on a basis consistent with DS' audited consolidated financial statements. All discounts, allowances, credits, rebates, and other deductions shall be fairly and equitably allocated to the Product(s) and other product(s) of DS and its Related Parties such that the Product(s) does not bear a disproportionate portion of such deductions. In the case of […***…].

With respect to sales of a particular Combination Product, and on a country-by-country basis, the "Net Sales" for royalty purposes hereunder shall be calculated by multiplying the actual Net Sales (calculated in the manner described above) of such Combination Product by the fraction A/B, in which A is the invoice price of the Antibody of the same strength and in the same quantity as contained in the Combination Product, sold separately in the same period without the other active ingredient(s) in the same country of sale as the Combination Product, and B is the invoice price of the Combination Product sold in the same period in such country. All invoice prices of the Antibody and the Combination Product shall be calculated as the average invoice price of such active ingredients during the applicable accounting period for which the Net Sales are being calculated. If, on a country-by-country basis, no separate sale of the Antibody in the same strength as contained in the Combination Product, sold separately without other active ingredient(s), is made in such country during the applicable accounting period, or if

the invoice price for the Antibody cannot be determined for an accounting period, then the "Net Sales" for royalty purposes hereunder for sales of such Combination Product in each such country shall be determined by multiplying the Net Sales (calculated in the manner described above) of such Combination Product in such country by a fraction, determined in good faith by mutual agreement of the Parties, that reflects the relative contribution in value that the Antibody contained in the Combination Product makes to the total value of such Combination Product to the end user in such country.

1.42 "**Option Term**" means the period commencing on the initiation of the Research Program and expiring on the earliest of: (a) DS' exercise of the Option, (b) the date that is […***…] after the termination of the Research Program Term, and (c) the date on which the […***…].

1.43 "**Patent Rights**" means the rights and interests in and to issued patents and pending patent applications (which, for purposes of this Agreement, include certificates of invention, applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, continued prosecution applications including requests for continued examination, divisional applications and renewals, and all letters patent or certificates of invention granted thereon, and all reissues, reexaminations, extensions (including pediatric exclusivity patent extensions), term restorations, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing, in each case, in any country.

1.44 "**Person**" means any individual, corporation, company, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.45 "**Phase I Clinical Trial**" means a study in humans which provides for the first introduction into humans of a product, conducted in normal volunteers or patients to generate information on product safety, tolerability, pharmacological activity or pharmacokinetics, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(a) or its foreign equivalents.

1.46 "**Phase II Clinical Trial**" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial or to file for accelerated approval, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(b) or its foreign equivalents.

1.47 "**Phase III Clinical Trial**" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular indication in a manner sufficient to file for Marketing Authorization, or otherwise consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or its foreign equivalents.

1.48 "**Product**" means a pharmaceutical preparation in final form containing one or more Antibody(ies) but no other antibody made using the Zymeworks Platform. For clarity, a Product includes any formulation, delivery device, dispensing device or packaging required for effective use of the Product.

1.49 "**Product Combination**" means a Product that contains one or more active agents that are not Antibodies (e.g., one or more antibodies that are not Antibodies and/or one or more chemotherapeutics) in addition to an Antibody.

1.50 "**Regulatory Authority**" means the FDA or any counterpart of the FDA outside the United States, or other national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity with authority over the distribution, importation, exportation, manufacture, production, use, storage, transport, clinical testing or sale of a pharmaceutical product (including a Product or […***…] Product), which may include the authority to grant the required reimbursement and pricing approvals for such sale.

1.51 "**Related Party**" means each Party, its Affiliates, and their respective licensees or sublicensees hereunder (which term excludes any Third Parties to the extent functioning as distributors), as applicable. In no event shall Zymeworks be a Related Party with respect to DS or DS be a Related Party with respect to Zymeworks.

1.52 "**Research Antibodies**" means any and all antibodies or antibody analogues, including Fc or Fab components thereof, derived and generated from the Research Sequence Pairs through the application of the Zymeworks Platform pursuant to the Research Program. For clarity, all Research Antibodies shall be […***…] Antibodies.

1.53 "**Research Program Patent Rights**" means any and all Patent Rights claiming an Invention that are Controlled by either Party or their respective Affiliates.

1.54 "**Research Sequence Pairs**" means the Sequence Pairs agreed upon by the Parties as set forth on Exhibit 1.54, which are Directed To the Research Target Pair and shall be the Sequence Pairs that are the subject of the Research Program.

1.55 "**Research Target Pair**" means the Target Pair set forth on Exhibit 1.55.

1.56 "**Sequence**" means an antibody nucleic acid or amino acid sequence corresponding […***…] that is Directed To a Target.

1.57 "**Sequence Pair**" means a pair of Sequences, each of which is Directed To […***…].

1.58 "[…***…]" means any clinically relevant […***…] (or portion thereof).

1.59 "**Target Pair**" means any two Targets in combination.

1.60 "**Territory**" means all of the countries and territories in the world.

1.61 "**Third Party**" means any Person other than DS or Zymeworks or an Affiliate of DS or Zymeworks.

1.62 "**Third Party Costs**" means the actual reasonable, documented costs associated with subcontractors and other Third Party expenses incurred by Zymeworks with respect to the Research Program.

1.63 "**United States**" or "**US**" means the United States of America and its territories and possessions.

1.64 "**USD**" and "**$**" mean United States dollars.

1.65 "**Valid Patent Claim**" means any claim of (a) an issued and unexpired patent or (b) a pending patent application, in each case included within (i) the Zymeworks Patent Rights, which are necessary for or used by DS or its Related Parties to carry out the Research Program or to develop, manufacture or commercialize Antibodies or Products, for purposes of Section 5.7.2 and the Product Royalty Term, (ii) the Research Program Patent Rights, which are necessary for or used by DS or its Related Parties to carry out the Research Program or to develop, manufacture or commercialize Antibodies or Products, for purposes of Section 5.7.2 and the Product Royalty Term, or (iii) the DS Patent Rights, which are necessary for or used by Zymeworks or its Related Parties to carry out the Research Program or to develop, manufacture or commercialize […***…] Antibodies or […***…] Products, for purposes of Section 5.8.2 and the […***…] Product Royalty Term; provided that such claim has not been abandoned, revoked or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction with no further possibility of appeal and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise. A claim within a pending patent application that has been pending issuance for more than […***…] from the date of filing of the earliest priority patent application to which such pending patent application is entitled shall not be a Valid Patent Claim, unless and until it issues.

1.66 "**Zymeworks Intellectual Property**" means the Zymeworks Patent Rights and the Zymeworks Know-How.

1.67 "**Zymeworks Know-How**" means all Know-How, which: (a) is Controlled by Zymeworks as of the Effective Date or during the Term of the Agreement, (b) is not generally known, and (c) is reasonably necessary or useful to DS in: (i) carrying out the activities assigned to it under the Research Program or (ii) developing, manufacturing or commercializing Antibodies.

1.68 "**Zymeworks Patent Rights**" means any and all Patent Rights that are Controlled by Zymeworks or its Affiliates (including Patent Rights Controlled by Zymeworks claiming Inventions) as of the Effective Date or during the Term of the Agreement, which (a) are necessary or reasonably useful for the use or exploitation of the Zymeworks Platform for carrying out the Research Program or (b) claim the manufacture, use, sale or importation of any Antibody.

1.69 "**Zymeworks Platform**" means Zymeworks' proprietary […***…], alone or in conjunction with Zymeworks' proprietary EFECT™ […***…] platform.

1.70 **Additional Definitions**. In addition, each of the following definitions shall have the respective meanings set forth in the section of this Agreement indicated below.

Definition	Section/Exhibit
Accounting Firm	6.4.2(a)
Agreement	Preamble

Definition	Section/Exhibit
Agreement Payments	6.3
Audited Party	6.4.2(a)
Auditing Party	6.4.2(a)
Biophysical Characterization Requirements	4.4(e)
[…***…] Binding Domain Improvements	7.1.1
[…***…] License	2.2.2(a)
[…***…] Royalty	5.8.1
[…***…] Royalty Term	5.8.2
[…***…] Survival Sections	10.1.4
Claims	13.1
Clinical Trial Milestones	5.5
Code	11.4
Commercialization Milestone Event	5.6
Commercialization Milestone Payment	5.6
Commercial License	2.1.2
Commercial Sublicense	2.2.2(c)
Competing […***…]	7.3.1
Competing Infringement	7.3.1
Competing Product Infringement	7.3.1
Confidentiality Agreement	14.13
Controlling Party	7.3.5
Development Milestone Event	5.5
Development Milestone Payment	5.5
Development Period	3.3.1
Dispute	14.5.1
DS	Preamble
DS Indemnified Party	13.1
DS Sequence Pair	2.1.2
Effective Date	Preamble
Excluded Claim	14.5.5
Indemnified Party	13.3.1
Indemnifying Party	13.3.1
JSC	4.3
JSC Chair	4.3
Losses	13.1
Notice of Dispute	14.5.1
Option	2.1.2
Option Exercise Fee	5.3
Parties	Preamble
Party	Preamble
Product Royalty	5.7.1
Product Royalty Term	5.7.2
Product-Specific Inventions	7.1.3
prosecution	7.2.1

Definition	Section/Exhibit
Research Program	3.1.1
Research Program Leader	4.1
Research Program Term	3.1.2
Royalty Term	5.8.2
Rules	14.5.1
Sublicense Notice	2.2.2(c)
Swap Notice	3.4
Taxes	6.3
Term	10.1.1
Workplan	3.1.3
Zymeworks	Preamble
Zymeworks Indemnified Party	13.2
Zymeworks Platform Improvements	7.1.1

1.71 Interpretation. The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Sections or Exhibits mean the particular Articles, Sections or Exhibits to this Agreement and references to this Agreement include all Exhibits hereto. In the event of any conflict between the main body of this Agreement and any Exhibit hereto, the main body of this Agreement shall prevail. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “day” or “year” means a calendar day or year unless otherwise specified; (c) the word “notice” shall mean notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (d) the words “hereof,” “herein,” “hereby” and derivative or similar words refer to this Agreement as a whole and not merely to the particular provision in which such words appear; (e) the words “shall” and “will” have interchangeable meanings for purposes of this Agreement; (f) the word “or” shall have the inclusive meaning commonly associated with “and/or”; (g) provisions that require that a Party, the Parties or a committee hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise; (h) words of any gender include the other gender; (i) words using the singular or plural number also include the plural or singular number, respectively; (j) references to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof; (k) neither Party or its Affiliates shall be deemed to be acting “under authority of” the other Party.

2. GRANT OF LICENSES

2.1 Licenses and Rights to DS. Subject to the terms and conditions of this Agreement,

2.1.1 Research License. During the Research Program Term, Zymeworks hereby grants to DS a non-exclusive, worldwide, royalty-free, research and development license

under the Zymeworks Intellectual Property solely (a) to perform those activities assigned to DS under the Research Program and (b) to otherwise perform pre-clinical research and development with respect to the Research Antibodies. The foregoing license shall include the right to grant sublicenses to DS' Affiliates or Third Parties and to the extent reasonably necessary to have activities performed under the Research Program on DS' behalf; provided that DS shall (i) notify Zymeworks prior to any sublicensee (excluding its Affiliates) being so authorized, which notice shall identify the particular sublicensee and the activities to be performed thereby and (ii) be and remain responsible to Zymeworks for the compliance of each such Affiliate and sublicensee with the applicable terms and conditions hereunder. For clarity, the foregoing license does not include the right to conduct clinical research (including any Clinical Trials) with respect to any Research Antibody or to sell or otherwise commercialize Research Antibodies or products incorporating the Research Antibodies. During the Research Program Term, Zymeworks will not […***…], provided that Zymeworks may use, and grant licenses to, Third Party contractors for contract research, contract testing and otherwise as reasonably necessary to fulfill its obligations under the Workplan.

2.1.2 Option; Commercial License. Zymeworks hereby grants to DS an option (the "**Option**"), with respect to a single Research Sequence Pair (which, upon the exercise of such Option in accordance with this Section 2.1.2, shall become the "**DS Sequence Pair**"), to obtain an exclusive license under the Zymeworks Intellectual Property (including Zymeworks' interest in Joint Inventions) to (a) make, use, and import, and perform other activities (which shall include the right to research, develop, manufacture, store, transport, export, and have someone perform such activities on DS' behalf, but not to sell or offer for sale) for, Antibodies for incorporation into Products and (b) make, use, sell, offer to sell and import and perform other commercialization activities (which shall include the right to research, develop, manufacture, store, transport, export, market, promote, and have someone perform such activities on DS' behalf) for, such Products, in each case, (a) and (b), in the Field in the Territory (the "**Commercial License**"). DS may exercise the Option for a DS Sequence Pair at any time during the Option Term by providing Zymeworks with written notice of such exercise, which notice shall identify which Research Sequence Pair is to be the DS Sequence Pair, and paying Zymeworks the Option Exercise Fee in accordance with Section 5.3. For clarity, prior to the exercise of the Option and payment of the Option Exercise Fee, DS shall not sell or otherwise commercialize Products or other products incorporating the Research Antibodies, or conduct any clinical development (including any Clinical Trials) of Products or other products incorporating the Research Antibodies. Upon DS' exercise of the Option and payment to Zymeworks of the Option Exercise Fee during the Option Term, Zymeworks shall grant, and hereby grants (effective upon such exercise and payment), to DS the Commercial License. If, after DS has exercised the Option and Zymeworks has granted DS the Commercial License, […***…], DS may notify Zymeworks, and the Parties may discuss the terms on which Zymeworks would grant DS the right to […***…], including the payment terms that would apply. Further, upon the expiration of the Research Program Term, DS' rights with respect to the Research Sequence Pairs and Research Antibodies under Section 2.1.1 shall terminate, and any further research of Antibodies and Products by or on behalf of DS shall be conducted pursuant to the Commercial License, if granted.

2.1.3 Sublicenses. The Commercial License shall include the right to grant sublicenses (including to Affiliates and Third Parties) through multiple tiers, provided that each sublicense granted by DS shall be consistent with the terms and conditions of this Agreement. DS shall (a) provide Zymeworks with prompt notice of any such sublicenses that it grants (except for the sublicenses to DS' Affiliates), identifying the sublicensee and the scope of such sublicensee's rights/responsibilities and (b) shall be and remain responsible to Zymeworks for the compliance of each sublicensee with the applicable terms and conditions hereunder. DS may provide the notice described in clause (a) above by providing Zymeworks with a copy of the agreement granting such sublicense, which copy may be redacted to remove any provisions not necessary to determining compliance with this Agreement.

2.1.4 Changes to DS Sequence Pair. At any time prior to the […***…], DS shall have the right to swap the DS Sequence Pair, without any additional fee or payment, for a replacement Research Sequence Pair, which, subject to gatekeeping in accordance with Sections 3.4 and 3.5, shall become the DS Sequence Pair; provided that any given time, there may be no more than one (1) DS Sequence Pair.

2.1.5 Active Development. DS' exclusivity, rights and licenses under the Commercial License will automatically expire if DS ceases all research and development of the Antibodies and Products for a period of […***…].

2.2 Licenses to Zymeworks. Subject to the terms and conditions of this Agreement,

2.2.1 Conduct of the Research Program. DS hereby grants Zymeworks a license to make, use and otherwise exploit subject matter within the Know-How and Patents Controlled by DS or its Affiliates solely for Zymeworks to perform those activities assigned to it under the Research Program or otherwise cooperate with DS hereunder. The license granted under this Section 2.2.1 shall include the right to sublicense to subcontractors to the extent reasonably necessary to conduct the Research Program; provided that Zymeworks shall be and remain responsible to Zymeworks for the compliance of each such subcontractor with the applicable terms and conditions hereunder.

2.2.2 […***…] **Binding Domain**.

(a) […***…] **License**. DS hereby grants to Zymeworks a non-exclusive, worldwide license, including the right to grant and authorize sublicenses, under the DS Intellectual Property to research, develop, make, have made, use, sell, import, export and otherwise commercialize […***…] Antibodies and […***…] Products in the Field and otherwise exploit the […***…] Binding Domain (the "[…***…] **License**"). Zymeworks may commercialize up to three (3) […***…]Products pursuant to the foregoing license. DS shall disclose to Zymeworks in writing and/or in electronic format the DS Know-How (a) which exists as of the Effective Date, within […***…] of the Effective Date and (b) that is generated during the Research Program Term, on a semi-annual basis thereafter; provided that if and when Zymeworks grants a Commercial Sublicense or assigns its right under Section 14.1 under the DS Intellectual Property to develop and commercialize a […***…]Product to such Third Party, DS' obligations to disclose

DS Know-How to Zymeworks under this Section 2.2.2(a) shall terminate. Any DS Know-How that DS initially discloses to Zymeworks orally or visually shall be reduced to writing or an electronic format and provided to Zymeworks in such format, promptly and in any event within […***…] of the initial oral or visual disclosure. For so long as DS retains either the license under Section 2.1.1 or exclusive rights under the Commercial License, Zymeworks agrees not to exercise the […***…] License to develop or commercialize […***…] Antibodies or […***…] Products Directed To the Research Target Pair; provided that the foregoing restriction shall not apply with respect to any such antibodies or products Directed To the Research Target Pair that are being developed or commercialized (a) by an Acquiring Entity prior to its acquisition of Zymeworks or (b) by a Third Party that is acquired by Zymeworks after the Effective Date, prior to such acquisition. Zymeworks will use commercially reasonable efforts to research, develop and commercialize […***…] Antibodies and […***…] Products.

(b) Reports. Prior to granting any sublicenses under the […***…] License to Third Parties to develop and commercialize […***…] Antibodies and […***…] Product, Zymeworks will provide DS with semi-annual written reports summarizing Zymeworks' research and development activities with respect to the […***…] Antibodies and […***…] Products. Such reports shall be Zymeworks' Confidential Information, subject to the protections of Article 9, and may be redacted, at Zymeworks' sole discretion, to exclude any information regarding any […***…] Product, the other […***…], or any Sequences other than the […***…] Binding Domain from which the […***…] Antibodies are generated and derived. If DS provides Zymeworks with written notice of […***…] Antibodies or […***…] Products, Zymeworks will provide DS with the information of such […***…] Antibodies and […***…] Products which is reasonably necessary for DS to […***…] of such […***…] Antibodies or […***…] Products, and the Parties shall discuss in good faith a potential […***…] related to such […***…] Antibodies or […***…] Products. Zymeworks' obligation to provide reports pursuant to this Section 2.2.2(b) after Zymeworks grants a sublicense under the […***…] License to a Third Party to develop, manufacture or commercialize such […***…] Product shall be limited to providing DS with annual high-level progress summaries which include, to the extent Zymeworks has such information, the then current development status and the material events of the commercialization activities with respect to each […***…] Product that enable DS to forecast amounts payable under this Agreement.

(c) Commercial Sublicenses. In the event, either after the […***…], that Zymeworks reaches substantial agreement (as evidenced by a final or near final term sheet, letter of intent or similar document) with a Third Party regarding the material terms of an agreement granting a sublicense under the […***…]License to such Third Party to develop and commercialize […***…] Products (such a sublicense, a "**Commercial Sublicense**"), Zymeworks shall provide DS with prompt notice of its desire to grant such Commercial Sublicense (a "**Sublicense Notice**"), and, upon DS' request made within […***…] of receipt of the Sublicense Notice, the Parties will discuss […***…]. Zymeworks shall only be obligated to provide DS with one Sublicense Notice per […***…] Product, and such Sublicense Notice shall be provided in connection with the first Commercial Sublicense that Zymeworks decides to offer with respect to such […***…] Product that reaches the level of agreement described above. For clarity, this Section 2.2.2(c) does not obligate Zymeworks to […***…] or prevent Zymeworks from granting a Commercial Sublicense to any Affiliate or Third Party.

2.3 No Implied Licenses. Except as expressly set forth in this Agreement, neither Party, by virtue of this Agreement, shall acquire any license or other interest, by implication or otherwise, in any materials, Know-How, Patent Rights or other intellectual property rights Controlled by the other Party or its Affiliates. Subject to the licenses and rights explicitly granted to DS hereunder and the other terms and conditions of this Agreement, Zymeworks will retain all rights under the Zymeworks Intellectual Property. Subject to the licenses and rights explicitly granted to Zymeworks hereunder and the other terms and conditions of this Agreement, DS will retain all rights under the DS Intellectual Property.

3. RESEARCH PROGRAM AND DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

3.1 Research Program.

3.1.1 General. DS and Zymeworks shall collaborate to conduct a program to develop […***…] Antibodies generated and derived from the Research Sequence Pairs, in accordance with the Workplan and as otherwise described in this Section 3.1 (the "**Research Program**"). The Research Program will cover research activities up to and […***…]. In addition to the activities to be performed by the Parties pursuant to the Workplan, DS will conduct, as part of the Research Program, the […***…] and […***…] of the antibody for […***…] together with or after conducting the research under the Workplan. The Research Program shall be subject to the oversight of the JSC.

3.1.2 Research Program Term. The Research Program shall commence on the Effective Date and shall conclude […***…] months thereafter (such period, the "**Research Program Term**"). The Research Program Term may be extended upon mutual written agreement of the Parties.

3.1.3 Workplan. The Research Program, other than the conduct of the […***…] and […***…] of the antibody for […***…]thereunder, shall be conducted by DS and Zymeworks collaboratively in accordance with the written workplan attached hereto as Exhibit 3.1.3 (the "**Workplan**"), which may be amended from time to time with the mutual written consent of the Parties, such consent not to be unreasonably withheld, conditioned or delayed. Without limiting the foregoing, during the Research Program Term, DS shall have the right to swap one or more Research Sequence Pairs for a replacement Sequence Pair, subject to gatekeeping in accordance with Sections 3.4 and 3.5; provided that any given time during the Research Program Term, no more than […***…] Research Sequence Pairs shall be subject to the license set forth in Section 2.1.1.

3.1.4 Conduct of Research Program. Each Party:

(a) shall use commercially reasonable efforts to conduct its responsibilities under the Research Program, as assigned to it under the Workplan and in this Agreement, and to achieve the objectives and timelines within the Workplan;

(b) shall conduct the Research Program in compliance with all Applicable Laws; and

(c) may utilize the services of its Affiliates and Third Parties to perform those activities assigned to it under the Research Program; provided that such Party shall remain responsible for the performance of such Affiliates and Third Parties hereunder.

3.1.5 Exchange of Know-How and materials.

(a) Without limiting Section 3.2, promptly after the Effective Date, and on an ongoing basis during the conduct of the Research Program, (i) Zymeworks shall disclose to DS in writing and/or in an electronic format Zymeworks Know-How, and (ii) DS shall disclose to Zymeworks in writing and/or in electronic format any Know-How Controlled by DS that is reasonably necessary for Zymeworks' performance of its obligations pursuant to the Workplan, in each case (i) and (ii) as specified in the Workplan.

(b) To the extent any physical materials need to be delivered to a Party as may be determined by the JSC under this Agreement to enable that Party to perform its obligations under the Research Program the delivering Party shall arrange for prompt delivery of such physical materials in the manner determined by the JSC. The Party receiving such physical materials shall use the same for the sole purpose of conducting activities under the Research Program or otherwise exercising its rights and fulfilling its obligations hereunder and treat all such physical materials as Confidential Information of the delivering Party. Unless expressly agreed otherwise, physical materials so supplied by a Party to another Party pursuant to this Agreement shall be "AS IS" without warranty of any kind and shall not be used in any human application.

3.2 Records and Reports.

3.2.1 Records. Each Party shall maintain records, for so long as necessary to comply with Applicable Laws or reasonably necessary to support the prosecution, maintenance and enforcement of intellectual property rights (including Patent Rights) in accordance with Article 7 below, regarding its conduct of the Research Program after the applicable activity, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect the work done and results achieved by such Party in the performance of the Research Program.

3.2.2 Copies and Inspection of Records. During the period that such records are required to be maintained pursuant to Section 3.2.1, each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records referred to in Section 3.2.1, solely for purposes of exercising its rights or fulfilling its obligations under this Agreement. At the other Party's reasonable request, each Party shall provide to the other Party: (a) copies of the records described in Section 3.2.1, at the requesting Party's expense and (b) reports of the activities conducted by or under authority of such Party in the conduct of the Workplan, including the results thereof. DS shall have the right to arrange with Zymeworks for its employee(s) involved in the activities contemplated hereunder to visit the offices and laboratories of Zymeworks during normal business hours and upon reasonable notice, and to discuss the

Research Program work and its results in detail with the technical personnel; provided that any such visit shall occur no more frequently than once per Calendar Quarter and shall be at DS' expense.

3.3 Development and Commercialization by DS. If DS exercises the Option, DS (itself or through its Affiliates or Third Parties) shall have the sole responsibility and exclusive right to further develop, manufacture and commercialize Products upon the conclusion of the Research Program, and DS will use commercially reasonable efforts to develop and commercialize Products. DS shall provide Zymeworks with written reports summarizing the then current development status of each Product as set forth in this Section 3.3 below; provided that Section 3.3.2 shall apply only if DS exercises the Option.

3.3.1 Development. With respect to each Product hereunder, for so long as DS is conducting development activities with respect to such Product (with respect to such Product, the "**Development Period**"), DS shall keep Zymeworks reasonably informed as to such activities for such Product by providing to Zymeworks on a semiannual basis a written report describing in reasonable detail such activities conducted during the previous semiannual period and the activities planned to be conducted during the upcoming semiannual period. Without limiting the foregoing, DS agrees to promptly notify Zymeworks of any modifications to such plans that are likely to result in the material delay of more than […***…] days of any Development Milestone Event (as described in Section 5.5). In the case that Zymeworks has any questions or comments about the semiannual reports provided by DS under this Section, DS will promptly provide more details about them by email, conference call, or in person, as agreed by the Parties (such agreement not to be unreasonably withheld, conditioned or delayed). Each Party shall bear its own costs incurred in connection with such meetings (e.g. travel expenses), if any.

3.3.2 Commercialization. In addition to the reports of Product Royalties set forth in Section 6.1.2, DS shall keep Zymeworks reasonably informed as to the material events of its commercialization activities with respect to Products (including pre-launch and launch activities), if any, by providing Zymeworks with annual high-level progress summaries that enable Zymeworks to forecast amounts payable under this Agreement.

3.4 Replacement of Sequence Pairs

3.4.1. Subject to gatekeeping pursuant to Section 3.5, DS may select, in accordance with this Section 3.4, without any additional fee or payment: (a) during the Research Program Term, one or more Sequence Pairs Directed To the Research Target Pair to replace a corresponding number of Research Sequence Pairs and (b) prior to the filing of the first IND for a Product, a replacement Research Sequence Pair that would become the DS Sequence Pair subject to the Commercial License. To designate a replacement Research Sequence Pair or DS Sequence Pair, DS shall provide Zymeworks with written notice of such replacement Sequence Pair, setting forth the Sequences included in such Sequence Pair and the Research Sequence Pair or DS Sequence Pair, as applicable, that such Sequence Pair is intended to replace, and requesting that such Sequence Pair be submitted to gatekeeping (each, a "**Swap Notice**"). The designated Sequence Pair shall be subject to gatekeeping pursuant to Section 3.5 below, and if a designated Sequence Pair is available in accordance with such gatekeeping, it shall become a Research

Sequence Pair or the DS Sequence Pair, as applicable based on the applicable Swap Notice. For clarity, only one (1) DS Sequence Pair, together with Antibodies derived and generated from such DS Sequence Pair and Products incorporating such Antibodies, shall be subject to the Commercial License; and only […***…] Sequence Pairs may be Research Sequence Pairs at any given time during the Research Program Term.

3.5 Sequence Pair Replacement Limitations.

3.5.1 DS may select any Sequence Pair Directed To the Research Target Pair as a replacement Research Sequence Pair or replacement DS Sequence Pair in accordance with Section 3.4 during the Research Program Term or prior to the filing of the first IND for the first Product; provided that, at the time of the selection of such Sequence Pair, Zymeworks is not, as of the date Zymeworks receives such written notice from DS:

(a) contractually obligated to grant, or has not granted, to a Third Party rights with respect to products incorporating such Sequence Pair;

(b) actively and in good faith engaged in negotiations with a Third Party regarding the development or commercialization of products incorporating such Sequence Pair […***…]; or

(c) actively performing or has performed activities on its own behalf regarding the development or commercialization of products incorporating such Sequence Pair.

3.5.2 After receipt of a Swap Notice, Zymeworks shall provide DS with prompt written notice as to whether such Sequence Pair is available as a replacement Research Sequence Pair or replacement DS Sequence Pair, as applicable, and if such Sequence Pair is unavailable as a Research Sequence Pair or DS Sequence Pair for any of the reasons set forth in Section 3.5.1, the basis for the unavailability.

4. GOVERNANCE

4.1 Research Program Leader. Within […***…] days of the Effective Date, DS and Zymeworks will each assign one (1) employee to serve as primary point of contact between the Parties with respect to the Research Program (each, a "**Research Program Leader**"). The Research Program Leaders shall regularly communicate with each other to address Research Program-related issues, needs and updates. Either Party, upon prior notice to the other Party, may change its Research Program Leader.

4.2 Joint Steering Committee. The Parties will establish, as soon as practicable after the Effective Date, a Joint Steering Committee (the "**JSC**") to oversee and coordinate the activities of the Parties under the Research Program. The JSC shall be comprised of two (2) employees from DS and two (2) employees from Zymeworks, or such other equal number as the Parties may agree. Subject to the foregoing, each

Party shall appoint its respective representatives to the JSC from time to time, and may change its representatives, in its sole discretion, effective upon notice to the other Party designating such change. Representatives from each Party shall have appropriate technical credentials, experience and knowledge pertaining to and ongoing familiarity with the Research Program. One (1) of the members of the JSC appointed by DS shall be designated the JSC chairperson (the "**JSC Chair**"). The JSC Chair will be responsible for calling meetings of the JSC, circulating agenda and performing administrative tasks required to assure efficient operation of the JSC. The JSC shall be promptly disbanded upon completion of the Research Program.

4.3 JSC Meetings. The JSC shall meet in accordance with a schedule established by mutual written agreement of the Parties no less frequently than once every […***…] until expiration of the Research Program Term. Upon the expiration of the Research Program Term, the JSC will disband. The location for meetings shall alternate between Zymeworks and DS facilities (or such other location as is determined by the JSC). Alternatively, the JSC may meet by means of teleconference, videoconference or other similar means. As appropriate, additional employees or consultants may from time to time attend the JSC meetings as nonvoting observers, provided that any such consultant shall agree in writing to comply with the confidentiality obligations substantially similar to those under this Agreement; and provided further that no Third Party personnel may attend unless otherwise agreed by both Parties. Each Party shall bear its own expenses related to the attendance of the JSC meetings by its representatives. Each Party may also call for special meetings to resolve particular matters requested by such Party upon […***…] prior written notice to the other Party. The JSC Chair or his/her designee shall keep minutes of each JSC meeting that records in writing all decisions made, action items assigned or completed and other appropriate matters. The JSC Chair or his/her designee shall send meeting minutes to all members of the JSC promptly after a meeting for review. Each member shall have […***…] from receipt in which to comment on and to approve/provide comments to the minutes (such approval not to be unreasonably withheld, conditioned or delayed). If a member, within such time period, does not notify the JSC Chair that s/he does not approve of the minutes, the minutes shall be deemed to have been approved by such member. Each Party's JSC members may designate another staff member of such Party who will coordinate the administrative work surrounding JSC, including sending the notice of holding JSC, creating the draft of minutes, or distributing the minutes.

4.4 JSC Functions. The JSC's responsibilities with respect to the Research Program are as follows:

(a) Overseeing and coordinating the activities of each Party (including those of its Affiliates and Third Parties acting under its authority) under the Research Program;

(b) Periodically reviewing the progress of the Research Program;

(c) Reviewing and updating the Workplan (including those activities to be performed by each Party thereunder); and

(d) Fulfilling such other responsibilities as may be allocated to the JSC by mutual written agreement of the Parties.

(e) JSC Disputes. The JSC will endeavor to make decisions by consensus, with each of DS and Zymeworks' representatives having, collectively, one vote. If consensus is not reached by the Parties' representatives pursuant to such vote, JSC Chair shall have the right to make the final decision with respect to such dispute; provided that JSC Chair may not exercise such final decision right to require Zymeworks to expend any resources, or to modify the biophysical characterization requirements set forth in Workplan for the Research Antibodies (the "**Biophysical Characterization Requirements**"), unless Zymeworks expressly agrees. For clarity and notwithstanding the creation of the JSC, each Party shall retain the rights, powers and discretion granted to it hereunder, and the JSC shall not be delegated or vested with such rights, powers or discretion unless such delegation or vesting is expressly provided herein, or the Parties expressly so agree in writing. The JSC shall not have the power to amend, waive or modify any term of this Agreement, and no decision of the JSC shall be in contravention of any terms and conditions of this Agreement. It is understood and agreed that issues to be formally decided by the JSC are limited to those specific issues that are expressly provided in the Section 4.4 (c) and (d) of this Agreement and the disputes which relate to the subjects other than those Section (c) or (d) will be handled according to the Section 14.5. For clarity, the JSC shall also have the authority to make decisions with respect to the coordination of day-to-day activities under Research Program as described in Section 4.4(a).

5. FINANCIAL PROVISIONS

5.1 Technology Access Fee. In partial consideration of Zymeworks' granting of the licenses and rights to DS, DS shall pay to Zymeworks a one-time, non-refundable technology access fee of Two Million US dollars (USD $2,000,000) within […***…] following the Effective Date.

5.2 Research Funding. In addition to the fees, milestones and royalties described in this Article 5, DS will provide support for Zymeworks activities conducted under the Research Program by reimbursing Zymeworks for FTE Costs and Third Party Costs on a quarterly basis during the Research Program Term; provided that such FTE Costs and Third Party Costs are consistent with the estimates set forth in the Workplan.

5.3 Option Exercise Fee. DS will pay to Zymeworks an Option exercise fee of […***…] U.S. Dollars (USD $[…***…]) within […***…] of DS' sending notice of its exercise of the Option under Section 2.1.2 (the "**Option Exercise Fee**").

5.4 Product-by-Product Basis. For purposes of determining when the Development Milestone Payments and Commercialization Milestone Payments are payable, (i) Products comprised of different formulations, dosages, or modes of delivery of the same Antibody shall be considered the same Product, and (ii) a Product comprised of a modified Antibody that […***…] shall be considered a different Product than the same unmodified Antibody.

5.5 Development and Regulatory Milestones. Within […***…] after the achievement of each milestone event set forth in the table below for the Product (each, a "**Development Milestone Event**"), DS shall make the corresponding milestone payment to Zymeworks (each, a "**Development Milestone Payment**"). Each Development Milestone Payment shall be payable […***…] upon the […***…] of the corresponding Development Milestone Event for such Product. For clarity, the Development Milestone Payment for the Development Milestone Event […***…] is not […***…] but rather is payable […***…]. In the event that Development Milestone Event 5 is achieved prior to one (1) or more of Development Milestone Events 2-4 (collectively the "[…***…]"), DS shall pay Zymeworks the unpaid Milestone Payment(s) associated with the applicable […***…], together with the Milestone Payment for Development Milestone Event 5. For example, […***…]).

	Development Milestone Events	Milestone Payments
1.	[…***…]	**USD $1.0 Million**
2.	[…***…]	**USD $**[…***…]
3.	[…***…]	**USD $**[…***…]
4.	[…***…]	**USD $**[…***…]
5.	[…***…]	**USD $**[…***…]
6.	[…***…]	**USD $**[…***…]
7.	[…***…]	**USD $**[…***…]
	Total Possible Development Milestone Payments per Product	**USD $**[…***…]

5.6 Commercialization Milestones. Within […***…] after the first achievement of each milestone event set forth in the table below with respect to a particular Product (each, a "**Commercialization Milestone Event**"), DS shall make the corresponding milestone payment to Zymeworks (each, a "**Commercialization Milestone Payment**"):

	Commercial Milestone Events	Milestone Payments
1.	[…***…]	**USD $**[…***…]
2.	[…***…]	**USD $**[…***…]
3.	[…***…]	**USD $**[…***…]

4.	[…***…]	**USD $**[…***…]

For clarity, each of the foregoing Commercial Milestone Payments will be payable […***…]. In the event that more than one Commercial Milestone Event is achieved in a given Calendar Year, DS shall pay Zymeworks the Milestone Payment associated with each such Commercial Milestone Event achieved during such Calendar Year. For example, […***…] pursuant to this Section 5.5.

5.7 Royalties on Products.

5.7.1 Royalty Payments. DS shall pay Zymeworks a royalty (each such royalty payment, a "Product Royalty") on Net Sales, on a Product-by-Product basis, at the rates set forth below for the corresponding portion of Annual Net Sales:

Royalty Tier	Annual Net Sales of a Particular Product	Royalty Rate
A	USD $[…***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
B	Above USD $ […***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
C	Above USD $ […***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
D	Above USD $ […***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
E	Above USD $ […***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
F	Above USD $ […***…] to USD $ […***…] of Annual Net Sales of such Product	[…***…]%
G	Above USD $ […***…] of Annual Net Sales of such Product	10.0%

For clarity, if DS has $[…***…] in Annual Net Sales of a Product in a given Calendar Year, the total Product Royalties owed to Zymeworks for such Calendar Year would be USD $[…***…].

5.7.2 Royalty Term. The Product Royalty will be payable on a Product-by-Product and country-by-country basis from First Commercial Sale of such Product in such country until (i) such Product is no longer Covered by a Valid Patent Claim in such country or

(ii) ten (10) years after the First Commercial Sale of such Product in such country, whichever is later (the "**Product Royalty Term**").

5.8 Royalties on […***…]**Products**.

5.8.1 Royalty Payments. Zymeworks shall pay DS a royalty (each such royalty payment, a "[…***…]**Royalty**") equal to […***…] percent ([…***…]%) of […***…]Net Sales, provided that Zymeworks shall not owe the […***…] Royalty on […***…] Net Sales of a […***…] Product by DS or its Affiliates or sublicensees, in the event that DS and Zymeworks […***…] with respect to such […***…] Product.

5.8.2 Royalty Term. The […***…] Royalty will be payable on a […***…] Product-by-[…***…] Product and country-by-country basis from First Commercial Sale of such […***…] Product in such country until (i) such […***…] Product is no longer Covered by a Valid Patent Claim within DS Patent Rights in such country or (ii) ten (10) years after the First Commercial Sale of such […***…] Product in such country, whichever is later (the "[…***…] **Royalty Term**" and, together with the Product Royalty Term, the "**Royalty Term**")

6. REPORTS AND PAYMENT TERMS

6.1 Payment Terms.

6.1.1 Milestone Payments. DS shall provide Zymeworks with notice of the achievement of each Development Milestone Event and Commercial Milestone Event within […***…] thereafter and make the corresponding Milestone Payment within […***…] after such achievement. Successful achievement of Development Milestone Event 1 shall be determined by mutual agreement of the Parties, such agreement not to be unreasonably withheld, conditioned or delayed.

6.1.2 Product Royalties. During the Product Royalty Term, following the First Commercial Sale of a Product, DS shall furnish to Zymeworks a written report for each Calendar Quarter showing the Net Sales by Product sold by DS and its Related Parties during the reporting Calendar Quarter and the Product Royalties payable under this Agreement in sufficient detail to allow Zymeworks to verify the amount of Product Royalties paid by DS with respect to such Calendar Quarter, including, on a country-by-country and Product-by-Product basis, the total gross amount invoiced for Product sold, the Net Sales of each Product, and the Product Royalties (in US dollars) payable and in total for all Products and the manner and basis for any currency conversion in accordance with Section 6.2. Reports shall be due no later than […***…]. Product Royalties shown to have accrued by each report provided under this Section 6.1.2 shall be due and payable on the date such report is due.

6.1.3 […***…] **Product Royalties**. During the […***…] Royalty Term, following the First Commercial Sale of a […***…] Product, Zymeworks shall furnish to DS a written report for each Calendar Quarter showing the […***…] Net Sales by […***…] Product sold by Zymeworks and its Related Parties during the reporting Calendar Quarter and the […***…] Royalties payable under this Agreement in sufficient detail to allow DS to verify the amount of

[…***…] Royalties paid by Zymeworks with respect to such Calendar Quarter, including, on a country-by-country and Product-by-Product basis, the total gross amount invoiced for […***…] Product sold, the […***…] Net Sales of each […***…] Product, and the […***…] Royalties (in US dollars) payable and in total for all […***…] Products and the manner and basis for any currency conversion in accordance with Section 6.2. Reports shall be due no later than (a) with respect to […***…] Net Sales by Zymeworks, […***…] and (b) with respect to […***…] Net Sales by Zymeworks' Related Parties, […***…] after Zymeworks receives the corresponding report and payment from such Related Party. […***…] Royalties shown to have accrued by each report provided under this Section 6.1.3 shall be due and payable on the date such report is due.

6.1.4 Expense Reports. Within […***…], Zymeworks will provide to DS (i) an expense report detailing all FTE Costs and Third Party Expenses incurred during such Calendar Quarter, and (ii) an invoice for the amounts owed by DS for FTE Costs and Third Party Expenses for such Calendar Quarter. Zymeworks will provide supporting documentation for such costs and expenses as reasonably requested by DS.

6.1.5 Invoices. Except as otherwise provided herein, amounts shall be due and payable within […***…] of receipt of invoice therefor.

6.2 Payment Currency / Exchange Rate. All payments to be made under this Agreement shall be made in USD. Payments to Zymeworks shall be made by electronic wire transfer of immediately available funds to the account of Zymeworks, as designated in writing to DS. Payments to DS shall be made by electronic wire transfer of immediately available funds to the account of DS, as designated in writing to Zymeworks. If any currency conversion is required in connection with the calculation of amounts payable hereunder, such conversion shall be made in a manner consistent with paying Party's normal practices used to prepare its audited financial statements for external reporting purposes; provided that such practices use a widely accepted source of published exchange rates.

6.3 Taxes. Each Party shall be responsible for its own tax liabilities arising under this Agreement. Subject to this Section 6.3, each Party shall be liable for all of its income and other taxes (including interest) ("**Taxes**") imposed upon any payments made by the other Party under this Agreement ("**Agreement Payments**"). If Applicable Laws require the withholding of Taxes, each Party ("Withholding Party") shall make such withholding payments in a timely manner and shall subtract the amount thereof from the Agreement Payments. The Withholding Party shall promptly (as available) submit to the other Party appropriate proof of payment of the withheld Taxes as well as the official receipts within a reasonable period of time. Each Party shall provide the other Party reasonable assistance in order to allow such the other Party to obtain the benefit of any present or future treaty against double taxation or refund or reduction in Taxes which may apply to the Agreement Payments. Notwithstanding the foregoing, if as a result of a Party assigning this Agreement or changing its domicile additional Taxes become due that would not have otherwise been due hereunder with respect to Agreement Payments, such Party shall be responsible for all such additional Taxes.

6.4 Records and Audit Rights.

6.4.1 Records. DS will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail for Zymeworks to determine payments due to Zymeworks under this Agreement, including Product Royalties, and amounts owed by Zymeworks under this Agreement, including Joint Patent Rights costs. Zymeworks will keep (and will cause its Related Parties to keep) complete, true and accurate books and records in sufficient detail for DS to determine […***…] Royalties due to DS under this Agreement. Each Party will keep such books and records for at least […***…] following the end of the Calendar Year to which they pertain.

6.4.2 Audit Rights.

(a) Each Party (the "**Auditing Party**") shall have the right during the […***…] described in Section 6.4.1 to appoint at its expense an independent certified public accountant of nationally recognized standing (the "**Accounting Firm**") reasonably acceptable to the other Party (the "**Audited Party**") to inspect or audit the relevant records of the Audited Party and its Related Parties to verify that the amount of such payments were correctly determined. The Audited Party and its Related Parties shall each make its records available for inspection or audit by the Accounting Firm during regular business hours at such place or places where such records are customarily kept, upon reasonable notice from Auditing Party, solely to verify the payments hereunder were correctly determined. Such inspection or audit right shall not be exercised by the Auditing Party more than once in any Calendar Year and may cover a period ending not more than thirty-six (36) months prior to the date of such request. All records made available for inspection or audit pursuant to this Section 6.4.2 shall be deemed to be Confidential Information of the Audited Party. The results of each inspection or audit, if any, shall be binding on both Parties. If the amount of any payment hereunder was underreported, the Audited Party shall promptly (but in any event no later than […***…] after its receipt of the Accounting Firm's report so concluding) make payment to the Auditing Party of the underreported amount. The Auditing Party shall bear the full cost of an audit that it conducts pursuant to this Section 6.4.2 unless such audit discloses an under reporting by the Audited Party of more than […***…] percent ([…***…]%) of the aggregate amount of the payments hereunder reportable in any Calendar Year, in which case the Audited Party shall reimburse the Auditing Party for all costs incurred in connection with such inspection or audit.

(b) The Accounting Firm will disclose to the Auditing Party only whether the payments subject to such audit are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to the Auditing Party without the prior consent of the Audited Party unless disclosure is required by Applicable Laws or judicial order. The Audited Party is entitled to require the Accounting Firm to execute a reasonable confidentiality agreement prior to commencing any such audit. The Accounting Firm shall provide a copy of its report and findings to Audited Party.

7. INTELLECTUAL PROPERTY RIGHTS

7.1 Ownership of Inventions. Ownership of all Inventions, including Patent Rights and other intellectual property rights with respect to such Inventions, shall be as set forth in this Article 7. Determination of inventorship of Inventions shall be made in accordance with US patent laws. Each Party will continue to own any Patent Rights and Know-How that it owned prior to the Effective Date or that it creates or obtains outside the scope of this Agreement, or which it licenses to the other Party under this Agreement.

7.1.1 Certain Improvements. As between the Parties and notwithstanding anything herein to the contrary, (i) DS shall have and retain ownership of the Research Sequence Pairs (including the entire sequence set forth on Exhibit 1.54), DS Sequence Pair, the […***…] Binding Domain (including the entire sequence set forth on Exhibit 1.12), and (subject to the provisions of ownership in Section 7.1 above and Zymeworks' ownership of the Zymeworks Platform Improvements) the […***…] Variable Domain; and (ii) Zymeworks shall retain all rights in the Zymeworks Platform and any Inventions comprising improvements thereto. For clarity, (a) all Inventions comprising antibody mutations created by the Parties or their Related Parties (alone or jointly) that modify or improve the Zymeworks Platform will comprise improvements thereto ("Zymeworks Platform Improvements") and will be owned by Zymeworks, subject to the licenses and the Option set forth in Section 2.1; and (b) all Inventions comprising antibody mutations, other than Zymeworks Platform Improvements, created by the Parties or their Related Parties (alone or jointly) pursuant to this Agreement to the extent that such mutations are within the […***…] Variable Domain (collectively, "[…***…] Variable Domain Improvements") will be owned by DS, subject to the licenses set forth in Section 2.2. For purposes of the foregoing, "[…***…] Variable Domain" defined means an antibody variable region comprising the […***…] Binding Domain or a mutated […***…] Binding Domain described in clause (b) above.

7.1.2 Ownership by Inventorship. Except as otherwise provided in Section 7.1.1, Inventions that are made solely by Zymeworks (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by Zymeworks; Inventions that are made solely by DS (and all intellectual property rights therein, including the Patent Rights claiming them) shall be owned solely by DS; and Joint Inventions (and the Joint Patent Rights) shall be owned jointly by the Parties. Notwithstanding the foregoing, as between the Parties, (x) subject to Zymeworks' ownership of any Zymeworks Platform Improvements or any portion of the Zymeworks Platform incorporated therein, DS will own (i) sequences of Antibodies and/or Products, (ii) Antibodies and Products, and (iii) all Inventions comprising Antibodies and/or Products, or Inventions specific to the manufacture or use of the Antibodies or Products, in each case which are made or generated by or on behalf of DS or its Related Parties, or by Zymeworks or its Related Parties pursuant to the Research Program; and (y) subject to DS' ownership of the […***…] Binding Domain, […***…] Variable Domain (subject to the provisions of ownership in Section 7.1 above and Zymeworks' ownership of the Zymeworks Platform Improvements) or any […***…] Variable Domain Improvements contained therein, Zymeworks will own all Inventions comprising […***…] Antibodies or […***…] Products made by or on behalf of Zymeworks or its Related Parties. Subject to Article 2, each Party has the right to exploit and grant licenses under its

interest in such Joint Inventions (and the Joint Patent Rights) to any Third Party without the consent of, or accounting to, the other Party.

7.1.3 Assignment; Further Assurances. DS shall promptly disclose to Zymeworks any and all Zymeworks Platform Improvements made by or on behalf of DS; and DS shall assign, and hereby assigns, to Zymeworks all rights, title and interest in and to the Zymeworks Platform Improvements. Zymeworks shall promptly disclose to DS any and all i) […***…] Variable Domain Improvements made by or on behalf of Zymeworks and ii) Inventions comprising any […***…] made by or on behalf of Zymeworks in the conduct of the Research Program, in each case that are not Zymeworks Platform Improvements (collectively, "[…***…]"); and Zymeworks shall assign, and hereby assigns, to DS all rights, title and interest in and to i) the […***…] Variable Domain Improvements and ii) […***…]. Each Party agrees to sign, execute and acknowledge or cause to be signed, executed and acknowledged, at the expense of the requesting Party, any and all documents and to perform such acts as may be reasonably requested by the other Party for the purposes of perfecting the foregoing assignments.

7.2 Patent Prosecution and Maintenance.

7.2.1 Definitions. As used in this Section 7.2, "**prosecution**" includes (a) all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application in connection with pre-grant proceedings and (b) interferences, reexaminations, reissues, oppositions, and the like.

7.2.2 Zymeworks Patent Rights. Zymeworks, at Zymeworks' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of Zymeworks Patent Rights using patent counsel of Zymeworks' choice. Zymeworks shall keep DS reasonably informed with respect to the status of the filing, prosecution and maintenance of the Zymeworks Patent Rights and, upon DS' request, shall provide DS with copies of material submission documents to any patent office related to the filing, prosecution and maintenance of the Zymeworks Patent Rights. Zymeworks shall promptly give notice to DS of the grant, lapse, revocation, surrender, invalidation or abandonment of any Zymeworks Patent Rights licensed to DS under this Agreement.

7.2.3 DS Patent Rights. DS, at DS' expense, shall have the sole right to control the preparation, filing, prosecution and maintenance of DS Patent Rights using in-house or external patent counsel of DS' choice; provided that the Parties will discuss in good faith and coordinate with respect to patent strategy and filings for the DS Patent Rights; provided however, DS can file the […***…], but DS shall in all cases […***…]. DS shall keep Zymeworks reasonably informed with respect to the status of the filing, prosecution and maintenance of the DS Patent Rights and, upon Zymeworks' request, shall provide Zymeworks with copies or electronic files of the first draft for material submission documents to be submitted to any patent office related to the filing (except for […***…], prosecution and maintenance of the DS Patent Rights for Zymeworks' review and comment prior to submission. Zymeworks shall provide DS with such comments or notify DS that it has no comment within […***…] counted from the day on which Zymeworks receives such copies or files from DS. DS shall consider Zymeworks' comments with respect to

the DS Patent Rights in good faith, and shall provide Zymeworks with final copies or electronic files of submissions to any patent office related to the filing, prosecution and maintenance of the DS Patent Rights. For avoidance of doubt, subject to the foregoing, DS shall have the final right to make decisions in filing, prosecuting and maintenance of the DS Patent Rights. All documents relating to patent filings, prosecution and maintenance provided by DS to Zymeworks pursuant to this Section 7.2.3 shall be in English. DS shall file the initial patent application with the […***…] or […***…] claiming the […***…] Binding Domain within […***…] of the Effective Date, which […***…] period may be extended upon mutual agreement of the Parties (such agreement not to be unreasonably withheld), if reasonably necessary. If DS fails to make such a filing within such timeframe, Zymeworks shall have the right to file such an application, and DS will provide all cooperation and documentation reasonably requested by Zymeworks to enable such a filing. DS shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any DS Patent Rights licensed to Zymeworks under this Agreement, and, in the case of abandonment, Zymeworks shall have the right, in its discretion, to assume the prosecution and maintenance of such DS Patent Right(s) in the applicable country(ies).

7.2.4 Joint Patent Rights.

(a) DS shall have the first right to control the preparation, filing, prosecution and maintenance of Joint Patent Rights using patent counsel reasonably acceptable to Zymeworks. DS shall keep Zymeworks reasonably advised with respect to the status of the filing, prosecution and maintenance of the Joint Patent Rights and shall provide copies or electronic files of the first draft for material submission documents to any patent office related to the filing, prosecution and maintenance of the Joint Patent Rights to Zymeworks for review and comment at least […***…], if reasonably possible, prior to the submission thereof. DS shall consider in good faith any comments from Zymeworks. Zymeworks shall provide DS with such comments or notify DS that it has no comment within […***…] counted from the day on which Zymeworks receives such copies or files from DS. DS shall promptly give notice to Zymeworks of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patent Rights. The Parties shall share equally the reasonable costs of DS' preparation, filing, prosecution and maintenance of the Joint Patent Rights. DS shall invoice Zymeworks for its share of such costs on a Calendar Quarterly basis.

(b) DS may elect not to file or to cease prosecution or maintenance of Joint Patent Rights on a country-by-country basis, and if it does so, DS shall give timely notice to Zymeworks. Zymeworks may by notice to DS assume prosecution or maintenance of such Joint Patent Rights at Zymeworks' expense, in which case DS shall promptly assign to Zymeworks all of its rights, title and interest in and to such Joint Patents.

7.2.5 Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the patent prosecution efforts provided above in Section 7.2, including providing any necessary powers of attorney and assignments of employees of the Parties and their Affiliates and sublicensees and Third Party contractors and executing any other required documents or instruments for such prosecution. All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the Zymeworks Patent Rights, DS Patent Rights and Joint Patent Rights, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to

such Patent Rights, shall be considered Confidential Information, subject to Article 8. For clarity, all such communications regarding the Zymeworks Patent Rights shall be the Confidential Information of Zymeworks; all such communications regarding the DS Patent Rights shall be the Confidential Information of DS; and all such communications regarding Joint Patent Rights shall be the Confidential Information of both Parties. Upon DS' reasonable request and at DS' expense, Zymeworks may provide DS with assistance and cooperation in the filing, prosecution and maintenance for Patent Rights which claim Inventions comprising Antibodies or Products.

7.3 Enforcement and Defense.

7.3.1 Notice. Each Party shall provide prompt notice to the other Party of (a) any infringement of a Zymeworks Patent Right or Joint Patent Right by a product incorporating an antibody or antibody analogue that incorporates the DS Sequence Pair of which such Party becomes aware (each, a "**Competing Product Infringement**") and (b) any infringement of a DS Patent Right or Joint Patent Right by a product incorporating an antibody or antibody analogue that incorporates the […***…] Binding Domain of which such Party becomes aware (each, a "**Competing […***…]**"). Any Competing Product Infringement or Competing […***…] may be referred to herein as a "**Competing Infringement**". DS and Zymeworks shall thereafter consult and cooperate fully to determine a course of action, including the commencement of legal action by either or both DS and Zymeworks, to terminate any such Competing Infringement. Notwithstanding the foregoing, if Zymeworks has granted Commercial Sublicense to a Third Party under Section 2.2.2 (c), the Parties will discuss how to handle the Competing […***…], subject to and in accordance with this Section 7.3.

7.3.2 Zymeworks Patent Rights. Zymeworks shall have the first right to enforce the Zymeworks Patent Rights with respect to any Competing Product Infringement, and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of Zymeworks and shall notify DS of such enforcement actions. If Zymeworks fails to bring or defend any such action against a Competing Product Infringement within (a) […***…] following the notice of alleged Competing Product Infringement provided pursuant to Section 7.3.2 or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, DS shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall DS admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.2, neglect to defend the validity of, any Zymeworks Patent Rights.

7.3.3 Joint Patent Rights. DS shall have the first right to enforce Joint Patent Rights and to control the defense of any declaratory judgment action relating thereto, with respect to any Competing Product Infringement at its own expense and by counsel of its own choice reasonably acceptable to Zymeworks (such acceptance which shall not be unreasonably withheld, conditioned or delayed), and Zymeworks shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If DS fails to bring or defend such action within (a) […***…] following the notice of alleged Competing Product Infringement or (b) […***…] before the time limit, if any, set forth in the Applicable Laws for the filing of such actions,

whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and DS shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall either Party admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.3, neglect to defend the validity of any Joint Patent Rights without the other Party's prior written consent.

7.3.4 DS Patent Rights. DS shall have the first right to enforce the DS Patent Rights with respect to any Competing […***…], and to defend any declaratory judgment action with respect thereto, at its own expense and by counsel of its own choice and in the name of DS and shall notify Zymeworks of such enforcement actions. If DS fails to bring or defend any such action against a Competing […***…] within (a) […***…] following the notice of alleged Competing […***…] provided pursuant to Section 7.3.4 or (b) […***…] before the time limit, if any, set forth in Applicable Laws for the filing of such actions, whichever comes first, Zymeworks shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and DS shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In no event shall Zymeworks admit the invalidity of, or after exercising its right to bring and control an action under this Section 7.3.4, neglect to defend the validity of, any DS Patent Rights without DS' prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3.5 Competing Infringement Action. In the event a Party brings an Competing Infringement action in accordance with this Section 7.3 (the "**Controlling Party**"), such Controlling Party shall keep the other Party reasonably informed of the progress of any such action, and the other Party shall cooperate fully with the Controlling Party, at the Controlling Party's request and expense, including by providing information and materials and, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither Party shall have the right to settle any Competing Infringement action under this Section 7.3 relating to Joint Patent Rights without the prior written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed.

7.3.6 Recovery. Except as otherwise agreed by the Parties as part of a cost-sharing arrangement, any recovery obtained by either or both DS and Zymeworks in connection with or as a result of any action with respect to a Competing Infringement contemplated by this Section 7.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) the portion of any recovery remaining shall be shared by the Parties 75:25 in favor of the Controlling Party.

7.3.7 Certification. In relation to a generic or biosimilar to a Product or […***…] Product, each Party shall inform the other Party of any certification regarding (a) any Zymeworks Patent Rights or Joint Patent Rights it received with respect to a Product or (b) any DS Patent Rights it received with respect to a […***…] Product, in each case pursuant to either 21 U.S.C. §§355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or its successor provisions, or any similar provisions in a country in the Territory other than the United States, and shall provide the other Party with a copy of such certification within […***…] of receipt. Zymeworks' and DS' rights with respect to the initiation and prosecution of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be as defined in Section 7.3.2 through Section 7.3.6 hereof. Regardless of which Party has the right to initiate and prosecute such action, both Parties shall, as soon as practicable after receiving notice of such certification, convene and consult with each other regarding the appropriate course of conduct for such action. The non-initiating Party shall have the right to be kept reasonably informed and participate in decisions regarding the appropriate course of conduct for such action.

7.3.8 Defense of Infringement Claims. In the event that a claim is brought against either Party alleging the infringement, violation or misappropriation of any Third Party intellectual property right based on the manufacture, use, sale or importation of the Antibodies or the Products, or the […***…] Antibodies or […***…] Products, the Parties shall promptly meet to discuss the defense of such claim, and the Parties shall, as appropriate, enter into a joint defense agreement with respect to the common interest privilege protecting communications regarding such claim in a form reasonably acceptable to the Parties. Notwithstanding the foregoing, if Zymeworks has granted Commercial Sublicense to a Third Party under Section 2.2.2 (c), the Parties will discuss how to handle such claim separately.

8. CONFIDENTIALITY

8.1 Duty of Confidence. During the Term and continuing during the period ending on the expiration of the last Royalty Term and for […***…] thereafter, all Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to any Third Party or used for any purpose, except as set forth herein, without the prior written consent of the disclosing Party. The recipient Party may only use Confidential Information of the other Party for purposes of exercising its rights and fulfilling its obligations under this Agreement and may disclose Confidential Information of the other Party and its Affiliates to employees, agents, contractors, consultants and advisers of the recipient Party and its Affiliates, licensees and sublicensees to the extent reasonably necessary for such purposes; provided that such persons and entities are bound by confidentiality and non-use of the Confidential Information consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party.

8.2 Exceptions. The obligations under this Article 8 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

8.2.1 is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or its Affiliates;

8.2.2 was known to, or was otherwise in the possession of, the recipient Party or its Affiliates prior to the time of disclosure by the disclosing Party;

8.2.3 is disclosed to the recipient Party or an Affiliate on a non-confidential basis by a Third Party that is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party or any of its Affiliates; or

8.2.4 is independently developed by or on behalf of the recipient Party or its Affiliates, as evidenced by its written records, without use of or reference to the Confidential Information disclosed by the disclosing Party or its Affiliates under this Agreement.

8.3 Authorized Disclosures. Subject to this Section 8.3, the recipient Party may disclose Confidential Information belonging to the other Party to the extent permitted as follows:

8.3.1 such disclosure is deemed necessary by counsel to the recipient Party to be disclosed to such Party's attorneys, independent accountants or financial advisors for the sole purpose of enabling such attorneys, independent accountants or financial advisors to provide advice to the receiving Party, on the condition that such attorneys, independent accountants and financial advisors are bound by confidentiality and non-use obligations consistent with the confidentiality provisions of this Agreement as they apply to the recipient Party;

8.3.2 disclosure by either Party or its Affiliates to governmental or other regulatory agencies in order to obtain and maintain patents consistent with Article 7;

8.3.3 disclosure by DS or a DS Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.4 disclosure by Zymeworks or a Zymeworks Affiliate or sublicensee to gain or maintain approval to conduct Clinical Trials for a […***…] Product, to obtain and maintain Marketing Authorization or to otherwise develop, manufacture and market […***…] Products, but such disclosure may be only to the extent reasonably necessary to obtain and maintain patents or authorizations;

8.3.5 disclosure required in connection with any judicial or administrative process relating to or arising from this Agreement (including any enforcement hereof) or to comply with applicable court orders or governmental regulations; or

8.3.6 disclosure to potential or actual investors or potential or actual acquirers or actual or potential sublicensees in connection with due diligence or similar investigations by such Third Parties; provided, in each case, that any such potential or actual investor or acquirer or

sublicensee agrees to be bound by confidentiality and non-use obligations consistent with those contained in this Agreement as they apply to the recipient Party.

If the recipient Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Article 8, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed as permitted by this Section 8.3 shall remain otherwise subject to the confidentiality and non-use provisions of this Article 8, and the Party disclosing Confidential Information as permitted by this Section 8.3 shall take all steps reasonably necessary, including obtaining an order of confidentiality and otherwise cooperating with the other Party, to ensure the continued confidential treatment of such Confidential Information.

9. PUBLICATIONS AND PUBLICITY

9.1 Publications.

9.1.1 DS shall have the right to publish the results of the Research Program with respect to the Products or Antibodies in accordance with this Section 9.1. Except for disclosures permitted pursuant to this Article 9, a Party, its employees or consultants wishing to make a publication of the results of its activities under the Agreement that contains the other Party's Confidential Information, shall deliver to such Party a copy of the proposed written publication or an outline of an oral disclosure at least […***…] prior to submission for publication or presentation.

9.1.2 Notwithstanding Section 9.1.1, the reviewing Party shall have the right (a) to request the removal of its Confidential Information from any such publication or presentation by the other Party, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If a reviewing Party requests such a removal of its Confidential Information, the other Party shall remove such Confidential Information prior to submitting such presentation for publication or making such presentation. If a reviewing Party requests such a delay, the other Party shall delay submission or presentation for a period of […***…] to enable patent applications protecting the reviewing Party's rights in such information to be filed in accordance with Article 7. For clarity, the Research Sequence Pairs, DS Sequence Pairs, Antibodies, Products, […***…] Binding Domain and […***…] Variable Domain Improvements shall be the Confidential Information of DS (subject to the exceptions in Section 8.2); provided, however, that, Zymeworks shall have the right to disclose […***…] Binding Domain and […***…] Variable Domain Improvements to a Third Party in connection with granting the Third Party sublicenses or Commercial Sublicenses pursuant to Section 2.2.2 in compliance with Section 8.3.6; and provided further that Zymeworks shall have the right to make publications and presentations regarding the […***…] Antibodies and […***…] Products, so long as such publications or presentations do not include DS' Confidential Information. Similarly, the Zymeworks Platform and Zymeworks Platform Improvements shall be the Confidential Information of Zymeworks.

9.2 Publicity. The Parties have mutually approved a press release attached hereto as Exhibit 9.2 with respect to this Agreement and either Party may make subsequent public disclosure of the contents of such press release. Subject to the foregoing, each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the terms hereof or any activities under the Research Program conducted hereunder without the prior written consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed), provided however, that neither Party will be prevented from complying with any duty of disclosure it may have pursuant to Applicable Laws or pursuant to the rules of any recognized stock exchange or quotation system, subject to that Party notifying the other Party of such duty and limiting such disclosure as reasonably requested by the other Party (and giving the other Party sufficient time to review and comment on any proposed disclosure). In the event that Zymeworks desires to make a public announcement regarding any payment under Article 5 (or the occurrence of the activity related thereto), Zymeworks will provide DS with no less than […***…], or shorter period if required by Applicable Laws, in which to review and approve such announcement, such approval not to be unreasonably withheld, conditioned or delayed.

10. TERM AND TERMINATION

10.1 Term.

10.1.1 The term of this Agreement (the "**Term**") will commence on the Effective Date and (subject to earlier termination in accordance with Section 10.2, 10.3 or 10.4) will expire upon the expiration of the Option Term, unless, during the Option Term, DS exercises its Option. In the event of expiration of this Agreement pursuant to this Section 10.1.1, DS shall cease all development and commercialization of the Antibodies and Products.

10.1.2 Notwithstanding Section 10.1.1, in the event that DS exercises its Option in accordance with Section 2.1.2, the Term shall expire, on a Product-by-Product basis, on the expiration of the Product Royalty Term for such Product.

10.1.3 Upon expiration of this Agreement under Section 10.1.2 (but not under Section 10.1.1) with respect to a Product, the licenses and rights granted to DS under Section 2.1 shall become non-exclusive, fully paid-up, perpetual licenses, solely with respect to such Product. For clarity, upon expiration of the last-to-expire Product Royalty Term, this Agreement shall expire in its entirety.

10.1.4 In the event of an expiration of this Agreement pursuant to Section 10.1.1 or 10.1.2, the following Articles and Sections of this Agreement shall survive, on a […***…] Product by […***…] Product basis, until the expiration of the […***…] Royalty Term for such […***…] Product: Section 2.2.2, Section 5.8, Section 6.1.3, Section 6.1.5 (with respect to […***…]), Section 6.2 (with respect to […***…] Royalties), Section 6.3 (with respect to […***…] Royalties), Section 6.4 (with respect to […***…] Royalties), Sections 7.1, 7.1.1, 7.1.2, 7.1.3, 7.2.3, 7.2.4, 7.3.1, 7.3.3, and 7.3.5 (in each case with respect to Joint Patent Rights and DS Patent Rights only), and Section 7.3.4 (the foregoing Articles and Sections, the "[…***…]

Survival Sections"). Upon expiration of […***…] Royalty Term for a […***…] Product, the licenses and rights granted to Zymeworks under Section 2.2.2(a) shall become non-exclusive, fully paid-up, perpetual licenses, solely with respect to such […***…] Product.

10.2 Termination for Convenience.

10.2.1 During the Research Program Term, DS shall have the right to terminate this Agreement at any time in its sole discretion upon […***…] advance written notice to Zymeworks. After the Research Program Term, DS shall have the right to terminate this Agreement at any time in its sole discretion upon […***…] advance written notice to Zymeworks. In the event of a termination by DS pursuant to this Section 10.2.1, DS shall cease all development and commercialization of the Antibodies and Products, and the […***…] shall survive.

10.2.2 Zymeworks shall have the right to terminate the licenses granted to it in Section 2.2.2 at any time in its sole discretion upon […***…] advance written notice to DS. In the event of such a termination, this Agreement shall continue in full force and effect; provided that Section 2.2.2, Section 5.8, Section 6.1.3, Zymeworks' record-keeping obligations under Section 6.4.1, DS' audit rights under Section 6.4.2, Section 7.2.3, and Section 7.3.4 shall terminate; all references to DS Patent Rights, Competing […***…], […***…] Antibodies and […***…] Products in Section 7.2.5 and 7.3 shall be deemed to have been deleted; and Zymeworks shall cease all development and commercialization of the […***…] Antibodies and […***…] Products.

10.3 Termination for Patent Challenge.

10.3.1 Notwithstanding anything herein to the contrary, in the event that DS or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of any Zymeworks Patent Rights, then Zymeworks, at its discretion, may give notice to DS that Zymeworks will terminate the licenses and the Option granted to DS under Section 2.1 unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…]. In the event that DS or its Affiliates (as the case may be) does not withdraw, abandon or terminate (as appropriate) such challenge within such […***…] period, Zymeworks may terminate this Agreement, and DS shall cease all development and commercialization of the Antibodies and Products. In the event of a termination by Zymeworks pursuant to this Section 10.3.1, the […***…] Survival Sections (other than Section 2.2.2(c)) shall survive.

10.3.2 Notwithstanding anything herein to the contrary, in the event that Zymeworks or its Affiliates file or initiate an action challenging (directly or indirectly (e.g., through a Third Party)) in a court or by administrative proceeding seeking the invalidity or unenforceability or seeking to limit the scope of any DS Patent Rights, then DS, at its discretion, may give notice to Zymeworks that DS will terminate the licenses granted to Zymeworks under Section 2.2.2 unless such challenge is withdrawn, abandoned, or terminated (as appropriate) within […***…]. In the event that Zymeworks or its Affiliates (as the case may be) does not

withdraw, abandon or terminate (as appropriate) such challenge within such […***…] period, DS may terminate the license granted to Zymeworks under Section 2.2.2, in which case Section 5.8, Section 6.1.3, Zymeworks' record-keeping obligations under Section 6.4.1, DS' audit rights under Section 6.4.2, Section 7.2.3, and Section 7.3.4 shall terminate; all references to DS Patent Rights, Competing […***…], DS Patent Rights, […***…] Antibodies and […***…] Products in Section 7.2.5 and 7.3 shall be deemed to have been deleted; and Zymeworks shall cease all development and commercialization of the […***…] Antibodies and […***…] Products.

10.4 Termination for Cause. If either DS or Zymeworks is in material breach of any obligation hereunder, the non-breaching Party may give notice to the breaching Party specifying the claimed particulars of such breach, and in such event, if the breach is not cured within […***…] after receipt of such notice, the non-breaching Party shall have the rights thereafter to terminate this Agreement immediately by giving notice to the breaching Party to such effect. A Party may terminate this Agreement pursuant to this Section 10.4, in its entirety or on a Product-by-Product (with respect to a termination by Zymeworks) or […***…] Product-by-[…***…] Product basis (with respect to a termination by DS). If a breach is specific to a particular Product (in the case of a breach by DS) or […***…] Product (in the case of a breach by Zymeworks), the non-breaching Party shall have the right to terminate this Agreement in accordance with this Section 10.4 solely with respect to such Product or […***…] Product, as applicable. In the event of a termination by Zymeworks pursuant to this Section 10.4, DS shall cease all development and commercialization of the Antibodies and Products which are subject to such termination, and the […***…] Survival Sections (other than Section 2.2.2(c)) shall survive. In the event of a termination by DS pursuant to this Section 10.4, Zymeworks shall cease all development and commercialization of the […***…] Antibodies and […***…] Products which are subject to such termination, and any licenses granted to DS under Section 2.1 prior to such termination and still in effect shall survive, subject to all relevant provisions (including Section 3.3, Article 5, Article 6, and Article 10).

11. EFFECTS OF TERMINATION

11.1 Termination of Agreement. If this Agreement terminates or expires for any reason, then no later than […***…] after the effective date of such termination, each Party shall pay all amounts then due and owing to the other Party hereunder as of the termination date; provided that with respect to a termination on a Product-by-Product or […***…] Product-by-[…***…] Product basis, payments shall be so accelerated solely with respect to the terminated products. In the event of a termination or expiration of this Agreement in its entirety, each Party shall return or cause to be returned to the other Party, or destroy, all Confidential Information received from the other Party and all copies thereof; provided, however, that each Party may keep one (1) copy of Confidential Information received from the other Party in its confidential files for record purposes; and provided further that each Party may retain any Confidential Information reasonably necessary to exercise any surviving rights in accordance with this Agreement.

11.2 Survival. Termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such termination, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this Agreement to survive such termination. Without limiting the foregoing and except as expressly set forth otherwise in this Agreement, Articles 1, 8, 9, 11, 13, and 14 and Sections 7.1, 7.1.1, 7.1.2, 7.1.3, 7.2.4, 12.4 and 12.5 shall survive the expiration or termination of this Agreement. Any and all sublicenses granted by Zymeworks under the […***…] License including the obligations of payment by Zymeworks under Section 5.8 shall survive any expiration or termination of this Agreement (in its entirety or on a Product-by-Product or […***…] Product-by- […***…] Product basis), provided that such sublicensee did not cause the breach that gave cause to such termination by DS under 10.4. If a sublicensee's breach is the cause for a termination by DS under Section 10.4, then solely the sublicense granted to such sublicensee shall terminate with such termination of this Agreement. Except as otherwise expressly provided herein (including in Article 10), all other rights and obligations of the Parties under this Agreement shall terminate upon termination or expiration of this Agreement.

11.3 Damages; Relief. Termination of this Agreement shall not preclude either Party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

11.4 Bankruptcy Code. If this Agreement is rejected by a Party as a debtor under Section 365 of the United States Bankruptcy Code or similar provision in the bankruptcy laws of another jurisdiction (the "**Code**"), then, notwithstanding anything else in this Agreement to the contrary, all licenses and rights to licenses granted under or pursuant to this Agreement by the Party in bankruptcy to the other Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction), licenses of rights to "intellectual property" as defined under Section 101(35A) of the United States Bankruptcy Code (or similar provision in the bankruptcy laws of the jurisdiction). The Parties agree that a Party that is a licensee of rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code. The foregoing provisions of this Section 11.4 are without prejudice to any rights a Party may have arising under the Code.

12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties by Each Party. Each Party represents and warrants to the other as of the Effective Date that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;

12.1.2 it has full corporate power and authority to execute, deliver, and perform this Agreement, and has taken all corporate action required by Applicable Laws and its organizational documents to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement;

12.1.3 this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and may be subject to general principles of equity whether or not such enforceability is considered in a proceeding at law or in equity); and

12.1.4 the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions contemplated hereby do not and shall not (a) conflict with or result in a breach of any provision of its organizational documents, (b) result in a breach of any agreement to which it is a party; or (c) violate any Applicable Laws.

12.2 Representations and Warranties by Zymeworks. Zymeworks represents and warrants to DS as of the Effective Date that:

12.2.1 Zymeworks has the right to grant to DS the licenses and rights under Section 2.1 that it purports to grant hereunder;

12.2.2 Zymeworks has not granted, and will not grant during the Term, rights to any Third Party under the Zymeworks Intellectual Property that conflict with the rights granted to DS hereunder;

12.2.3 Zymeworks has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the Zymeworks Patent Rights or Zymeworks' rights therein; and

12.2.4 To its knowledge, the Zymeworks Patent Rights are not subject to any pending re-examination, opposition, interference or litigation proceedings.

12.3 Representations and Warranties by DS. DS represents and warrants to Zymeworks as of the Effective Date that:

12.3.1 DS has the right to grant to Zymeworks the licenses and rights under Section 2.2 that it purports to grant hereunder;

12.3.2 DS has not granted, and will not grant during the Term, rights to any Third Party under the DS Intellectual Property that conflict with the rights granted to Zymeworks hereunder;

12.3.3 DS has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the DS Patent Rights or DS' rights therein;

12.3.4 To its knowledge, the DS Patent Rights are not subject to any pending re-examination, opposition, interference or litigation proceedings; and

12.3.5 Based on reasonable experimental data or generally accepted scientific literature available as of the Effective Date, the […***…] Binding Domain is Directed To […***…], and the Research Sequence Pairs are Directed To the Research Target Pair.

12.4 Limitation. NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT ANY OF THE RESEARCH, DEVELOPMENT AND/OR COMMERCIALIZATION EFFORTS WITH REGARD TO ANY ANTIBODY OR PRODUCT, OR ANY […***…] ANTIBODY OR […***…] PRODUCT, WILL BE SUCCESSFUL.

12.5 No Other Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF NON-INFRINGEMENT, PATENTABILITY, VALIDITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. INDEMNIFICATION AND LIABILITY

13.1 Indemnification by Zymeworks. Zymeworks shall indemnify, defend and hold DS and its Affiliates, and their respective officers, directors, employees, contractors, licensees, agents and assigns (each, a "**DS Indemnified Party**"), harmless from and against losses, damages and liability, including reasonable legal expense and attorneys' fees, (collectively, "**Losses**") to which any DS Indemnified Party may become subject as a result of any Third Party demands, claims or actions ("**Claims**") against any DS Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of […***…] Antibodies or […***…] Products by Zymeworks or its Affiliates or Third Parties acting under their authority under this Agreement, (b) the negligence or willful misconduct of Zymeworks or its Affiliates or Third Parties (including licensees, other than DS, and contractors) acting under their authority pursuant to this Agreement, or (c) the material breach of any term in or the covenants, warranties, representations made by Zymeworks to DS under this Agreement. Zymeworks is only obliged to so indemnify and hold the DS Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement by or the negligence or willful misconduct of DS or its Related Parties.

13.2 Indemnification by DS. DS shall indemnify, defend and hold Zymeworks and its Affiliates, and their respective officers, directors, employees, contractors, agents and assigns (each, a "**Zymeworks Indemnified Party**"), harmless from and against Losses incurred by any Zymeworks Indemnified Party as a result of any Third Party Claims against any Zymeworks Indemnified Party (including product liability claims) arising or resulting from: (a) the research, development or commercialization of Antibodies or Products by DS or its Affiliates or Third Parties acting under their authority under

this Agreement; (b) the negligence or willful misconduct of DS or its Affiliates or Third Parties (including collaborators and other sublicensees and contractors) acting under their authority pursuant to this Agreement; or (c) the material breach of any term in or the covenants, warranties, representations made by DS to Zymeworks under this Agreement. DS is only obliged to so indemnify and hold the Zymeworks Indemnified Parties harmless to the extent that such Claims do not arise from the material breach of this Agreement or the negligence or willful misconduct of Zymeworks or its Related Parties.

13.3 Indemnification Procedure.

13.3.1 Any DS Indemnified Party or Zymeworks Indemnified Party seeking indemnification hereunder ("I**ndemnified Party**") shall notify the Party against whom indemnification is sought ("**Indemnifying Party**") in writing reasonably promptly after the assertion against the Indemnified Party of any Claim in respect of which the Indemnified Party intends to base a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby.

13.3.2 Subject to the provisions of Section 13.3.3 below, the Indemnifying Party shall have the right, upon providing notice to the Indemnified Party of its intent to do so within […***…] after receipt of the notice from the Indemnified Party of any Claim, to assume the defense and handling of such Claim, at the Indemnifying Party's sole expense.

13.3.3 The Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party in connection with conducting the defense and handling of such Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnified Party, and shall keep the Indemnified Party timely apprised of the status of such Claim. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder, or would involve any admission of wrongdoing on the part of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party, at the request and expense of the Indemnifying Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 Special, Indirect and Other Losses. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 8. NOTHING IN THIS SECTION 13.4 SHALL BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 13.

13.5 Insurance. Each Party, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request.

14. GENERAL PROVISIONS

14.1 Assignment. Except as provided in this Section 14.1, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party; provided, however, that (and notwithstanding anything elsewhere in this Agreement to the contrary) either Party may, without such consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate of such Party, provided further that, either Party, without the written consent of the other Party, may assign this Agreement and its rights and obligations hereunder (or under a transaction under which this Agreement is assumed) in connection with the transfer or sale of all or substantially all of its assets or business related to the subject matter of this Agreement, or in the event of its merger or consolidation or similar transaction. Any attempted assignment not in accordance with this Section 14.1 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

14.2 Extension to Affiliates. Except as expressly set forth otherwise in this Agreement, each Party shall have the right to extend the rights and obligations granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement, except this right to extend, shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to the Party extending such rights and obligations. The Party extending the rights and obligations granted hereunder shall remain primarily liable for any acts or omissions of its Affiliates.

14.3 Severability. Should one or more of the provisions of this Agreement become void or unenforceable as a matter of Applicable Laws, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties will use their best efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.

14.4 Governing Law; English Language. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement.

14.5 Dispute Resolution.

14.5.1 If any dispute, claim or controversy of any nature arising out of or relating to this Agreement, including any action or claim based on tort, contract or statute, or concerning the interpretation, effect, termination, validity, performance or breach of this Agreement (each, a "**Dispute**"), arises between the Parties and the Parties cannot resolve such Dispute within […***…] of a written request by either Party to the other Party ("**Notice of Dispute**"), and such Dispute is not one for which the JSC Chair has final decision-making as expressly set forth in this Agreement, either Party may refer the Dispute to senior representatives of each Party for resolution. Each Party, within […***…] after a Party has received such written request from the other Party to so refer such Dispute, shall notify the other Party in writing of the senior representative to whom such dispute is referred. If, after an additional […***…] after such notice of senior representatives' names, such representatives have not succeeded in negotiating a resolution of the Dispute, and a Party wishes to pursue the matter, each such Dispute, controversy or claim that is not an "Excluded Claim" (defined below) shall be finally resolved by binding arbitration administered by JAMS pursuant to JAMS' Arbitration Rules and Procedures (the "**Rules**"). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

14.5.2 The arbitration shall be conducted by a single arbitrator experienced in the business of pharmaceuticals (including biologicals). If the issues in dispute involve scientific, technical or commercial matters, the arbitrator chosen hereunder shall engage experts have educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge, as necessary to resolve the dispute. Within […***…] after initiation of arbitration, the Parties shall select the arbitrator. If the Parties are unable or fail to agree upon the arbitrator within such […***…] period, the arbitrator shall be appointed in accordance with the Rules. The place of arbitration shall be New York City, New York, and all proceedings and communications shall be in English.

14.5.3 Prior to the arbitrator being selected, either Party, without waiving any remedy under this Agreement, may seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party until final resolution of the issue by the arbitrator or other resolution of the controversy between the Parties. Once the arbitrator has been selected, either Party may apply to the arbitrator for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved, and either Party may apply to a court of competent jurisdiction to enforce interim injunctive relief granted by the arbitrator. Any final award by the arbitrator may be entered by either Party in any court having appropriate jurisdiction for a judicial recognition of the decision and applicable orders of enforcement. The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration, unless the arbitrator agrees otherwise.

14.5.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor the arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be

initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

14.5.5 As used in this Section 14.5, the term "**Excluded Claim**" means any dispute, controversy or claim that concerns (a) the validity, enforceability or infringement of any patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. Any Excluded Claim may be submitted by either Party to any court of competent jurisdiction over such Excluded Claim.

14.6 Force Majeure. Neither Party shall be responsible to the other for any failure or delay in performing any of its obligations under this Agreement or for other nonperformance hereunder (excluding, in each case, the obligation to make payments when due) if such delay or nonperformance is caused by strike, fire, flood, earthquake, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use reasonable efforts to resume performance of its obligations and will keep the other Party informed of actions related thereto. If any such failure of delay in a Party's performance hereunder continues for more than […***…], the other Party may terminate this Agreement upon written notice to the delayed Party.

14.7 Waivers and Amendments. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

14.8 Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Zymeworks and DS, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

14.9 Notices. All notices, consents or waivers under this Agreement shall be in writing and will be deemed to have been duly given when (a) scanned and converted into a portable document format file (i.e., pdf file), and sent as an attachment to an e-mail message, where, when such message is received, a read receipt e-mail is received by the sender (and such read receipt e-mail is preserved by the Party sending the notice), provided further that a copy is promptly sent by an internationally recognized overnight delivery service (receipt requested)(although the sending of the e-mail message shall be when the notice is deemed to have been given), or (b) the earlier of when received by the addressee or five (5) days after it was sent, if sent by registered letter or overnight courier by an internationally recognized overnight delivery service (receipt requested), in each case to the

appropriate addresses and e-mail addresses set forth below (or to such other addresses and e-mail addresses as a Party may designate by notice):

If to Zymeworks: Zymeworks, Inc.
540-1385 West 8th Avenue
Vancouver, BC
Canada
V6H 3V9
E-mail address: […***…]

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 95070
Attention: […***…]
E-mail address: […***…]

If to DS: Daiichi Sankyo Co., Ltd.
1-2-58, Hiromachi, Shinagawa-ku
Tokyo 140-8710
Attension: […***…]
E-mail address: […***…]

14.10 Further Assurances. DS and Zymeworks hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all documents and take any action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

14.11 Compliance with Law. Each Party shall perform its obligations under this Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any Applicable Laws.

14.12 No Third Party Beneficiary Rights. This Agreement is not intended to and shall not be construed to give any Third Party any interest or rights (including any Third Party beneficiary rights) with respect to or in connection with any agreement or provision contained herein or contemplated hereby, except as otherwise expressly provided for in this Agreement.

14.13 Entire Agreement. This Agreement sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications

between the Parties with respect to such subject matter. The Parties acknowledge and agree that, as of the Effective Date, all Confidential Information disclosed pursuant to the Confidentiality Agreements by a Party or its Affiliates shall be included in the Confidential Information subject to this Agreement and the Confidentiality Agreements are hereby superseded in their entirety; provided, that the foregoing shall not relieve any Person of any right or obligation accruing under the Confidentiality Agreements prior to the Effective Date. "**Confidentiality Agreements**" means the Mutual Non-Disclosure Agreement between Zymeworks and DS dated […***…], and the Addendum to Mutual Non-Disclosure Agreement between Zymeworks and DS dated […***…].

14.14 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.15 Expenses. Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of this Agreement.

14.16 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

14.17 Construction. The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in a favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

14.18 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive unless explicitly stated to be so, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

14.19 Export. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin. Each Party agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without appropriate United States and foreign government licenses.

14.20 Notification and Approval. In the event that this Agreement or the transaction(s) set forth herein are subject to notification or regulatory approval in one or more countries, then development and commercialization in such country(ies) will be subject to such notification or regulatory approval. The Parties will reasonably cooperate with each other with respect to such notification and the process required thereunder, including in the preparation of any filing. DS will be responsible for any and all costs, expenses, and filing fees associated with any such filing.

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives.

ZYMEWORKS INC.

By: /s/ Ali Tehrani
Name: Ali Tehrani, Ph.D.
Title: President & Chief Executive Officer

DAIICHI SANKYO CO., LTD.

By: /s/ Toshinori Agatsuma
Name: Toshinori Agatsuma, Ph.D.
Title: Vice President, Biologics and Immuno-Oncology Laboratoies

EXHIBIT 1.12
[…***…]

[…***…], are listed below together with their respective Sequences and full-length sequences.

[…***…]

EXHIBIT 1.23
DS KNOW-HOW

List of DS Know-How:

1. […***…]
2. […***…]
3. […***…]
4. […***…]
5. […***…]
6. […***…]
7. […***…]
8. […***…]
9. […***…]
10. […***…]

EXHIBIT 1.54
RESEARCH SEQUENCE PAIRS

The Reseach Sequene Pairs are as follows with the respective Sequences and full-length sequences listed in the table below:

[…***…]

EXHIBIT 1.55
RESEARCH TARGET PAIR

The Research Target Pair is […***…] with […***…] with their respective SwissProt ID listed in the table below.

[…***…]

EXHIBIT 3.1.3
THE INITIAL WORKPLAN

The Work Plan and projected durations for each stage are provided as approximates and subject to change pending the initiation dates for each project and laboratory capacities.

Part 1: […***…]

Part	**Activity**	**Responsible Party**	**Deliverable to the other Party**
[…***…]	•[…***…]	[…***…]	•[…***…]
[…***…]	•[…***…]	[…***…]	•[…***…]

Part 2: […***…]

Part	**Activity**	**Responsible Party**	**Deliverable to the other Party**
[…***…]	[…***…]	[…***…]	•[…***…]
[…***…]	•[…***…]	[…***…]	•[…***…]

Part 3: […***…]

Part	**Activity**	**Responsible Party**	**Deliverable to the other Party**
[…***…]	•[…***…]	[…***…]	•[…***…]
[…***…]	•[…***…]	[…***…]	•[…***…]
[…***…]			

Approximate Budget:

The approximate budget for the completion of the above-outlined activities […***…] $[…***…] USD.

[…***…]

EXHIBIT 9.2
PRESS RELEASE

Zymeworks and Daiichi Sankyo Announce Immuno-Oncology Cross-Licensing Agreement and Bi-Specific Antibody Collaboration

Vancouver, Canada, Tokyo, Japan and Parsippany, NJ (September xx, 2016) – Zymeworks Inc., a clinical-stage biopharmaceutical company discovering and developing innovative multi-functional protein-based therapeutics including bi-specific antibodies and drug conjugates, for the treatment of cancer, and Daiichi Sankyo Company, Limited (hereafter, Daiichi Sankyo) announced today that they have entered into a cross-licensing and collaboration agreement to develop proprietary cancer immuno-oncology products.

Under the terms of the agreement, Daiichi Sankyo will acquire a license to Zymeworks' Azymetric™ and Effector Function Enhancement and Control Technology (EFECT™) platforms to develop a bi-specific antibody therapeutic, for which Zymeworks will receive an upfront technology access fee and research support. Zymeworks will also be eligible to receive payments upon the achievement of preclinical, clinical and commercial milestones, as well as up to double-digit tiered royalties on global product sales. Additionally, Zymeworks will license immuno-oncology antibodies from Daiichi Sankyo, with the right to research, develop and commercialize multiple bi-specific products globally in exchange for royalties on product sales. Further financial details are not disclosed.

"We are very excited to enter into this cross-licensing agreement with Daiichi Sankyo," said Ali Tehrani, Ph.D., President and CEO of Zymeworks. "The in-licensing component of the transaction will enable Zymeworks to expand its therapeutic pipeline in the near term by accelerating a number of our immuno-oncology programs into the clinic and to ultimately provide more effective and targeted treatments to patients. Additionally, we believe that the licensing of Zymeworks' platforms to Daiichi Sankyo further demonstrates the potential of the Azymetric™ and EFECT™ technologies for the discovery and development of next-generation multi-functional biologics."

"Targeting two drivers of disease with a single monoclonal antibody is a key scientific advance that may help change the standard of care for patients with cancer," said Antoine Yver, MD, MSc., Executive Vice President and Global Head, Oncology Research and Development, Daiichi Sankyo. "We are looking forward to strengthening our expertise in bi-specific immuno-oncology by working closely with Zymeworks on this collaboration."

About the Azymetric™ Platform

Bi-specific antibodies developed using the Azymetric™ platform resemble conventional mono-specific antibodies while being able to simultaneously bind to two different targets resulting in additive or synergistic therapeutic responses. Azymetric™ antibodies spontaneously assemble into a single molecule with two different Fab domains comprising of unique heavy and light chain pairings. Azymetric™ antibodies are manufactured using conventional monoclonal antibody processes and can be easily adapted to rapidly screen target and sequence combinations for bi-specific activity in the final therapeutic format, thereby significantly reducing drug development timelines.

About the EFECT™ Platform

The EFECT™ platform is a library of antibody Fc modifications engineered to modulate the activity of the antibody-mediated immune response, which includes both the up and down-regulation of effector functions. This platform is compatible with traditional monoclonal and well as Azymetric™ bi-specific antibodies to further enable the customization of therapeutic responses for different diseases.

About Zymeworks Inc.

Zymeworks is a privately held clinical-stage biotherapeutics company that is developing best-in-class Azymetric™ bi-specific antibodies and antibody drug conjugates for the treatment of cancer, autoimmune and inflammatory diseases. The company's novel Azymetric™, AlbuCORE™, and EFECT™ platforms, its Zymelink™ conjugation platform and cytotoxins, and its proprietary ZymeCAD™ structure-guided protein engineering technology, enable the development of highly potent bi-specific antibodies, multivalent protein therapeutics, and antibody drug conjugates across a range of indications. Zymeworks is focused on accelerating its clinical and preclinical biotherapeutics pipeline through in-house research and development programs and strategic collaborations. More information on Zymeworks can be found at www.zymeworks.com.

About Daiichi Sankyo Cancer Enterprise

The vision of Daiichi Sankyo Cancer Enterprise is to push beyond traditional thinking to align world-class science to create innovative treatments for patients with cancer. The oncology pipeline of Daiichi Sankyo continues to grow and currently includes more than 20 small molecules and monoclonal antibodies with novel targets in both solid and hematological cancers. Compounds in phase 3 development include: quizartinib, an oral FLT3 inhibitor, for newly-diagnosed and relapsed/refractory FLT3-ITD+ acute myeloid leukemia (AML); pexidartinib, an oral CSF-1R inhibitor, for tenosynovial giant cell tumor (TGCT), also known as pigmented villonodular synovitis (PVNS) and giant cell tumor of the tendon sheath (GCT-TS), which also is being investigated in combination with anti-PD1 immunotherapy, pembrolizumab, in a range of solid tumors; and tivantinib, an oral MET inhibitor, for second-line treatment of MET-high hepatocellular carcinoma in partnership with ArQule, Inc.

About Daiichi Sankyo

Daiichi Sankyo Group is dedicated to the creation and supply of innovative pharmaceutical products to address diversified, unmet medical needs of patients in both mature and emerging markets. With over 100 years of scientific expertise and a presence in more than 20 countries, Daiichi Sankyo and its 16,000 employees around the world draw upon a rich legacy of innovation and a robust pipeline of promising new medicines to help people. In addition to a strong portfolio of medicines for hypertension and thrombotic disorders, under the Group's 2025 Vision to become a "Global Pharma Innovator with Competitive Advantage in Oncology," Daiichi Sankyo research and development is primarily focused on bringing forth novel therapies in oncology, including immuno-oncology, with additional focus on new horizon areas, such as pain management, neurodegenerative diseases, heart and kidney diseases, and other rare diseases. For more information, please visit: www.daiichisankyo.com. Daiichi Sankyo, Inc., headquartered in Parsippany, New Jersey, is a member of the Daiichi Sankyo Group. For more information on Daiichi Sankyo, Inc., please visit www.dsi.com.

Contact:

Zymeworks:
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(484) 575-5040
michael@scientpr.com

Investor Inquiries
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ICR Inc.
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Zymeworks Inc.
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bd@zymeworks.com

Daiichi Sankyo:
Jennifer Brennan
Daiichi Sankyo, Inc.
jbrennan2@dsi.com
+1 973 944 2393 (office)
+1 201 709 9309 (mobile)

Exhibit 10.26

POPLAR PROPERTIES LTD.,
by its duly authorized agent, Triovest Realty Advisors (B.C.) Inc.

(Landlord)

- and -

ZYMEWORKS INC.

(Tenant)

LEASE OF OFFICE SPACE

BUILDING: **1385 WEST 8TH AVENUE, VANCOUVER, BC**

LEASE OF OFFICE SPACE

TABLE OF CONTENTS

LEASE OF OFFICE SPACE

This Lease made as of the 6th day of April, 2015,

BETWEEN:

POPLAR PROPERTIES LTD.,
by its duly authorized agent, Triovest Realty Advisors (B.C.) Inc.

(the "Landlord")

and

ZYMEWORKS INC.

(the "Tenant")

IN CONSIDERATION of the mutual covenants hereinafter contained, the Landlord and the Tenant hereby agree as follows:

ARTICLE 1 – BASIC TERMS, SPECIAL PROVISIONS, DEFINITIONS AND SCHEDULES

1.1 The basic terms of this Lease are:

(a) **Premises:** Suites 510/520, 540, 585 (all such suites to be collectively designated as "Suite 540" as of the Commencement Date and hereinafter referred to as "Suite 540") and Suite 610, all located at 1385 West 8th Avenue, Vancouver, BC

(b) **Rentable Area of Premises:** 15,888 square feet (comprised of 12,557 square feet in Suite 540 and 3,331 square feet in Suite 610, subject to Section 4.2)

(c) **Term:** Five years commencing on the Commencement Date and ending on the Expiry Date

(d) **Commencement Date:** September 1, 2015

(e) **Expiry Date:** August 31, 2020

(f) **Base Rent:**

Period	Per Sq. Ft. Per Annum
1-2	$ 25.00
3-5	$ 27.00

(g) **Permitted Use:** General office use

(h) **Deposits:** $Nil ("Prepaid Rent Deposit"); and

$85,477.24 ("Security Deposit")

(i) **Extended Term:** One option to extend for five years [see Schedule G, clause 5]

(j) **Parking:** Eighteen permits [see Schedule G, clause 3]

(k) **Addresses for Notices:**

Tenant:

Address:	540 – 1385 West 8th Avenue Vancouver, BC V6H 3V9
Facsimile Number:	604-737-7077

Landlord:

Address:	c/o Triovest Realty Advisors (B.C.) Inc. 600 - 789 West Pender Street Vancouver, B.C. V6C 1H2
Attention:	Property Manager and VP, Property Management
Facsimile number:	604-684-9122

(I) **Special Provisions:** See Schedule G

The Landlord and the Tenant agree to the foregoing basic terms. Each reference in this Lease to any of the basic terms shall be construed to include the provisions set forth above as well as all of the additional terms and conditions of the applicable articles and sections of this Lease where such basic terms are more fully set forth.

DEFINITIONS

1.2 In this Lease:

(a) "Administration Fee" means the amount payable by the Tenant to the Landlord as determined in accordance with Section 6.1;

(b) "Architect" means such firm of professional architects, engineers, surveyors, space planners and interior designers as the Landlord may select from time to time engaged for preparation of construction drawings for the Building, space planning, or for general supervision of architectural and engineering aspects and operations thereof or for the measurement of the Building or part(s) thereof and includes any consultant(s) from time to time appointed by the Landlord or Architect whenever such consultant(s) is acting within the scope of their appointment and specialty;

(c) "Article" means an article of this Lease and "Section" means a section of this Lease;

(d) "Base Rent" means the amount payable by the Tenant to the Landlord as set forth in Section 1.1(f) in respect of each year of the Term or any portion thereof in accordance with Sections 4.1 and 4.5;

(e) "Building" means the building municipally located at **1385 West 8th Avenue, Vancouver, BC** in which the Premises are located and which is situate on the Lands;

(f) "Capital Tax" means an amount allocated by the Landlord to the Building in respect of taxes, rates, duties and assessments presently or hereafter levied, rated, charged or assessed from time to time upon the Landlord and payable by the Landlord (or any corporation acting on behalf of the Landlord) on account of the capital that the Landlord has invested in the Building. Capital Tax shall be allocated:

i) as if the amount of such tax were that amount due if the Building were the only property of the Landlord; and

ii) on the basis of the Landlord's determination of the amount of capital attributable to the Building.

Capital Tax also means the amount of any capital, sales or place of business tax levied by any government or other applicable taxing authority against the Landlord with respect to the Building whether known as Capital Tax or by any other name.

(g) "Commencement Date" means the date set forth in Section 1.1(d);

(h) "Common Areas" means at any time those portions of the Lands and Building which are not designated or intended by the Landlord to be leased to tenants of the Building and are provided or designated by the Landlord from time to time to be used in common in such manner as the Landlord may permit, by the Landlord, the Tenant, and other tenants (or by sublessees, agents, employees, customers or licensees) of the Building, whether or not the same are open to the general public, and shall include any areas used by the Landlord for the maintenance of the Building, electrical and mechanical rooms, building services and facilities, fixtures, chattels, building systems, décor, signs, facilities, or landscaping contained therein or maintained or used in connection therewith, common parking lots, common entrances, interior malls, common corridors, stairways, passageways, sidewalks, exterior pedestrian walks, roofs, driveways, parking areas, common loading and service areas, disposal and recycling facilities, truck ways, platforms, ramps, garden and landscaped areas and all other common, public or tenant conveniences or appurtenances thereto located on the Lands not installed for the exclusive use of any individual tenant and shall be deemed to include any public facility in respect of which the Landlord is from time to time subject to obligations in its capacity as owner of the Lands and/or Building. All expenses incurred by the Landlord in the maintenance, management and operation of Common Areas shall be included in the definition of "Operating Expenses" set forth in Schedule C attached hereto;

(i) "Environmental Claim" means all claims, losses, costs, expenses, fines, penalties, payments and/or damages (including, without limitation, all solicitors' fees on a solicitor and client basis) relating to, arising out of, resulting from or in any way connected with the presence of any Hazardous Substance at the Premises, the Lands or the Building, including, without limitation, all costs and expenses of any investigation, remediation, restoration or monitoring of the Premises, the Lands, or the Building and/or any property adjoining or in the vicinity of the said Lands or the Building required or mandated by Environmental Law;

(j) "Environmental Law" means any law, bylaw, order, ordinance, ruling, regulation, certificate, approval, policy, guideline, consent or directive of any applicable federal, provincial or municipal government, governmental department, agency or regulatory authority or any Court of competent jurisdiction, as well as any common law obligations or requirements, relating to environmental or health and safety matters and/or regulating the generation, import, storage, distribution, labelling, sale, use, handling, transport or disposal of any Hazardous Substance which may be in force from time to time;

(k) "Expiry Date" means the date set forth in Section 1.1(e);

(I) "Fiscal Year" means a twelve month period (all or part of which falls within the Term) from time to time determined by the Landlord, at the end of which the Landlord's accounting records in respect of the Building are balanced for auditing or taxation purposes;

(m) "Force Majeure" means any Act of God, strike, lockout, or other industrial disturbance, act of the Queen's enemies, sabotage, terrorism, war, blockade, insurrection, riot, epidemic, lightning, earthquake, flood, storm, fire, washout, power shortages, nuclear and radiation activity or fallout, arrest and restraint of rules and people, civil disturbance, explosion, breakage of or accident to machinery or stoppage thereof for necessary maintenance or repairs, inability to obtain labour, materials or equipment, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act, omission or event, whether of the kind herein enumerated or otherwise not within the control of the affected party, and which, by the exercise of due diligence such party could not have prevented, but lack of funds on the part of such party shall be deemed not to constitute force majeure;

(n) "Hazardous Substance" means:

i) any material or substance declared or deemed to be hazardous, deleterious, caustic, dangerous, a dangerous good, toxic, a contaminant, a waste, a source of contaminant, a pollutant or toxic under any Environmental Law;

ii) any solid, liquid, gas or odor or combination of any of them that, if emitted into the air, would create or contribute to the creation of a condition of the air that:

A. endangers the health, safety or welfare of persons or the health of animal life;

B. interferes with normal enjoyment of life or property; or

C. causes damage to plant life or to property; and

iii) any substance which is hazardous to the environment, including persons or property and includes, without limiting the generality of the foregoing, the following:

A. radioactive materials;

B. explosives;

C. any substance that, if added to any water, would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by any animal, fish or plant;

(o) "Landlord's Work" means finishing the Premises in a manner and in colours standard to the Building but only to the extent set forth in Schedule F attached hereto;

(p) "Lands" means the lands described in Schedule B attached hereto and the buildings, improvements, equipment and facilities erected thereon or situate therein from time to time, including without limitation, the Building;

(q) "Lease" means this Lease, any schedules and riders attached hereto, and every properly executed instrument which by its terms amends, modifies or supplements this Lease;

(r) "Lease Year" means successive 12-month periods with the first Lease Year commencing on the Commencement Date and succeeding Lease Years commencing on each anniversary of such date;

(s) "Leasehold Improvements" means all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by, for or on behalf of the Tenant or any previous occupant of the Premises in, on, to, for or which serve, the Premises, including all partitions and hardware however affixed, and whether or not movable, all mechanical, electrical and utility installations and all carpeting and drapes, with the exception only of furniture and equipment not of the nature of a fixture;

(t) "Normal Business Hours" means the business hours set forth in the Rules and Regulations in Schedule D attached hereto;

(u) "Occupancy Costs" means amounts payable by the Tenant to the Landlord under Section 4.3 and defined in Schedule C attached hereto;

(v) "Permitted Use" means the use described in Section 1.1(g) and in accordance with Section 7.1;

(w) "Premises" means those premises identified in Section 1.1(a) and shown on the plan attached hereto as Schedule A;

(x) "Proportionate Share" means a fraction which has as its numerator the Rentable Area of the Premises and which has as its denominator the Rentable Area of the Building;

(y) "Rent" means the aggregate of all amounts payable by the Tenant to the Landlord under this Lease;

(z) "Rentable Area" of the Premises, the Building or any portion thereof means the area of the Premises, the Building or any portion thereof, as applicable, measured in accordance with the BOMA standard method of floor measurement for office buildings currently ANSI/BOMA Z65.1-1996, as revised from time to time;

(aa) "Tenant's Work" means all work other than the Landlord's Work required to be done to complete the Premises for occupancy by the Tenant, as set forth in Schedule F attached hereto, or from time to time to alter the existing Leasehold Improvements and completed in a first class manner and in accordance with base building standards and the Landlord's design for the Building;

(bb) "Term" means the period of time set out in Section 1.1(c) and Section 3.1;

(cc) "Transfer" means those occurrences as set forth in Section 12.1; and

(dd) "Utilities" means electricity, oil, gas, power, telephone, water, and all other utilities.

1.3 Schedules: The following schedules are attached to this Lease and are incorporated as part of this Lease by reference thereto:

Schedule A – "Floor Plan"

Schedule B – "Legal Description"

Schedule C – "Occupancy Costs"

Schedule D – "Rules and Regulations"

Schedule E – "Tenant Improvement Guidelines"

Schedule F – "Landlord's Work and Tenant's Work"

Schedule G – "Special Provisions"

ARTICLE 2 – GRANT OF LEASE

2.1 Grant: In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord hereby demises and leases the Premises to the Tenant, and the Tenant hereby leases and accepts the Premises from the Landlord, to have and to hold during the Term, subject to the terms and conditions of this Lease.

2.2 Quiet Enjoyment: The Landlord covenants to provide the Tenant with quiet enjoyment and possession of the Premises during the Term, subject to the terms and conditions of this Lease.

2.3 Covenants of Landlord and Tenant: The Landlord covenants to observe and perform all of the terms and conditions to be observed and performed by the Landlord under this Lease including the terms and conditions contained in the Schedules hereto. The Tenant covenants to pay the Rent when due under this Lease, and to observe and perform all of the terms and conditions to be observed and performed by the Tenant under this Lease including the terms and conditions contained in the Schedules hereto.

2.4 Use of Common Areas: The Tenant shall have the right (in common with others entitled thereto) to the use of the Common Areas designated from time to time by the Landlord for use by tenants of the Building, provided that the Landlord shall have the right to make all such changes, improvements, alterations and additions as the Landlord may, from time to time decide in respect of the Common Areas, including, without limitation, the right to change the location and layout of any parking areas. The use of all Common Areas shall be subject to the provisions of this Lease and to the rules and regulations made by the Landlord with respect thereto from time to time.

2.5 Net Lease: The Tenant acknowledges and agrees that the Base Rent payable under this Lease is absolutely net to the Landlord and (except as otherwise expressly provided herein) that:

(a) the Landlord is not responsible for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the Premises, or the use or occupancy thereof, or the contents thereof, or the business carried on therein;

(b) the Tenant shall pay all costs, charges, expenses and outlays of every nature whatsoever arising from or relating to the Premises or the use or occupancy thereof, or the contents thereof, or the business carried on therein; and

(c) the Landlord shall not be called upon, nor shall the Landlord be obligated, to perform any work on or to the Premises or to correct any condition relating to or arising out of the Premises unless otherwise expressly provided for in this Lease.

ARTICLE 3 – TERM AND POSSESSION

3.1 Term: Notwithstanding Sections 3.2 and 3.3, the Term of this Lease shall be as set forth in Section 1.1(c) unless terminated earlier as provided in this Lease.

3.2 Early Occupancy: [Intentionally deleted].

3.3 Delayed Possession for Suite 610: If the Landlord is delayed in delivering joint possession of Suite 610 to the Tenant on or before the commencement of the Fixturing Period (as described in Schedule G hereto), then unless such delay is principally caused by or attributable to the Tenant, its servants, agents or independent contractors the date on which Suite 610 is to be made available to the Tenant, the obligation of the Tenant to pay Base Rent and Occupancy Costs, and the Expiry Date, all with respect to Suite 610 only, shall be postponed for a period equal to the duration of the delay. This Lease shall not be void or voidable, nor shall the Landlord be liable to the Tenant for any loss or damage resulting from any delay in delivering possession of Suite 610 to the Tenant, and the deferment of the obligation of the Tenant to pay Base Rent and Occupancy Costs with respect to Suite 610 only shall be accepted by the Tenant as full compensation for any such delay.

If any delay in the completion of the Landlord's Work is attributable to the Tenant, its servants, agents or independent contractors, the obligation of the Tenant to pay Base Rent and Occupancy Costs shall not be deferred.

3.4 Acceptance of Suite 610: Taking possession of all or any portion of Suite 610 by the Tenant shall be conclusive evidence as against the Tenant that Suite 610 or such portion thereof are in satisfactory condition on the date of taking possession, subject only to latent defects and to deficiencies (if any) listed in writing in a notice delivered by the Tenant to the Landlord within seven (7) days after the Commencement Date.

ARTICLE 4 – RENT AND OCCUPANCY COSTS

4.1 Base Rent: The Tenant shall pay from and after the Commencement Date to the Landlord without any prior demand therefor or notice thereof, and without any set-off, Base Rent for the Premises as set forth in Section 1.1(f), payable in equal consecutive monthly installments in advance on the first day of each and every month.

4.2 Adjustment of Base Rent based on Measurement of Rentable Area: Suite 610 shall be measured by the Architect within a reasonable time after occupancy by the Tenant and the Architect's certificate, as to the Rentable Area of Suite 610, shall be conclusive. The Landlord shall deliver a copy of the Architect's certificate to the Tenant forthwith and any calculation which is subject to Rentable Area shall be appropriately adjusted, if necessary, retroactively to the Commencement Date. If at any time or times during the Term of this Lease either:

(a) there is a change in the BOMA standard method of floor measurement for office buildings and the Landlord elects to follow the new standard; or

(b) the Landlord changes, modifies or alters the Building and/or the Common Areas or any part of them, which change, modification or alteration results in a reduction or increase to the Rentable Area of the Premises,

the Landlord shall, upon remeasurement by the Architect, deliver a copy of the Architect's certificate to the Tenant as to the Rentable Area of the Premises, which Architect's certificate shall be conclusive and those calculations which are subject to Rentable Area of the Premises shall be adjusted accordingly, retroactively to the date of completion of such change, modification or alteration to the Building and/or the Common Areas or part thereof.

4.3 Occupancy Costs: The Tenant shall pay to the Landlord, at the times and in the manner provided in Section 4.5, the Occupancy Costs determined under Schedule C attached hereto.

4.4 Other Charges: The Tenant shall pay to the Landlord, at the times and in the manner provided in this Lease or, if not so provided, as reasonably required by the Landlord, all amounts (other than that payable under Sections 4.1 and 4.3) which are payable by the Tenant to the Landlord under this Lease.

4.5 Method of Rent Payment: The Tenant shall deliver to the Landlord on or before the Commencement Date an executed authorization and a voided cheque to enable the Landlord to draw or issue a debit to the Tenant's designated bank account at the designated branch of the Tenant's bank or financial institution. Each monthly debit shall be made on the first day of the month and be in an amount equal to the monthly Base Rent and Occupancy Costs payment and any ancillary agreement such as, without limitation, parking or storage agreements, as it may be adjusted from time to time in accordance with the terms of this Lease. Should the Tenant change banks or financial institutions or branches within the same bank or financial institution during the Term of this Lease, then the Tenant shall deliver a new executed authorization and voided cheque to enable the Landlord to draw or issue a debit to the new account of the Tenant for payment of monthly Base Rent and Occupancy Costs payment. The Tenant further covenants and agrees to pay promptly, when billed, any amounts due under the terms of this Lease that are not specifically collected by the foregoing monthly debits.

In the event that any debit issued by the Landlord and any cheque issued by the Tenant shall not be honored by the Tenant's bank or financial institution for any reason, then, in addition to any other remedies the Landlord may have, the Tenant shall pay to the Landlord, upon request, One Hundred and Twenty-Five Dollars ($125.00) for each occurrence which amount represents the estimated costs of processing the dishonored debit or cheque and re-debiting the Tenant's account or processing a replacement cheque.

4.6 Payment of Rent: All amounts payable by the Tenant to the Landlord under this Lease shall be deemed to be Rent and shall be payable and recoverable as Rent in the manner herein provided, and the Landlord shall have all rights against the Tenant for default in any such payment as in the case of arrears of Rent. Rent shall be paid to the Landlord in legal tender of the jurisdiction in which the Building is located, at the address of the Landlord as set forth in Section 1.1(k) or at such other address as the Landlord may from time to time designate in writing. The Tenant's obligation to pay Rent shall survive the expiration or earlier termination of this Lease.

4.7 No Deduction or Set-off: The Tenant shall not under any circumstances be entitled to deduct from or set off from the Rent payable hereunder any amounts that the Tenant may claim to be entitled to from the Landlord. All disputes with respect to amounts the Tenant wishes to claim from the Landlord shall be settled as a matter separate from the Tenant's obligation to pay Rent.

4.8 Partial Month's Rent: If the Commencement Date is a day other than the first day of a calendar month, the installment of Base Rent payable on the Commencement Date shall be that proportion of Base Rent which the number of days from the Commencement Date to the last day of the month in which the Commencement Date falls bears to 365. If the Term ends on a day other than the last day of a calendar month, the installment of Base Rent payable on the first day of the last calendar month of the Term shall be that proportion of Base Rent which the number of days from the first day of such last calendar month to the last day of the Term bears to 365.

4.9 Occupancy Costs Payments:

(a) Prior to the Commencement Date and at the beginning of each Fiscal Year thereafter, the Landlord shall compute and deliver to the Tenant a bona fide estimate in writing of the Occupancy Costs for the next ensuing Fiscal Year or portion thereof, if applicable. Without further notice or demand, the Tenant shall pay to the Landlord the amount of the Occupancy Costs in equal monthly installments, in advance, over the Fiscal Year or portion thereof, simultaneously with the Tenant's payments on account of Base Rent.

(b) The Landlord shall keep proper and sufficient records and accounts of all Occupancy Costs and shall deliver to the Tenant within one hundred eighty (180) days following the end of each Fiscal Year, a written statement, setting out in reasonable detail the amount of Occupancy Costs for such Fiscal Year. If the total monthly installments of Occupancy Costs actually paid by the Tenant to the Landlord during the Fiscal Year is lower than the amount of the Occupancy Costs payable for the Fiscal Year, the Tenant shall pay to the Landlord the difference, without interest, within thirty (30) days after the date on which such statement is received by the Tenant, and if the total monthly installments of Occupancy Costs actually paid by the Tenant to the Landlord during the Fiscal Year is greater than the amount of Occupancy Costs payable for the Fiscal Year, the Landlord shall, at the Landlord's option and without interest, pay to the Tenant the difference or credit the difference against the Tenant's rental account. Notwithstanding the foregoing, the Landlord's rendering of any such statement shall not affect the Landlord's right subsequently to render an amended or corrected statement.

(c) If the Tenant disagrees with the accuracy of Occupancy Costs as set forth in the Landlord's written statement, the Tenant will nevertheless make payment in accordance with any notice given by the Landlord, but will notify the Landlord within sixty (60) days of receipt of the written statement of such disagreement. If the Landlord and the Tenant are unable to reach agreement it shall be referred by the Landlord for prompt decision by the Landlord's auditor, and the decision will be final and binding on both the Landlord and the Tenant. Any adjustment required to any previous payment made by the Tenant or the Landlord by reason of any such decision will be made within fourteen (14) days thereof. The Tenant shall pay the cost of the auditor's review unless an error is determined in the Tenant's favour in excess of five percent (5%) of the total amount of Occupancy Costs, in which case the Landlord shall pay the cost of the auditor's review.

(d) The Tenant may not claim a re-adjustment in respect of Occupancy Costs for a Fiscal Year if based upon any error of computation or allocation except by notice delivered to the Landlord within sixty (60) days after the date of delivery of the statement. In no event shall any examination or other dispute permit the Tenant to delay payment of Occupancy Costs as required by this Article.

4.10 Deposits:

(a) Prepaid Rent Deposit: The Landlord acknowledges receipt from the Tenant of the Prepaid Rent Deposit in the amount set forth in Section 1.1(h) as partial consideration for this Lease and the Prepaid Rent Deposit shall be held by the Landlord without liability for interest and applied towards payment of the Base Rent, Occupancy Costs and G.S.T. payable by the Tenant to the Landlord in accordance with Section 1.1(h).

(b) Security Deposit: The Landlord acknowledges receipt from the Tenant of the Security Deposit in the amount set forth in Section 1.1(h) and the Security Deposit shall be held by the Landlord without liability for interest and may be applied, in the Landlord's discretion, to remedy any default by the Tenant hereunder, whether in respect to the payment of Rent or other payments due to the Landlord under the terms of this Lease. In the event the entire Security Deposit or any portion thereof is applied by the Landlord towards the payment of overdue Rent prior to the expiration of the Term, then the Tenant shall, on written demand of the Landlord, forthwith remit to the Landlord such sum as is sufficient to restore such Security Deposit to its original amount. Within thirty (30) days after the expiration of the Term and subject to delivery of exclusive possession of the Premises by the Tenant to the Landlord in the state of repair required by the Tenant pursuant to Section 9.1 hereof, the Landlord, without limiting any of its rights or remedies under this Lease or at law, shall return the Security Deposit, or so much thereof as has not been applied by the Landlord, as aforesaid, without interest to the Tenant, less all costs and expenses which the Landlord, at the Landlord's option, may incur (i) in correcting or satisfying any default, or any Rent owing by the Tenant, under this Lease, (ii) in returning the Premises to the state of repair required by the Tenant pursuant to Section 9.1 hereof, and (iii) in employing security personnel to be on site during the Tenant's move from the Building at the expiration of the Term.

The Landlord may deliver the Security Deposit to any purchaser of the Landlord's interest in the Building and the Landlord shall thereby be discharged of any further liability with respect to such Security Deposit. The Landlord may commingle the Security Deposit with its own funds and shall not hold the Security Deposit as a trustee.

4.11 No Deemed Satisfaction: No payment by the Tenant or receipt by the Landlord of a lesser amount than any installment of Rent due shall be deemed to be other than on account of the amount due, and no endorsement or statement on any cheque or payment of Rent shall be deemed an accord and satisfaction. The Landlord may accept such cheque or payment without prejudice to the Landlord's right to recover the balance of such installment or payment of Rent, or pursue any other remedies available to the Landlord.

ARTICLE 5 – TAXES

5.1 Landlord's Taxes: The Landlord shall pay before delinquency (subject to participation of the the Tenant by payment of Occupancy Costs under Section 4.3) every real estate tax, property tax, assessment, license fee and other charge (except for the Tenant's taxes under Section 5.2), which is imposed, levied, assessed or charged by any governmental or quasi-governmental authority having jurisdiction and which is payable by the Landlord in respect of the Term upon or on account of the Lands or the Building.

5.2 Tenant's Taxes: The Tenant shall pay or remit before delinquency every tax, assessment, license or privilege fee, excise, gross receipts or sales tax and other charges, however described, which is imposed, levied, assessed or charged by any governmental or quasi-governmental authority having jurisdiction and which is payable in respect of the Term upon or on account of:

(a) operations at, occupancy of, or conduct of business from the Premises by or with the permission of the Tenant, including without limitation, personnel, business, sales and income tax;

(b) fixtures or personal property in the Premises which do not belong to the Landlord, including without limitation, taxes on equipment and machinery of the Tenant; and

(c) the Rent paid or payable or reserved by the Tenant to the Landlord for the Premises or for the use and occupancy of all or any part thereof.

5.3 Real Estate Taxes: The Tenant shall pay to the Landlord, as part of the Occupancy Costs as set forth in this Lease, in each and every year during the Term, its Proportionate Share of all Real Estate Taxes as outlined in Schedule C.

5.4 Goods and Services Taxes: The Tenant specifically acknowledges and agrees that as part of its Rent payable pursuant to Section 4.1 and Section 4.3 hereof, the Tenant shall pay to the Landlord any multi-stage sales, sales, use, consumption, value-added or other similar taxes imposed by the Government of Canada, or by any provincial or local government upon the Landlord or the Tenant or in respect of this Lease, the payments made by the Tenant (whether Base Rent, Occupancy Costs or otherwise) for the goods and services provided by the Landlord hereunder including, without limitation, the rental of the Premises or administrative services provided to the Tenant or to tenants generally. In addition, the Tenant shall also reimburse and indemnify the Landlord for the Tenant's Proportionate Share of amounts paid by the Landlord as or on account of such taxes in respect of any goods or services acquired by the Landlord for the purpose of this Lease. Amounts payable by the Tenant under this Article from time to time shall be paid when Rent under this Lease is payable.

5.5 Right to Contest: The Landlord has the right to contest in good faith the validity or amount of any tax, assessment, license fee, excise fee and other charge which it is responsible to pay under this Article 5. The Tenant shall have the right to contest in good faith the validity or amount of any tax, assessment, license fee, excise fee and other charge which it is responsible to pay under Section 5.2 and Section 5.4 hereof, provided that no contest by the Tenant may involve the possibility of forfeiture, sale or disturbance of the Landlord's interest in the Premises and that upon the final determination of any contest by the Tenant, the Tenant shall immediately pay and satisfy the amount found to be due, together with any costs, penalties and interest.

ARTICLE 6 – ADDITIONAL CHARGES

6.1 The Landlord may charge an Administration Fee of 15% to the Tenant for:

(a) services performed for the exclusive benefit of the Tenant, whether at the Tenant's request or otherwise, including without limitation, providing supervisory, inspection, security and maintenance services, reviewing plans and specifications and other services performed in excess of the services provided by the Landlord pursuant to Article 8;

(b) costs incurred and paid by the Landlord due to the Tenant's actions or inactions, including payment of penalties incurred as a result of the Tenant's use of the Premises or the Building, and third party invoices payable by the Tenant;

(c) reasonable professional fees paid for environmental or structural engineers, space planners or architects engaged solely in connection with the Tenant's use and lease of the Premises; and

(d) legal fees, cost of credit checks, and related costs incurred by the Landlord in enforcing the terms of this Lease.

6.2 This Administration Fee shall be charged without duplication. Where this Lease specifically provides for an Administration Fee for additional services, no further fee shall be charged hereunder.

6.3 The Administration Fee shall be paid by the Tenant to the Landlord as Rent on demand.

ARTICLE 7 – USE OF PREMISES

7.1 Use: The Premises shall be used and occupied only for the Permitted Use, as permitted under the existing zoning regulations which the Tenant has investigated and found compatible with its use, or for such other purposes as the Landlord may specifically authorize in writing. The Tenant shall operate and use the Premises throughout the Term for such purpose in a reputable and diligent manner in accordance with this Lease and the rules and regulations designed or established by the Landlord.

7.2 Compliance with Laws: The Premises shall be used and occupied in a safe, careful and proper manner so as not to contravene any present or future governmental or quasi-governmental laws in force or regulations or orders. If due solely to the Tenant's use of the Premises, improvements are necessary to comply with any of the foregoing or with the requirements of insurance carriers, the Tenant shall pay the entire cost thereof.

7.3 Abandonment: The Tenant shall not abandon the Premises at any time during the Term without the Landlord's written consent.

7.4 Nuisance: The Tenant shall not cause or maintain any nuisance in or about the Premises, the Building or the Lands, and shall keep the Premises free of debris, rodents, vermin and anything of a dangerous, noxious or offensive nature or which could create a fire hazard (through undue load on electrical circuits or otherwise) or undue vibration, heat, odour, or noise.

7.5 Security: The Tenant shall take all reasonable security measures as are necessary to protect and safeguard the Premises and its contents. The Tenant shall repair, at its cost, or the Tenant shall reimburse the Landlord for the cost of repair of any and all damages caused to the Building or the Premises resulting from burglary or other unlawful entry to the Premises.

ARTICLE 8 – SERVICES, MAINTENANCE, REPAIR AND ALTERATIONS BY LANDLORD

8.1 Operation of Building: During the Term the Landlord shall operate and maintain the Building in accordance with standards from time to time prevailing for similar office buildings in the area in which the Building is located and, subject to participation by the Tenant by payment of Occupancy Costs under Section 4.3 shall provide the services set out in Sections 8.2 and 8.3.

8.2 Services to Premises: The Landlord shall arrange for the provision of:

(a) **Heating, Ventilation and Air Conditioning:** heating, ventilation and air conditioning (but not any special air conditioning or heating as may be required with respect to the operation of computer equipment or any other equipment to be installed by the Tenant in the Premises) to the Premises of a standard as established by custom and practice for similar office buildings in the city in which the Building is located, during Normal Business Hours. Upon reasonable prior written notice from the Tenant, not to be less than 72 hours, the Landlord shall furnish air conditioning to the Premises after Normal Business Hours, but only at the expense of the Tenant at the Landlord's fixed hourly fee as determined from time to time by the Landlord acting reasonably.

(b) **Cleaning:** cleaning and janitorial services, including waste removal and exterior window cleaning to the Premises to standards consistent with the maintenance of similar office buildings.

(c) **Electricity & Other Utilities:** subject to the Landlord's ability to obtain same from its principal suppliers, electricity for normal lighting and small business machines therein, for which electricity the Tenant shall pay its Proportionate Share. In no event shall the Landlord be liable for, nor shall the Landlord have any obligation with respect to, any interruption or cessation of, or a failure in the supply of, any such Utilities, services or systems to the Building or to the Premises, whether or not supplied by the Landlord or others.

If at any time during the Term the Landlord should determine, in its sole discretion, that the Tenant's use of any Utility or service used or consumed in or in respect of the Premises is in any way unusual or of an excessive nature, the Landlord may, at its option but at the sole cost and expense of the Tenant, install in the Premises a separate meter or submeter with respect to such Utility or service, whereupon the Tenant's costs in connection with such Utility or service shall be determined in accordance with such separate meter or submeter

(d) **Lighting:** replacement of building standard fluorescent tubes, light bulbs and ballasts as required from time to time as a result of normal usage.

(e) **Maintenance:** maintenance, repair, and replacement as set out in Section 8.4.

(f) **Telephone:** appropriate ducts in the Building for allowing the Tenant to bring telephone services to the Premises.

8.3 Building Services: The Landlord shall provide in the Building:

(a) **Access:** the Landlord will permit the Tenant and the Tenant's employees and visitors to have the use during Normal Business Hours in common with others of the main entrance and the stairways, corridors and elevators leading to the Premises. At times other than Normal Business Hours, the Tenant and the Tenant's employees and visitors shall have access to the Building and to the Premises and use of the elevators only in accordance with the Landlord's Rules and Regulations. The Landlord may from time to time make temporary or long term changes to the Building security and Building access procedures without any compensation to the Tenant for loss of business, lost time or inconvenience. In times of actual or possible terrorist or other significant threat to property or life safety, the Landlord may cause the Building to be locked, evacuated or closed until such threat or action has reasonably passed. The Tenant shall ensure that its staff and invitees follow all security procedures and processes as are deemed necessary by the Landlord.

(b) **Basic Services:** heat, ventilation, air conditioning, lighting, electricity, running water, and janitor service in the Common Areas.

(c) **Directory:** a general directory board on which the Tenant shall be entitled to have its name shown, but the Landlord shall have exclusive control thereof and of the area thereon to be allocated to each tenant.

(d) **Elevators:** elevator or escalator service (if applicable) for access to and egress from the Premises.

(e) **Fitness Centre:** if installed by the Landlord, the Tenant and its employees shall be entitled to use of the fitness centre subject to the Tenant, or the Tenant's employees, if applicable, executing and delivering the Landlord's standard form of license agreement for the fitness centre, their payment of user fees in force from time to time and their compliance with the rules and regulations established from time to time in respect of the fitness centre.

(f) **Loading Dock:** the Tenant shall have the right of reasonable use, in common with other tenants, of the loading dock during Normal Business Hours and, subject to appropriate security arrangements being made and the Landlord's approval being obtained, after Normal Business Hours. The Tenant shall not use the elevators in the Building for the purposes of moving chattels except outside Normal Business Hours and with the prior consent of the Landlord, such consent not to be unreasonably withheld. The Tenant shall be fully responsible for the repair of any damage caused by the moving of chattels into or out of the Building.

(g) **Maintenance:** repair and replacement as set out in Section 8.4.

(h) **Security:** security typical for a building of this type.

(i) **Washrooms:** domestic hot and cold (or temperate) running water and necessary supplies in washrooms located in the Common Areas sufficient for the normal use thereof by occupants in the Building.

8.4 Maintenance, Repair and Replacement: The Landlord shall operate, maintain, repair and replace the systems, facilities and equipment necessary for the proper operation of the Building and for provision of the Landlord's services under Sections 8.2 and 8.3 (except such as may be installed by or for or be the property of the Tenant), and shall be responsible for and shall expeditiously maintain and repair the foundations, structure and roof of the Building provided that:

(a) if all or part of such systems, facilities and equipment are destroyed, damaged or impaired, the Landlord shall have a reasonable time in which to complete the necessary repair or replacement, and during that time shall be required only to maintain such services as are reasonably possible in the circumstances;

(b) the Landlord may temporarily discontinue such services or any of them at such times as may be necessary due to causes beyond the reasonable control of the Landlord;

(c) the Landlord shall use reasonable diligence in carrying out its obligations under this section, but except as expressly provided otherwise in this Lease, there shall be no allowance to the Tenant by way of diminution of Rent, or otherwise, and no liability on the part of the Landlord by reason of inconvenience, annoyance or injury to the business arising from the happening of the event which gives rise to the need for any repairs, alterations, additions or improvements or from making of any repairs, alterations, additions or improvements in or to any portion of the Building or the Premises, or in and to the fixtures, appurtenances and equipment thereof. The Landlord agrees to use its reasonable commercial efforts to do any work done by it in such a manner as not to unreasonably interfere with or impair the Tenant's use of the Premises;

(d) no reduction or discontinuance of such services under this Section shall be construed as an eviction of the Tenant or (except as specifically provided in this Lease) release the Tenant from any obligation of the Tenant under this Lease; and

(e) nothing contained herein shall derogate from the provisions of Article 17.

8.5 Additional Services:

(a) If from time to time as requested in writing by the Tenant, and to the extent that it is reasonably able to do so, the Landlord shall provide in the Premises services in addition to those set out in Section 8.2, provided that the Tenant shall within ten (10) days of receipt of any invoice for any such additional services pay the Landlord therefor at such reasonable rates as the Landlord may from time to time establish plus an Administration Fee.

(b) The Tenant shall not without the Landlord's written consent install in the Premises equipment that generates sufficient heat to affect the temperature otherwise maintained in the Premises by the heating, ventilation and air conditioning system as normally operated. The Landlord may install supplementary air conditioning units, facilities or services in the Premises, or modify its air conditioning systems, as may in the Landlord's reasonable opinion be required to maintain proper temperature levels and the Tenant shall pay the Landlord within ten (10) days of receipt of any invoice for the cost thereof, including installation, operation and maintenance expense plus an Administration Fee.

(c) If the Landlord shall from time to time reasonably determine that the use of electricity or any other utility or service in the Premises is disproportionate to the use thereof by other tenants, the Landlord may separately charge the Tenant for the excess costs attributable to such disproportionate use. At the Landlord's request, the Tenant shall install and maintain at the Tenant's expense, metering devices for checking the use of any such utility or service in the Premises.

8.6 Alteration by the Landlord: The Landlord may from time to time:

(a) make repairs, replacements, changes or additions to the structure, systems, facilities and equipment in the Premises where necessary to serve the Premises or other parts of the Building;

(b) make changes in or additions to any part of the Building not in or forming part of the Premises; and

(c) change or alter the Building services or facilities, the location of driveways, sidewalks or other Common Areas, and to extend existing buildings or erect new buildings or extend existing buildings above the Premises or other rentable premises or Common Areas of the Building, or add new Common Areas to or on the Building;

provided that in doing so the Landlord shall not materially disturb or interfere with the Tenant's use of the Premises and operation of its business any more than is reasonably necessary in the circumstances and shall repair any damage to the Premises caused thereby.

8.7 Access by the Landlord: The Tenant shall permit the Landlord to enter the Premises outside Normal Business Hours, and during Normal Business Hours in case of an emergency or where such entry will not unreasonably disturb or interfere with the Tenant's use of the Premises and operation of its business, to examine, inspect, and show the Premises to persons wishing to lease them or to purchase the Building, to provide services or make repairs, replacements, changes or alterations as set out in this Lease, and to take such steps, as the Landlord may deem necessary for the safety, improvement or preservation of the Premises or the Building. The Landlord shall whenever possible consult with or give reasonable notice to the Tenant prior to such entry, except in the case of an emergency, but in any event no such entry shall constitute an eviction or entitle the Tenant to any abatement of Rent.

8.8 Notice of Letting and Inspection by Prospective Tenants: At any time within one hundred eighty (180) days prior to the expiry or sooner termination of this Lease or at any time when the Tenant is in arrears of Rent equal to an amount greater than one month's Base Rent for more than thirty (30) days, any prospective tenant or its representative may inspect the Premises and all parts thereof at all reasonable hours if accompanied by the Landlord or its agent or agents, or unaccompanied on production of a written order signed by the Landlord or its agent or agents.

8.9 Relocation: [Intentionally deleted].

8.10 Energy Conservative and Security Policies: The Landlord shall be deemed to have observed and performed those things required to be observed and performed pursuant to the terms of this Lease, including those relating to the provision of utilities and services, if in doing so it acts in accordance with a directive, policy or request of a governmental or quasi-governmental authority serving the public interest in the field of energy conservation or security.

ARTICLE 9 – MAINTENANCE, REPAIR, ALTERATIONS AND IMPROVEMENTS BY TENANT

9.1 Condition of Premises: Except to the extent that the Landlord is specifically responsible thereof under this Lease, the Tenant shall maintain the Premises and all Leasehold Improvements therein in good order and condition, including:

(a) repainting and redecorating the Premises and cleaning drapes and carpets at reasonable intervals as needed;

(b) making repairs, replacements and alterations as needed, including those necessary to comply with the requirements of any governmental or quasi-governmental authority having jurisdiction, of all fixtures and things which at any time during the Term of this Lease are located or erected in or upon the Premises (including but not limited to signs, the inside and the outside of the ground floor windows, partitions and doors, lighting, wiring, plumbing, and electrical fixtures), such repair and maintenance to be made by the Tenant when, where and so often as needed excepting only:

i) reasonable wear and tear;

ii) repairs required to be made by the Landlord pursuant to Section 8.4; and

iii) repairs necessitated by damage from hazards against which the Landlord is required to insure hereunder,

unless such excepted repairs are necessitated by the acts or omissions of the Tenant, its agents, employees, invitees or licensees. The cost of any repair, decoration, maintenance, amendment or replacement required to be made in or to any portion of the Building directly as a result of any act or omission of the Tenant, its employees, servants, agents or licensees shall be paid in full by the Tenant.

9.2 Failure to Maintain Premises: If the Tenant fails to perform any obligation under Section 9.1, then on not less than ten (10) days' written notice to the Tenant, the Landlord may enter the Premises and perform such obligation without liability to the Landlord for any loss or damage to the Tenant thereby incurred and the Tenant shall pay the Landlord for the cost thereof, plus an Administration Fee, within ten (10) days of receipt of the Landlord's invoice therefor.

9.3 Alterations by the Tenant: The Tenant may from time to time at its own expense make changes, additions and improvements in the Premises to better adapt the same to its business, provided that any such change, addition or improvement shall comply with the requirements set forth in Schedule E attached hereto.

9.4 Increase in Property Taxes or Insurance: Any increase in property taxes or fire or casualty insurance premiums for the Building attributable to the Tenant's alterations, additions or improvements shall be solely borne by the Tenant.

9.5 Work by the Landlord: In the event the Tenant requires any of the following work, it shall be carried out at the Tenant's sole expense by the Landlord, at the Landlord's option, or by the Tenant subject to the prior written approval of the Landlord and on the condition that the Tenant retains the Landlord's approved base building contractors and consultants:

(a) work relating to heating, cooling, ventilation, exhaust control, electrical distribution and life safety systems;

(b) work on the roof of the Building including the installation of telecommunications equipment;

(c) patching of Building standard fireproofing;

(d) any drilling, cutting, coring and patching for conduit, pipe sleeves, chases, duct equipment, or openings in the floors, walls, columns or roofs of the Building; and

(e) installation of approved modifications to the sprinkler system.

The Tenant shall pay the Landlord an Administration Fee for the Landlord's supervision and/or management of such work.

9.6 Property of the Landlord: All Leasehold Improvements to the Premises, whether installed or constructed by the Tenant except for trade fixtures, shall become the property of the Landlord when constructed or installed, and the Tenant will be solely responsible for insuring, repairing, maintaining and, if requested by the Landlord, for removal of the same at the expiry of the Term.

9.7 Trade Fixtures and Personal Property: The Tenant may install in the Premises its usual first class trade fixtures and personal property appropriate for the Tenant's business in a proper manner, provided that:

(a) no such installation shall interfere with or damage the mechanical or electrical systems or the structure of the Building;

(b) the charge for the cost of any and all damages to the Building resulting from such installation will be paid by the Tenant;

(c) such installation does not contravene the provisions of Section 9.3;

(d) the Tenant will not bring upon the Premises any safe, vault, machinery, equipment, article or thing that by reason of its weight, size or use might, in the opinion of the Landlord, damage the Premises and will not at any time overload the floors of the Premises. If damage is caused to the Building or any part thereof by any machinery, equipment article or thing by overloading, or by any act, neglect or misuse on the part of the Tenant or any person for whom the Tenant is in law responsible the Tenant shall forthwith repair the same; and

(e) no trade fixtures, furniture or equipment shall be removed by the Tenant from the Premises during the Term except that the Tenant may, at the appointed time and subject to availability of elevators (if installed in the Building) remove its trade fixtures, furniture and equipment where such items have become excess for the Tenant's purposes or the Tenant is substituting therefor new items. The Tenant shall, in the case of every removal, make good any damage or injury caused to the Premises or the Building by reason of such removal.

9.8 Builder's Liens: The Tenant shall pay before delinquency all costs for work done or caused to be done by the Tenant in the Premises which could result in any lien or encumbrance being placed on the Landlord's interest in the Lands or Building or any part thereof, shall keep the title to the Lands or Building and every part thereof free and clear of any lien or encumbrance in respect of such work, and shall indemnify and hold harmless the Landlord against any claim, loss, cost, demand and legal or other expense, whether in respect of any lien or otherwise, arising out of the supply of

material, services or labour for such work. The Tenant shall immediately notify the Landlord of any such lien, claim of lien or other action of which it has or reasonably should have had knowledge of and which affects the title to the Lands or Building or any part thereof, and shall cause the same to be removed within fifteen (15) days, failing which the Landlord may take such action as the Landlord deems necessary to remove the same and the entire cost thereof shall be immediately due and payable by the Tenant to the Landlord.

9.9 Signage: The Tenant has the right to have its name displayed on the main lobby directory board for the Building, on the floor lobby directory board, if any, on each floor on which the Premises are located and on the main door to the Premises, all such signs to be at the Tenant's expense and to be under the exclusive control of the Landlord and to conform to the uniform pattern of identification signs for tenants of the Building prescribed by the Landlord. If the Premises constitute one or more full floors of the Building, the Tenant has the right to have a sign displaying the name of the Tenant in the elevator lobby of each such floor, at the Tenant's expense, provided that the Landlord has approved the design of the sign.

The Tenant shall not paint, display, inscribe, place or affix any sign, picture, advertisement, notice, lettering or direction on any part of the outside of the Building or visible from the outside of the Building, nor shall the Tenant paint, display, inscribe, place or affix any sign, picture, advertisement, notice, lettering or direction on the outside of the Premises or inside the Premises but visible from the outside without written consent of the Landlord. The Tenant at the termination of this Lease shall remove any such signs or other advertising material, and the Tenant shall promptly repair any and all damage caused by its installation or removal. The cost of such signage, installation, operations, insurance and erection thereof shall be borne entirely by the Tenant and shall be payable upon demand.

9.10 Telecommunications: The Tenant acknowledges and agrees that all telephone and telecommunications services desired by the Tenant shall be ordered and utilized at the sole expense of the Tenant and only with the prior written consent of the Landlord. All the Tenant's or its providers telecommunications equipment shall be and remain solely in the Premises or, only with the written approval of the Landlord, on the roof of the Building above the Premises, in accordance with rules and regulations adopted by the Landlord from time to time. The Landlord shall have no responsibility for the maintenance of the Tenant's or its provider's equipment, including wiring, nor for any wiring or other infrastructure to which the Tenant's telecommunications equipment may be connected. The Tenant agrees that, to the extent any such service is interrupted, curtailed or discontinued, the Landlord shall have no obligation or liability with respect thereto and it shall be the sole obligation of the Tenant at its expense to obtain substitute service.

Without limitation of the foregoing standard, it shall be reasonable for the Landlord to refuse to give its approval unless all of the following conditions are satisfied:

i) prior to the installation of any equipment the provider shall provide plans and specifications for the installation of its equipment for the Landlord's prior approval, however the placement of any of the providers equipment on the roof of the Building shall be in a location determined by the Landlord in its sole discretion, and the provider shall use existing Building conduits and pipes or use contractors approved by the Landlord, and agrees to remove, at the Landlord's request, all cabling at the expiry or earlier termination of the Term of the Lease;

ii) prior to commencement of any work in or about the Building by the provider, the provider shall execute the Landlord's standard telecommunications agreement, and shall supply the Landlord with such written indemnities, insurance, financial statements, and such other items as the Landlord reasonably determines to be necessary;

iii) the provider agrees to abide by such rules and regulations, building and other codes, job site rules and such other requirements as are reasonably determined by the Landlord to be necessary to protect the interests of the Building, the tenants in the Building and the Landlord; and

iv) the Landlord shall receive from the provider such compensation as determined by the Landlord for the fair market value of a provider's access to the Building, and the costs which may reasonably be expected to be incurred by the Landlord; and

v) the Landlord shall incur no expense whatsoever with respect to any aspect of the provider's provision of its services, including without limitation, the costs of installation, materials and services.

In the event that telecommunications equipment, wiring and facilities or satellite and antennae equipment of any type installed by or at the request of the Tenant within the Premises, on the roof, or elsewhere within or in the Building causes interference to equipment used by another party, the Tenant shall assume all liability related to such interference. The Tenant shall use reasonable efforts, and shall co-operate with the Landlord and other parties, to promptly eliminate such interference. In the event that the Tenant is unable to do so, the Tenant will substitute alternative equipment that remedies the situation. If such interference persists, the Tenant shall discontinue the use of such equipment, and, at the Landlord's discretion, remove such equipment according to foregoing specifications.

9.11 Energy Conservation: The Tenant covenants with the Landlord:

(a) that the Tenant will co-operate with the Landlord in the conservation of all forms of energy in the Building, including without limitation the Premises;

(b) that the Tenant will comply with all laws, by-laws, regulations and orders relating to the conservation of energy and affecting the Premises or the Building;

(c) that the Tenant will at its own cost and expense comply with all reasonable requests and demands of the Landlord made with a view to conserving such energy in accordance with good management practice and as would be made by a prudent owner of like property of like age; and

(d) that any and all costs and expenses paid or incurred by the Landlord in complying with such laws, by-laws, regulations and orders, so far as the same shall apply to the Building, shall be included in Occupancy Costs.

The Landlord shall not be liable to the Tenant in any way for any losses, costs, damages or expenses, whether direct or consequential paid, suffered or incurred by the Tenant as a result of any reduction in the services provided by the Landlord to the Tenant or to the Building as a result of the Landlord's compliance with such laws, by-laws, regulations or orders.

ARTICLE 10 – INSURANCE

10.1 Tenant's Insurance: The Tenant, at its expense, will maintain, throughout the Term and any period when it is in possession of all or any portion of the Premises, the insurance as described below.

The Tenant will cause each such insurance policy to:

(i) be primary, non-contributing with, and not in excess of, any other insurance available to the Landlord or any mortgagee;

(ii) where the Landlord, its agent and the mortgagee are added as additional insureds, contain a waiver in respect of the interests of the Landlord, its agent and the mortgagee of any provision in any such insurance policies with respect to any breach or violation of any warranties, representations, declarations or conditions in such policies, and be in a form and with insurers satisfactory to the Landlord and the mortgagee; and

(iii) upon request from the Landlord or upon the placement, renewal, amendment or extension of all or any part of the insurance, the Tenant will immediately deliver to the Landlord certificates of insurance signed by the Tenant's insurers evidencing the required insurance.

The Tenant's insurance shall contain the following:

(a) Property Insurance:

(i) broad form contents coverage, including flood, earthquake, subject to a stated amount clause, replacement cost clause, and by-law endorsement clause; and

(ii) comprehensive boiler and machinery insurance on all objects owned or operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant in the Premises with reasonable deductibles.

The insurance under this Section 10.1(a) will insure all property owned by the Tenant or for which the Tenant is legally liable, located within the Building, including, but not limited to, the Tenant's contents, Tenant's Work, property of others in the Tenant's care, custody or control and Leasehold Improvements, in an amount not less than the full replacement cost thereof and twelve (12) months direct or indirect loss of earnings, including prevention of access to the Premises or the Building.

(b) Liability Insurance:

(i) Five Million Dollars ($5,000,000) inclusive limits occurrence from commercial general liability (CGL) insurance. This insurance will include coverage for bodily injury or property damage, owners' products and completed operations, intentional acts to protect persons or property, personal injury, advertising liability, employers' liability, blanket contractual liability coverage, provision of cross liability, severability of interests and non-owned automobile liability form; and

(ii) One Million Dollars ($1,000,000) Tenant's legal liability broad form (TLL) insurance.

(c) Automobile Insurance:

One Million Dollars ($1,000,000) inclusive limits automobile liability insurance on an owner's form, covering all licensed vehicles operated by or on behalf of the Tenant.

(d) Crime Insurance:

Insurance for all damage sustained due to burglary of the Premises.

(e) Other Insurance:

Any other form of insurance and with whatever higher limits that the Landlord or the Mortgagee requires from time to time.

10.2 Cancellation of Tenant's Insurance and Additional Insureds: Any insurance called for under Section 10.1 of this Lease shall be endorsed to provide to the Landlord, its agent and the mortgagee thirty (30) days advance written notice of cancellation or material change and shall name the Landlord, its agent and the mortgagee as additional insureds with regard to the operations of the named insured.

If any insurance policy upon the Building or any part thereof shall be cancelled or shall be threatened by the insurer to be cancelled, refused to be renewed or the coverage thereunder reduced in any way by the insurer by reason of the use and occupation of the Premises or any part thereof by the Tenant or by anyone permitted by the Tenant to be upon the Premises, and if the Tenant fails to remedy the condition giving rise to cancellation, threatened cancellation or reduction of coverage within forty-eight (48) hours after notice thereof by the Landlord, the Landlord may, at its option, either (a) re-enter and take possession of the Premises forthwith by leaving upon the Premises a notice in writing of its intention so to do and thereupon the Landlord shall have the same rights and remedies as are contained in Article 20; or (b) enter upon the Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and the Tenant shall forthwith pay the cost thereof to the Landlord, plus an Administration Fee and the Landlord shall not be liable for any loss or damage caused to any property of the Tenant or of others located on the Premises as a result of any such entry.

10.3 Placement of Tenant's Insurance by Landlord: If the Tenant fails to take out, renew or keep in force any of the policies of insurance required to be taken out and maintained by the Tenant under Section 10.1, the Landlord may do so as agent of the Tenant and the Tenant shall reimburse the Landlord any amount so paid by the Landlord as agent of the Tenant plus an Administration Fee promptly upon demand by the Landlord.

10.4 Landlord's Insurance: Landlord shall, at all times throughout the Term, carry:

(a) broad form property of every description (POED) insurance on the Building and Comprehensive Boiler and Machinery insurance on the equipment contained therein and owned by the Landlord (specifically excluding any property with respect to which the Tenant and other tenants are obliged to insure pursuant to Section 10.1 or similar sections of their respective leases), such insurance endorsed to cover the gross rental value of the Building, all in such reasonable amounts and with such reasonable deductibles as would be carried by a prudent owner of a reasonably similar building, having regard to size, age and location;

(b) commercial general liability (CGL) insurance with respect to the Landlord's operations in the Building in such reasonable amounts and with such reasonable deductibles as would be carried by a prudent owner of a reasonably similar building, having regard to size, age and location; and

(c) such other form or forms of insurance as the Landlord or the mortgagee reasonably considers advisable.

The cost of such insurance shall be included in Operating Expenses. Notwithstanding the Landlord's covenant contained in this Section 10.4 and notwithstanding any contribution by the Tenant to the cost of the Landlord's insurance premiums provided herein, the Tenant acknowledges and agrees that (i) the Tenant is not relieved of any liability arising from or contributed to by its acts, fault, negligence or omissions; (ii) no insurable interest is conferred on the Tenant under any policies of insurance carried by the Landlord; and (iii) the Tenant has no right to receive any proceeds of any such insurance policies carried by the Landlord.

ARTICLE 11 – INDEMNITY

11.1 Loss or Damage

The Tenant agrees that the Landlord shall not be liable or responsible in any way to the Tenant or any other person for:

(a) any injury arising from or out of any occurrence in, upon, at or relating to the Building or Lands or any part thereof or any loss or damage to property (including loss of use thereof) of the Tenant or any other person located in the Building, or the Lands or any part thereof from any cause whatsoever, whether or not any such injury, loss or damage results from any fault, default, negligence, act or omission of the Landlord, or its agents, servants, employees or any other person for whom the Landlord is in law responsible;

(b) (without limiting the generality of the foregoing provisions of this Section 11.1) any injury to the Tenant or any other person or loss or damage to property resulting from: fire; smoke; explosion; falling plaster, ceiling tiles, fixtures or signs; broken glass; steam; gas; fumes; vapours; odours; dust; dirt; grease; acid; oil; any Hazardous Substance; debris; noise; air or noise pollution; theft; breakage; vermin; electricity; computer, utility, communication or electronic equipment or systems malfunction, breakdown or stoppage; electromagnetic radiation; electrical injury; water; rain; flood; flooding; freezing; tornado; windstorm; snow; sleet; hail; frost; ice; excessive heat or cold; sewage; sewer backup; toilet overflow; or leaks or discharges from any part of the Building (including the Premises), or from any pipes, sprinklers, appliances, equipment (including, without limitation, heating, ventilation and air-conditioning equipment) electrical or other wiring, plumbing fixtures, roof(s), windows, skylights, doors, trapdoors, or subsurface of any floor or ceiling of any part of the Building, or from the street or any other place, or by dampness or climatic conditions, or from any defect in the Building or any part thereof, or from any other cause whatsoever;

(c) any injury, loss or damage caused by other tenants or any persons in the Building, or by occupants of adjacent property thereto, or by the public, or by construction or renovation, or by any private, public or quasi-public work, or by interruption, cessation or failure of public or other utility service, or caused by Force Majeure;

(d) any injury to the Tenant or any other person or any loss or damage suffered to the Premises or the contents thereof by reason of the Landlord or its representatives entering the Premises to undertake any work therein, or to exercise any of the Landlord's rights or remedies hereunder, or to fulfill any of the Landlord's obligations hereunder, or in the case of emergency;

(e) any injury, loss or damage insured against or required to be insured against by the Tenant under Section 10.1;

(f) any injury, loss or damage caused by an act or omission (including theft, malfeasance or negligence) on the part of the agent, contractor or person from time to time employed by the Tenant to perform janitor services, security services, supervision or any other work in or about the Premises or the Building;

(g) any loss or damage, however caused, to merchandise, stock-in-trade, money, securities, negotiable instruments, papers or other valuables of the Tenant;

(h) any injury, loss or damage resulting from interference with or obstruction of deliveries to or from the Premises; or

(i) any injury or damages not specified above to the person or property of the Tenant, its agents, servants or employees, or any other person entering upon the Premises under express or implied invitation of the Tenant.

The Tenant expressly releases the Landlord for any injury or loss or damage to property caused by perils insured against or required to be insured against by the Tenant pursuant to the provisions of Section 10.1 hereof. Without limiting the generality of the provisions of this Section 11.1, (i) all property of the Tenant kept or stored on the Premises shall be so kept or stored at the risk of the Tenant only, and (ii) the Tenant shall promptly indemnify and hold harmless the Landlord from and against any and all claims, losses, actions, suits, proceedings, causes of action, demands, damages, fines, duties, judgments, executions, costs, charges, payments and expenses including any professional consultant and legal fees (on a solicitor and his/her own client basis) (collectively, "Claims") arising out of or in connection with (A) any loss of or damage to such property, including loss of use thereof, and including, without limitation, any subrogation claims by the Tenant's insurers, and (B) any injury referred to in this Section 11.1. The intent of this Section 11.1 is that the Tenant (and any persons having business with the Tenant) is to look solely to the Tenant's insurers to satisfy any Claims which may arise on account of injury, loss or damage, irrespective of the cause.

11.2 Indemnification of Landlord: Notwithstanding any other terms, covenants and conditions contained in this Lease, the Tenant shall promptly indemnify and hold completely free and harmless the Landlord from and against any and all Claims in connection with any injury or any loss or damage to property:

(a) arising from or out of this Lease, or any alterations in, to or for the Premises, or any occurrence in, upon or at the Premises, or the occupancy or use by the Tenant of the Premises, or any part thereof, or occasioned wholly or in part by any fault, default, negligence, act or omission of the Tenant or by any person permitted to be on the Premises by the Tenant; and

(b) arising from, relating to or occurring in, upon or at any part of the Building (other than the Premises) occasioned in whole or in part by any fault, default, negligence, act or omission by the Tenant or any of the directors, officers, servants, employees, contractors, agents, invitees and licensees of the Tenant and all other persons over whom the Tenant (i) may reasonably be expected to exercise control, and (ii) is in law responsible.

If the Landlord shall be made a party to any litigation commenced by or against the Tenant, the Tenant shall promptly indemnify and hold harmless the Landlord and shall pay the Landlord all costs and expenses, including, without limitation, any professional, consultant and legal fees (on a solicitor and his/her own client basis) that may be incurred or paid by or on behalf of the Landlord in connection with such litigation, as Rent, on demand. The Landlord may, at its option and at the Tenant's expense, participate in or assume carriage of any litigation or settlement discussions related to the foregoing or any other matter for which the Tenant is required to indemnify the Landlord under this Lease. Alternatively, the Landlord may require the Tenant at the Tenant's expense to assume carriage of and responsibility for all or any part of such litigation or discussions, subject to the Tenant at all times keeping the Landlord up to date in writing as to the status thereof.

The indemnification of the Landlord contained in this Section 11.2 shall not be prejudiced by, and shall survive the termination of, this Lease.

ARTICLE 12 – ASSIGNMENT AND SUBLETTING

12.1 Assignment or Subletting: The Tenant will not assign, transfer, sublet, part with or share possession or set over or permit the Premises to be occupied or used by a licensee or concessionaire or otherwise by any act or deed permit the Premises or any part of them to be assigned, transferred, set over or sublet, whether by operation of law or otherwise, (individually and collectively, a "Transfer") unto any persons, firm, partnership or corporation whomsoever except with prior consent of the Landlord, as set out herein. Notwithstanding the foregoing, the Tenant shall not assign or sublet all or part of the Premises to any other tenant in the Building.

If the Tenant desires to assign this Lease or sublet the Premises or any portion thereof to a named third party (the "Transferee"), the Tenant shall first provide the Landlord with any information the Landlord may reasonably require, including a true copy of the agreement to assign or sublet (the "Transfer Agreement"); evidence as to the responsibility, reputation, financial standing and business of the proposed transferee; a completed credit check application in the Landlord's form; and if any Leasehold Improvements are contemplated to be undertaken, then plans and specifications, including but not limited to, mechanical, electrical and structural drawings, (collectively the "Transfer Information"). The Tenant shall give at least thirty (30) days' prior written notice to the Landlord of the proposed Transfer and the effective date thereof.

Any request for a Transfer may be documented by the Landlord or, at the Landlord's option, by its solicitors, and the Landlord's then current standard fee (the "Documentation Fee"), any legal costs and any third party costs including, but not limited to, architects or consultants fees, (collectively, the "Transfer Fee") with respect thereto shall be payable by the Tenant on demand.

12.2 Landlord's Rights: Upon receipt of the request for consent, the Transfer Information and the Documentation Fee, the Landlord shall have the following rights:

(a) to sublease from the Tenant the Rentable Area to be sublet or assigned under the Transfer Agreement on the same terms and conditions as set out in the Transfer Agreement (except in respect of rent which shall be the lesser of the Rent paid therefor by the Tenant under this Lease or the rent specified in the Transfer Agreement) by giving written notice to the Tenant within fourteen (14) days of receipt of a true copy of the request for consent, the Transfer Information and the Documentation Fee; or

(b) to terminate this Lease in respect of the Rentable Area to be sublet or assigned under the Transfer Agreement, however if such area is greater than 50% of the Rentable Area of the Premises then the Landlord shall have the right to terminate this Lease in respect of the total Rentable Area of the Premises, as set out in Section 12.3; or

(c) to withhold its consent to a Transfer of a portion of the Premises where, in the Landlord's sole opinion the premises resulting from such a demise would have unreasonable configurations or access exit points;

(d) to withhold its consent to a Transfer where the intended use of the Premises by the proposed Transferee is inconsistent with the terms of this Lease, the proposed Transferee is a governmental agency, or where in the Landlord's judgment, the proposed Transferee has an unsatisfactory financial covenant or business history,

12.3 Termination by the Landlord: The Landlord's termination rights set out in Section 12.2(b) shall be exercised by giving written notice to the Tenant within fourteen (14) days of receipt by the Landlord of the request for consent, the Transfer Information and the Documentation Fee, and the termination date shall be the date stipulated in the Landlord's notice which shall in no event be less than sixty (60) days nor more than ninety (90) days following the giving of such notice by the Landlord.

12.4 Termination of Subleased Area: If the Landlord exercises its rights set out in Section 12.2(a), the Landlord shall have an additional right to terminate this Lease in respect of the Rentable Area sublet by the Tenant to the Landlord and such additional right of termination shall be exercised by giving written notice to the Tenant not less than seven (7) days prior to the end of the term of sublease to the Landlord and the termination date shall be the day following the end of the term of the sublease. If this Lease is terminated by the Landlord with respect to a part of the Premises, the Rent payable under this Lease shall thereafter abate proportionately and all other appropriate recalculations shall be made to recognize that the rentable area of the Premises under this Lease has been reduced.

12.5 Consent to Assignment or Subletting: If the Landlord does not exercise its rights set out in Sections 12.2(a), (b), (c), or (d) above, the Tenant may sublet the Premises or assign this Lease, as applicable, subject to the consent of the Landlord being first obtained, which consent may be conditional upon the following:

(a) the Tenant delivering the Transfer Fee to the Landlord;

(b) if the Base Rent (net of reasonable out of pocket costs for commissions, cash allowances and leasehold improvements required by and made for, or on behalf of, the Transferee by the Tenant, amortized on a straight line basis over the term of the Transfer) to be paid by the Transferee exceeds the Base Rent payable by the Tenant under this Lease, the amount of such excess shall be paid forthwith by the Tenant to the Landlord;

(c) the Transferee executing and delivering a consent agreement, on the Landlord's standard form agreeing to be bound by the terms of the Lease; and

(d) if the Landlord consents to a Transfer or a consent to transfer is obtained by the Order of Court of competent jurisdiction, the Landlord shall have the right to increase Base Rent payable for the balance of the Term to fair market value for similar improved premises in similar buildings in the city in which the Building is located.

12.6 Improvements at the Tenant's Cost: In the event any partial sublease or partial assignment is made pursuant to this Article 12, the Tenant shall bear the cost of all Leasehold Improvements (including, without limiting the generality of the foregoing, all demising walls, entrance doors, mechanical and electrical modifications) necessary to separate the area to be sublet or assigned from the remainder of the Premises and the Tenant shall also be responsible for the removal of all Leasehold Improvements, if requested by the Landlord, at the expiry of all sublease agreements.

12.7 Tenant's Obligations Continue: No assignment or disposition by the Tenant of this Lease or of any interest under this Lease shall relieve the Tenant from the performance of its covenants, obligations or agreements under this Lease. Such assignment or other disposition shall render null and void at the time of such assignment or other disposition any options to renew contained in this Lease and any options or rights to additional area unless the Landlord shall have otherwise agreed in writing.

12.8 No Deemed Consent: The Landlord's consent to any Transfer shall not be effective unless given by the Landlord in writing, and no such consent shall be deemed or presumed by any act or omission of the Landlord other than consent in writing, nor shall any consent be deemed to be a consent to any future Transfer by the Tenant or by any Transferee. Without limiting the generality of the foregoing, the Landlord may collect Rent and any other amounts from any Transferee and apply the net amount collected to the Rent and other amounts payable pursuant to this Lease, and the collection or acceptance of such amounts shall not be deemed to be a waiver of the Landlord's rights under this Article 12 nor an acceptance of or consent to any such Transfer.

12.9 Subsequent Assignments: The Landlord's consent to an assignment, transfer or subletting (or use or occupation of the Premises by any other person) shall not be deemed to be a consent to any subsequent assignment, transfer, subletting, use or occupation.

12.10 Change in Corporate Control: If the sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of the Tenant (or of any successor or assignee of the Tenant which is a corporation) shall result in changing the control of the Tenant such sale, assignment, transfer or other disposition shall be deemed an assignment of this Lease and shall be subject to all of the provisions of this Lease with respect to assignments by the Tenant, provided, however, that the Landlord's consent shall not be required to an assignment or transfer of the issued and outstanding capital stock of the Tenant:

(a) to a corporation controlled by or subject to the same control as the assignor or transferor; or

(b) if the Tenant is a public corporation whose shares are traded and listed on any recognized stock exchange in Canada or in the United States; or

(c) to a member or members of the family of the assignor or transferor; or

(d) in the case of devolution through death;

so long as in either case prior to or as soon as reasonably possible thereafter, the Landlord has received assurances satisfactory to the Landlord that there will be a continuity of the existing management of the Tenant, and of its business practices and policies notwithstanding any such sale, transfer or other disposition of controlling shares.

For the purpose of this Section 12.10, "control" of any corporation shall be deemed to be vested in the person or persons owning more than fifty percent (50%) of the voting power for the election of the board of directors of such corporation and a "member or members" of the family of any assignor shall include his spouse, parents, brother or sisters and issue.

12.11 Securing Loan: The restrictions on assigning and subletting as aforesaid shall apply, *mutatis mutandis*, to any assigning, subletting, mortgaging or other transferring of the Premises or this Lease or Leasehold Improvements by the Tenant for the purpose of securing any loan.

12.12 Unamended Lease Terms: If the Tenant receives the Landlord's written consent to a Transfer under the provisions of this Article 12, the Tenant, the Landlord and proposed Transferee specifically agree that notwithstanding anything to the contrary contained herein, all terms, covenants and conditions of this Lease shall remain as herein specified including, without limitation, the provisions of this Lease relating to the use, business name and character of the business, unless such sections are specifically amended in writing between the Tenant and the Landlord.

12.13 No Advertising: The Tenant shall not advertise the whole or any part of the Premises or this Lease for the purpose of a Transfer and shall not print, publish, post, display or broadcast any notice or advertisement to that effect and shall not permit any broker or other person to do any of the foregoing, unless the complete text and format of any such notice, advertisement or offer is first approved in writing by the Landlord. Without in any way restricting or limiting the Landlord's right to refuse any text or format on other grounds, any text or format proposed by the Tenant shall not contain any reference to the rental rate of the Premises.

ARTICLE 13 – SURRENDER

13.1 Possession: At the expiration or earlier termination of the Term, the Tenant shall peaceably surrender and yield up to the Landlord the Premises and all Leasehold Improvements made, constructed, erected or installed in the Premises in good and substantial repair and condition in accordance with its covenants to maintain and repair the Premises. The Tenant shall surrender all keys for the Premises to the Landlord at the place then fixed for payment of Rent, and shall inform the Landlord of all combinations of locks, safes and vaults, if any, in the Premises.

13.2 Removal of Improvements, Fixtures and Goods: Upon the expiration or earlier termination of the Term and at the Tenant's cost, the Tenant shall be responsible to remove all office machines, equipment, furniture, safes or vaults, data and telecommunications cabling and Leasehold Improvements (as may be required by the Landlord), and shall make good any damage caused by reason of the installation and removal of such items. Notwithstanding the foregoing, the Tenant shall not remove any trade fixtures, goods or chattels of any kind from the Premises until all rent and other monies due by the Tenant to the Landlord are paid. Any removal of equipment or Leasehold Improvements, which is undertaken pursuant to this clause, and restoration of the Premises to good order and condition, reasonable wear and tear excepted, shall be completed prior to the expiry of the Term. The Tenant's obligations to observe or perform this covenant shall survive the expiration or earlier termination of this Lease.

13.3 Landlord Property: All Leasehold Improvements made, constructed, erected or installed in the Premises and not required by the Landlord to be removed are the property of the Landlord.

13.4 Tenant’s Failure to Remove and Repair: Should the Tenant fail to remove any Leasehold Improvements which it has been instructed to remove by the Landlord, or any trade fixtures, goods or chattel of any kind from the Premises or to repair the Premises prior to the expiry or earlier termination of the Term of this Lease then the Landlord may, at its option, remove such Leasehold Improvements which the Landlord had instructed the Tenant to remove, remove trade fixtures, goods or chattels of the Tenant of any kind and repair any damage caused to the Premises by their removal at the Tenant’s expense including an Administration Fee and may dispose of same in any manner which the Landlord sees fit without compensation of any kind whatsoever to the Tenant, all in accordance with Section 20.5.

13.5 Termination of Sublease: The expiry or early termination of the Lease shall at the Landlord's option terminate all or any subleases.

13.6 Payments After Termination: No payments of money by the Tenant to the Landlord after the expiration or earlier termination of the Term or after giving of any notice (other than a demand for payment of money) by the Landlord to the Tenant, shall reinstate, continue or extend the Term or make ineffective any notice given to the Tenant prior to the payments of such money. After the service of notice or the commencement of a suit, or after final judgment granting the Landlord possession of the Premises, the Landlord may receive and collect any sums of Rent due under this Lease, and the payment thereof shall not make ineffective any notice, or in any manner affect any pending suits or any judgment therefor obtained.

ARTICLE 14 – HOLDING OVER

14.1 Month-to-Month Tenancy: If, with the Landlord's written consent, the Tenant remains in possession of the Premises after the expiration or other termination of the Term, the Tenant shall be deemed to be occupying the Premises on a month-to-month tenancy only, at a monthly rental equal to one and one quarter times the Base Rent payable by the Tenant in the last month of the Term or such other rental as is stated in such written consent, and such month-to-month tenancy may be terminated by the Landlord or the Tenant on the last day of any calendar month by delivery of at least thirty (30) days' advance written notice of termination to the other, as the case may be.

14.2 Tenancy at Sufferance: If, without the Landlord's written consent, the Tenant remains in possession of the Premises after the expiration or other termination of the Term, the Tenant shall be deemed to be occupying the Premises upon a tenancy at sufferance only, at a monthly rental equal to two times the current Rent determined in accordance with Article 4. Such tenancy at sufferance may be terminated by the Landlord at any time by notice of termination to the Tenant on the last day of any calendar month upon thirty (30) days' advance written notice.

14.3 General: Any month-to-month tenancy or tenancy at sufferance hereunder shall be subject to all other terms and conditions of the Lease except any right of renewal and nothing contained in this Article 14 shall be construed to limit or impair any of the Landlord's rights of re-entry or eviction or constitute a waiver thereof.

ARTICLE 15 – RULES AND REGULATIONS

15.1 Purpose: The rules and regulations set forth in Schedule D attached hereto have been adopted by the Landlord for the safety, benefit and convenience of all tenants and other persons in the Building. The rules and regulations may differentiate between different types of businesses in the Building, but the Landlord shall not discriminate against the Tenant in the establishment or enforcement of the rules and regulations. All such rules and regulations shall be deemed to be incorporated into and form part of this Lease, provided that if there is a conflict between such rules and regulations and the other provisions of this Lease, such other provisions of this Lease shall in all cases prevail.

15.2 Observance: The Tenant shall, at all times, comply with, and shall cause its employees, agents, licensees and invitees to comply with, such rules and regulations attached hereto as Schedule D hereto and such further and other reasonable rules and regulations and amendments and changes thereto as may be made by the Landlord and notified to the Tenant by mailing a copy thereof to the Tenant or by posting same in a conspicuous place in the Building. All such rules and regulations now or hereafter in force shall be read as forming part of this Lease.

15.3 Non-Compliance: The Landlord shall use its reasonable commercial efforts to secure compliance by all tenants and other persons with such rules and regulations from time to time in effect, but shall not be responsible to the Tenant for failure of any person to comply with such rules and regulations.

ARTICLE 16 – EXPROPRIATION

16.1 Taking of Premises: If during the Term or any renewal thereof all of the Premises shall be taken for any public or quasi-public use under any statute or by right or expropriation, or purchased under threat of such taking, this Lease shall automatically terminate on the date on which the expropriating authority takes possession of the Premises (the "date of such taking").

16.2 Partial Taking of Building: If during the Term only part of the Building is taken or purchased as set out in Section 16.1, then:

(a) if in the reasonable opinion of the Landlord substantial alteration or reconstruction of the Building is necessary or desirable as a result thereof, whether or not the Premises are or may be affected, the Landlord shall have the right to terminate this Lease by giving the Tenant at lease thirty (30) days' written notice of such termination, and

(b) if more than one-third of the number of square feet in the Premises is included in such taking or purchase, the Landlord and the Tenant shall each have the right to terminate this Lease by giving the other at least thirty (30) days' written notice thereof.

If either party exercises its right of termination hereunder, this Lease shall terminate on the date stated in the notice, provided however, that no termination pursuant to notice hereunder may occur later than sixty (60) days after the date of such taking.

16.3 Surrender: On any such date of termination under Sections 16.1 or 16.2, the Tenant shall immediately surrender the Premises and all interest therein under this Lease to the Landlord pursuant to Article 13. The Landlord may re-enter and take possession of the Premises and remove the Tenant therefrom, and the Rent shall abate on such date in respect of the portion taken. After such termination, and on notice from the Landlord stating the Rent then owing, the Tenant shall forthwith pay the Landlord such Rent.

16.4 Partial Taking of Premises: If any portion of the Premises (but less than the whole thereof) is so taken, and no rights of termination herein conferred are timely exercised, the Term of the Lease shall expire with respect to the portion so taken on the date of such taking. In such event the Rent payable hereunder with respect to such portion so taken shall abate on such date, and the rent thereafter payable with respect to the remainder not so taken shall be adjusted pro rata by the Landlord in order to account for the resulting reduction in the number of square feet in the Premises.

16.5 Awards: Upon any such taking or purchase, the Landlord shall be entitled to receive and retain the entire award or consideration for the affected lands and improvements, and the Tenant shall not have or advance any claim against the Landlord for the value of its property or its leasehold estate or the unexpired Term of the Lease, or for costs of removal or relocation, or business interruption expense or any other damages arising out of such taking or purchase. Nothing herein shall give the Landlord any interest in or preclude the Tenant from seeking and recovering on its own account from the expropriating authority any award or compensation attributable to the taking or purchase of the Tenant's improvements, chattels or trade fixtures, or the removal or relocation of its business. If any such award made or compensation paid to either party specifically includes an award or amount for the other, the party first receiving the same shall promptly account therefor to the other.

ARTICLE 17 – DAMAGE BY FIRE OR OTHER CASUALTY

17.1 Limited Damage to Premises: If all or part of the Premises are rendered untenantable by damage from fire or other casualty which, in the reasonable opinion of the Landlord's Architect, can be substantially repaired under applicable laws and government regulations within one hundred and eighty (180) days from the date of such casualty (employing normal construction methods without overtime or other premium), the Landlord and the Tenant, as the case may be, according to the nature of the damage and their respective obligations to repair, shall repair the damage with all reasonable diligence.

17.2 Major Damage to Premises: If all or part of Premises are rendered untenantable by damage from fire or other casualty which, in the reasonable opinion of the Landlord's Architect. cannot be substantially repaired under applicable laws and governmental regulations within one hundred and eighty (180) days from the date of such casualty (employing normal construction methods without overtime or other premium), then the Landlord may, at its option, elect to terminate this Lease as of the date of such casualty by written notice to the Tenant not more than ten (10) days after receipt of such Architect's opinion, failing which the Landlord or the Tenant, as the case may be, according to the nature of the damage and their respective obligations under this Lease, shall repair such damage with all reasonable diligence. If such notice of termination is given, the Tenant shall deliver up possession of the Premises to the Landlord within thirty (30) days after delivery of the notice of termination and Rent shall be apportioned and paid to the date on which the Tenant delivers vacant possession of the Premises, subject to any abatement to which the Tenant may be entitled.

17.3 Abatement: If the Landlord is required to repair damage to all or part of the Premises under Sections 17.1 or 17.2 the Rent payable by the Tenant hereunder shall be proportionately reduced to the extent that the Premises are thereby rendered unusable by the Tenant in its business, from the date of such casualty until five (5) days after completion by the Landlord of the repairs to the Premises (or part thereof rendered untenantable) or until the Tenant again uses the Premises (or part thereof rendered untenantable) in its business, whichever first occurs.

17.4 Major Damage to Building: If all or a substantial part (whether or not including the Premises) of the Building is rendered untenantable by damage from fire or other casualty to such a material extent that in the reasonable opinion of the Landlord the Building must be totally or partially demolished or reconstructed whether or not to be reconstructed in whole or in part, the Landlord may elect to terminate this Lease as of the date of such casualty (or on the date of notice if the Premises are unaffected by such casualty) by written notice delivered to the Tenant not more than sixty (60) days after the date of such casualty, in which event:

(a) the Tenant shall deliver up possession of the Premises to the Landlord within thirty (30) days after delivery of the notice of termination; and

(b) Rent shall be apportioned and paid to the date upon which possession has been delivered up.

In the event the Landlord does not terminate this Lease, the Landlord or the Tenant, as the case may be, according to the nature of the damage and their respective obligations under this Lease, shall repair such damage with all reasonable diligence.

17.5 Limitation on the Landlord's Liability: Except as specifically provided in this Article 17, there shall be no reduction of Rent and the Landlord shall have no liability to the Tenant by reason of any injury to or interference with the Tenant's business or property arising from fire or other casualty, howsoever caused, or from the making of any repairs resulting therefrom in or to any portion of the Building or the Premises. Notwithstanding anything contained herein, Rent payable by the Tenant hereunder shall not be abated if the damage is caused by any act or omission of the Tenant, its agents, servants, employees or any other person entering upon the Premises under express or implied invitation of the Tenant.

ARTICLE 18 – TRANSFERS BY LANDLORD

18.1 Sale, Conveyance and Assignment: Nothing in this Lease shall restrict the right of the Landlord to sell, convey, assign or otherwise deal with the Lands or the Building, subject only to the rights of the Tenant under this Lease.

18.2 Effect of Sale, Conveyance or Assignment: A sale, conveyance or assignment of the Lands and Building shall operate to release the Landlord of liability, from and after the effective date thereof, upon all of the covenants, terms and conditions of this Lease, express or implied, except as such may relate to the period prior to such effective date, and the Tenant shall thereafter look solely to the Landlord's successor in interest in and to this Lease. This Lease shall not be affected by any such sale, conveyance or assignment, and the Tenant shall attorn to the Landlord's successor in interest thereunder.

18.3 Subordination: This Lease is and shall be subject and subordinate in all respects to any and all mortgages and security interests now or hereafter placed on the Building or Lands, and to all renewals, modifications, consolidations, replacements and extensions thereof.

18.4 Attornment: If the interest of the Landlord is transferred to any person (herein called the "Purchaser") by reason of foreclosure or other proceedings for enforcement of any such mortgage, or by delivery of a deed in lieu of such foreclosure or other proceedings, the Tenant shall immediately and automatically attorn to the Purchaser.

18.5 Effect of Attornment: Upon attornment this Lease shall continue in full force and effect as a direct lease between the Purchaser and the Tenant, upon all of the same terms, conditions and covenants as are set forth in the Lease except that, after such attornment, the Purchaser shall not be:

(a) liable for any act or omission of the Landlord; or

(b) subject to any offsets or defences which the Tenant might have against the Landlord; or

(c) bound by a prepayment by the Tenant of more than one month's installment of Rent, unless such prepayment shall have been approved in writing by Purchaser or any predecessor in interest except the Landlord.

18.6 Execution of Instruments: The subordination and attornment provisions of this Article 18 shall be self-operating and no further instrument shall be required. Nevertheless the Tenant will, within five (5) days after request, sign and deliver any reasonably requested document confirming the subordination or the attornment.

ARTICLE 19 – NOTICES, ACKNOWLEDGEMENTS, AUTHORITIES FOR ACTION

19.1 Notices: Any notice from one party to the other hereunder shall be in writing and shall be deemed duly served if delivered personally to a responsible employee of the party being served or if delivered by facsimile to the party being served at the number set forth in Section 1.1(k) or if delivered by courier addressed to the Tenant at the Premises (whether or not the Tenant has departed from, vacated or abandoned the same), or to the Landlord at the address set forth in Section 1.1(k) or any other place from time to time established for the payment of Rent. Any notice shall be deemed to have been given at the time of personal delivery or time of facsimile provided confirmation can be confirmed or if by overnight courier the next business day. Either party shall have the right to designate by notice, in the manner above set forth, a different address to which notices are to be delivered.

The word "notice" in this paragraph shall be deemed to include any request, statement or other writing in this Lease provided or permitted to be given from the Landlord to the Tenant or by the Tenant to the Landlord. If there is more than one party named as Tenant, notice to one shall be deemed sufficient as notice to all.

19.2 Acknowledgement: Each of the parties hereto shall at any time and from time to time upon not less than 10 days prior notice from the other execute, acknowledge and deliver a written statement in such form as may be requested by the Landlord acting reasonably certifying that:

(a) this Lease is in full force and effect, subject only to such modification (if any) as may be set out therein,

(b) the Tenant is in possession of the Premises and paying Rent as provided in this Lease,

(c) the dates (if any) to which Rent is paid in advance, and

(d) that there are not, to such party's knowledge any uncured defaults on the part of the other party hereunder, or specifying such defaults in any are claimed.

Any such statement may be relied upon by any prospective transferee or encumbrancer of all or any portion of the Building, or any assignee of any such persons. If the Tenant fails to timely deliver such statement, the Tenant shall be deemed to have acknowledged that this Lease is in full force and effect, without modification except as may be represented by the Landlord, and that there are no uncured defaults in the Landlord's performance.

19.3 Authorities for Action: The Landlord may act in any matter provided for herein by its property manager and any other person who shall from time to time be designated by the Landlord by notice to the Tenant. The Tenant shall designate in writing one or more persons to act on its behalf in any matter provided for herein and may from time to time change, by notice to the Landlord, such designation. In the absence of any such designation, the person or persons executing this Lease for the Tenant shall be deemed to be authorized to act on behalf of the Tenant in any matter provided for herein.

ARTICLE 20 – DEFAULT

20.1 Events of Default: In the event of the happening of any one of the following events:

(a) the Tenant shall have failed to pay a monthly installment of Rent or any other amount payable hereunder when due; or

(b) if any policy of insurance upon the Lands or any part thereof from time to time effected by the Landlord shall be cancelled or about to be cancelled by the insurer by reason of the use or occupation of the Premises by the Tenant or any assignee, subtenant or licensee of the Tenant or anyone permitted by the Tenant to be upon the Premises and the Tenant after receipt of notice in writing from the Landlord shall have failed to take such immediate steps in respect of such use or occupation as shall enable the Landlord to reinstate or avoid cancellation (as the case may be) of such policy of insurance; or

(c) the Premises or any portion thereof shall, without the prior written consent of the Landlord, be used or occupied by any other persons than the Tenant or its permitted assigns or subtenants or for any purpose other than that for which they were leased or occupied or by any persons whose occupancy is prohibited by this Lease; or

(d) the Premises shall be vacated or abandoned, or remain unoccupied without the prior written consent of the Landlord for fifteen (15) consecutive days or more while capable of being occupied; or

(e) the Tenant makes a bulk sale of its goods or removes or commences, attempts or threatens to remove its goods, chattels, and equipment out of the Premises (other than in the normal course of its business); or

(f) the balance of the Term of this Lease or any of the goods and chattels of the Tenant located in the Premises, shall at any time be seized in execution or attachment; or

(g) the Tenant becomes insolvent or commits an act of bankruptcy or becomes bankrupt or takes the benefit of any statute that may be in force for dissolution or bankrupt or insolvent debtors or becomes involved in voluntary or involuntary winding-up proceedings or if a receiver or a trustee, receiver or receiver manager or agent or other like person shall be appointed for the business, property, affairs or revenues of the Tenant; or

(h) the remaining Term of this Lease, or any goods, chattels or equipment of the Tenant is taken or exigible in execution or in attachment, seized or if a writ of execution or a repleven order is issued against the Tenant or its goods or chattels by any creditor of the Tenant; or

(i) the Tenant fails to observe, perform and keep each and every one of the covenants, agreements, provisions, stipulations and conditions herein contained to be observed, performed and kept by the Tenant (other than payment of Rent) and persists in such failure after ten (10) days' notice by the Landlord requiring that the Tenant remedy, correct, desist or comply (or if any such breach would reasonably require more than ten (10) days to rectify, unless the Tenant commences rectification within ten (10) days' notice period and thereafter promptly and effectively and continuously proceeds with the rectification of the breach);

it shall be deemed an "Event of Default" and the Landlord shall have the rights and remedies set forth in this Article 20, all of which are cumulative and not alternatives and not to the exclusion of any other or additional rights and remedies in law or equity available to the Landlord by statute or otherwise. No such remedy shall be exclusive or dependent upon any other such remedy, but the Landlord may from time to time exercise any one or more of such remedies independently or in combination.

20.2 Interest and Costs to Lease Space: The Tenant shall pay to the Landlord interest at a rate equal to five percent (5%) per annum over the prime rate charged by the Landlord's principal banker to the Landlord, calculated and compounded monthly, upon all Rent required to be paid hereunder from the due date for payment thereof until the same is fully paid and satisfied. The Tenant shall indemnify the Landlord against all costs and charges lawfully and reasonably incurred in enforcing payment thereof, and in obtaining possession of the Premises after default of the Tenant or upon expiration or earlier termination of the Term of this Lease, or in enforcing any covenant, provision or agreement of the Tenant herein contained.

20.3 Legal Expenses: In case suit shall be brought for recovery of possession of the Premises, for the recovery of Rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of the Tenant to be kept or performed and a breach shall be established, the Tenant shall pay to the Landlord all expenses incurred therefor, including reasonable solicitors' and counsel fees on a solicitor and his/her client basis.

20.4 General Security Agreement: For value received, the Tenant hereby grants to the Landlord a security interest (the "Security Interest") in all presently owned and hereafter acquired personal property of the Tenant of whatsoever nature and kind and wheresoever situate and all proceeds thereof and therefrom, renewals thereof, accessions thereto and substitutions therefor, (all of which are herein collectively called the "Collateral"), including, without limiting the generality of the foregoing, all the presently owned or held and hereafter acquired right, title and interest of the Tenant in and to all goods (including all accessories, attachments, additions and accessions thereto), chattel paper, documents of title (whether negotiable or not), instruments, intangibles, licenses, money, securities, and all:

(a) inventory of whatsoever nature and kind and wheresoever situate;

(b) equipment (other than inventory) of whatsoever nature and kind and wheresoever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature and kind;

(c) book accounts and book debts and generally all accounts, debts, dues, claims, actions and demands of every nature and kind howsoever arising or secured including letters of credit, letters of guarantee and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Tenant;

(d) deeds, documents, writings, papers, books of account and other books relating to or being records of debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;

(e) contractual rights and insurance claims and all goodwill; and

(f) monies other than trust monies lawfully belonging to others;

as general and continuing security for payment, performance and satisfaction of each and every obligation, indebtedness and liability of the Tenant to the Landlord, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate unpaid balance thereof, including obligations of the Tenant under this Lease (all of which obligations, indebtedness and liabilities are herein collectively called the "Obligations").

The Tenant confirms and agrees that the Security Interest is complete and valid without the necessity of any other or further documentation in respect thereof and is intended to constitute a security agreement as defined in the *Personal Property Security Act of the province in which the Building is located*, as may be amended from time to time (the "Act"). This security agreement is separate from and shall survive the termination, expiry, surrender, repudiation, disaffirmance or disclaimer of this Lease. Upon an Event of Default by the Tenant of any of its obligations pursuant to this Lease, the Landlord shall be entitled, at its sole option (and without any obligation so to do), to exercise any remedies available to it as a secured party under the Act in respect of the Collateral. The Security Interest is given in addition to, and not as an alternative to and not in substitution for any other security or securities which the Landlord may now or from time to time hold or take from the Tenant or from any other person whomsoever, and the grant of security hereunder is made without prejudice to any of the rights and remedies afforded to the Landlord under the Act, hereunder or at law or in equity, any of which may be exercised by the Landlord without prejudice, to the Landlord's right of distress. The Tenant covenants and agrees that all Collateral located on the Premises from time to time shall be owned by the Tenant and except in the ordinary course of the Tenant's business, the Tenant shall not at any time without the prior written consent not to be unreasonably withheld, dispose of all or any part of the Collateral.

Upon any default under this Lease, the security constituted by this Lease shall immediately become enforceable, and any floating charge will immediately attach the Tenant's real property and Collateral. To enforce and realize on the security constituted by this Lease, the Landlord may take any action permitted by law or in equity, as it may deem expedient, and in particular, but without limiting the generality of the foregoing, the Landlord may exercise any of its remedies hereunder, including appointing by instrument a receiver, receiver and manager, or receiver-manager (the person so appointed is called the "Receiver") of the Collateral, with or without bond as the Landlord may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead.

A Receiver appointed under this Lease shall be the agent of the Tenant and not of the Landlord, and the Landlord shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any Receiver, its servants, agents, or employees. A Receiver shall, to the extent permitted by law or to such lesser extent permitted by its appointment, have all the powers of the Landlord under this Lease, and in addition shall have power to carry on the business of the Tenant and for such purpose to enter upon, use, and occupy all premises owned or occupied by the Tenant in which Collateral may be situate, maintain Collateral upon such premises, use Collateral directly or indirectly in carrying on the Tenant's business, and from time to time borrow money either unsecured or secured by a security interest in any of the Collateral.

The Tenant irrevocably appoints the Landlord or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Tenant for and in the name of the Tenant to sign, endorse, or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances, or consents that the Tenant is obliged to sign, endorse, or execute, and generally to use the name of the Tenant and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Landlord or the Receiver, as the case may be, under this Agreement.

20.5 Right of the Landlord to Perform Covenants: All covenants and agreements to be performed by the Tenant under any of the terms of this Lease shall be performed by the Tenant, at the Tenant's sole cost and expense, and without abatement of Rent. If the Tenant shall fail to perform any act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof from the Landlord, the Landlord may (but shall not be obligated so to do) perform such an act without waiving or releasing the Tenant from any of its obligations relative thereto, and in so doing to make any payments due or alleged to be due by the Tenant to the third parties and to enter upon the Premises to do any work or other things therein. All sums paid or costs incurred by the Landlord in so performing such acts under this Section 20.5 plus an Administration Fee shall be payable by the Tenant to the Landlord on demand and shall be recoverable by the Landlord as Rent.

20.6 Right to Distrain: At the option of the Landlord, the following shall become fully and immediately due and payable by the Tenant and the Landlord may immediately distrain for the same, together with any arrears then unpaid:

(a) the full amount of the current month's and the next ensuing three months' installments of Base Rent,

(b) all expenses incurred by the Landlord in performing any of the Tenant's obligations under this Lease, re-entering and re-letting, collecting sums due or payable by the Tenant, effecting seizure and realizing upon assets seized (including brokerage, legal fees and disbursements), and the expense of keeping the Premises in good order, repairing the same and preparing them for re-letting.

The Landlord may seize and sell such goods, chattels and equipment of the Tenant whether within the Premises or removed therefrom and may apply the proceeds thereof to all Rent and other payments to which the Landlord is then entitled under this Lease. Any such sale may be effected in the discretion of the Landlord by public auction or otherwise, and either in bulk or by individual item, or partly by one means and partly by another, all as the Landlord in its entire discretion may decide. If any of the Tenant's property is disposed of as provided in this Section 20.6, ten (10) days' prior notice to the Tenant of disposition shall be deemed to be commercially reasonable.

20.7 Right to Place Lien: If the Tenant shall at any time be in default under any covenant or agreement contained herein the Landlord shall have a lien on all stock in trade and inventory of the Tenant located in the Premises as security against loss or damage resulting from any such default by the Tenant and such stock in trade and inventory shall not be removed from the Premises by the Tenant until such default is cured unless otherwise directed by the Landlord.

20.8 Right to Terminate – General: If the Tenant is in default pursuant to Section 20.1, the Landlord has the right to terminate this Lease forthwith by leaving upon the Premises or by affixing to an entrance door to the Premises notice terminating the Lease and to immediately thereafter cease to

furnish any services hereunder and enter into and upon the Premises or any part thereof in the name of the whole and the same to have again, repossess and enjoy as of its former estate, anything in this Lease contained to the contrary notwithstanding.

Upon the giving by the Landlord of a notice in writing, terminating this Lease, this Lease and the Term shall terminate, Rent and any other payments for which the Tenant is liable under this Lease shall be computed, apportioned and paid in full to the date of such termination forthwith, and there shall immediately become due and payable those amounts payable pursuant to Section 20.13. Upon termination of this Lease and the Term, the Tenant shall immediately deliver up possession of the Premises to the Landlord, and the Landlord may forthwith re-enter and take possession of them.

20.9 Right to Terminate – Accelerated Rent: The Landlord may terminate this Lease at its sole option if and whenever the Tenant is in default pursuant to Sections 20.1(e) to (h) unless such execution, attachment or similar process, action or proceeding be set aside, vacated, discharged or abandoned within fifteen (15) days after its commencement. In the event that this Lease is terminated pursuant to this Section 20.9 the Tenant shall, in addition to meeting all the requirements of Section 20.8 forthwith pay to the Landlord rent for three (3) months next ensuing after the termination of this Lease as accelerated rent.

20.10 Right to Re-enter: If the Tenant is in default pursuant to Section 20.1, the Landlord has the right to enter the Premises, with or without canceling the Lease, as agent of the Tenant and as such agent to re-let them and to receive the rent therefor and as agent of the Tenant to take possession of any furniture or other property thereon and upon giving ten (10) days' written notice to the Tenant to store the same at the expense and risk of the Tenant or to sell or otherwise dispose of the same at public or private sale without further notice and to apply the proceeds thereof and any rent derived from re-letting the Premises upon account of the Rent due and to become due under this Lease and the Tenant shall be liable to the Landlord for the deficiency if any.

20.11 Waiver of Exemption and Redemption: Notwithstanding anything contained in any statute now or hereafter in force limiting or abrogating the right of distress, none of the Tenant's goods, chattels or trade fixtures on the Premises at any time during the continuance of the Term shall be exempt from levy by distress for Rent in arrears, and upon any claim being made for such exemption by the Tenant or on distress being made by the Landlord this agreement may be pleaded as an estoppel against the Tenant in any action brought to test the right to levying upon any such goods as are named as exempted in any such statute, the Tenant hereby waiving all and every benefit that could or might have accrued to the Tenant under and by virtue of any such statute but for this Lease. The Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of the Tenant being evicted or dispossessed for any cause, or in the event of the Landlord obtaining possession of the Premises, by reason of the violation by the Tenant of any of the terms or conditions of the Lease or otherwise.

20.12 Surrender: If and whenever the Landlord is entitled to or does re-enter, the Landlord may terminate this Lease by giving notice thereof, and in such event the Tenant shall forthwith vacate and surrender the Premises and shall surrender the Premises pursuant to Article 13.

20.13 Payments: If the Landlord shall re-enter or if this Lease shall be terminated hereunder, the Tenant shall pay to the Landlord on demand:

(a) Rent up to the time of re-entry or termination, whichever shall be the later, plus accelerated rent as herein provided;

(b) all expenses incurred by the Landlord in performing any of the Tenant's obligations under this Lease, re-entering or terminating and re-letting, collecting sums due or payable by the Tenant, realizing upon assets seized (including brokerage, legal fees and disbursements), and the expense of keeping the Premises in good order, repairing the same and preparing them for re-letting; and

(c) as damages for the loss of income of the Landlord expected to be derived from the Premises, the amounts (if any) by which the Rent which would have been payable under this Lease exceeds the payments (if any) received by the Landlord from other tenants in the Premises, payable on the first day of each month during the period which would

have constituted the unexpired portion of the Term had it not been terminated, or at the election of the Landlord by notice to the Tenant at or after re-entry or termination, a lump sum amount equal to the Rent which would have been payable under this Lease from the date of such election during the period which would have constituted the unexpired portion of the Term had it not been terminated, reduced by the rental value of the Premises for the same period, established by reference to the terms and conditions upon which the Landlord re-lets them if such re-letting is accomplished within a reasonable period after termination, and otherwise established by reference to all market and other relevant circumstances; Rent and rental value being reduced to present worth at an assumed interest rate of ten percent (10%) on the basis of the Landlord's estimates and assumptions of fact which shall govern unless shown to be erroneous.

ARTICLE 21 – HAZARDOUS SUBSTANCES

21.1 The Tenant covenants and agrees that it will:

(a) not bring or allow any Hazardous Substance to be brought onto the Lands or the Building or the Premises except in compliance with Environmental Law;

(b) comply at all times and require all those for whom the Tenant is in law responsible to comply at all times with Environmental Law as it affects the Premises or the Lands or Building;

(c) give notice to the Landlord of the presence at any time during the Term of any Hazardous Substance on the Premises (or the Lands or the Building if such substance is in the control of the Tenant) together with such information concerning such Hazardous Substance and its presence on the Premises or the Lands or the Building as the Landlord may require;

(d) give notice to the Landlord of any occurrence which might give rise to a duty under Environmental Law by either the Tenant or the Landlord with respect to the presence of any Hazardous Substance on the Premises or the Lands or the Building including, without limitation, notice of any discharge, release, leak, spill or escape into the environment of any Hazardous Substance at, to or from the Premises or the Lands or the Building;

(e) at the Landlord's request provide the Landlord with copies of all of the Tenant's records with respect to the presence, storage, handling and disposal of Hazardous Substances on the Premises or the Lands or the Building (including tank measurements, policies and procedures and evidence of compliance therewith);

(f) in any case where the Tenant has given notice as to the presence of a Hazardous Substance at the Premises or the Lands or the Building, or is required to give such notice, or where the Landlord has reasonable grounds to believe that any Hazardous Substance is going to be or has been brought to the Premises or the Lands or the Building by the Tenant or any person for whom the Tenant is in law responsible, to commission an environmental audit at the Tenant's expense when required by the Landlord to do so;

(g) comply with any investigative, remedial or precautionary measures required under Environmental Law or as reasonably required by the Landlord, be fully and completely liable to the Landlord for any and all investigation, clean up, remediation, restoration or monitoring costs or any costs incurred to comply with Environmental Law or any request by the Landlord that such measures be taken;

(h) protect, indemnify and save each of the Landlord and its directors, officers, employees, agents, successors and assigns completely harmless from and against any Environmental Claim, directly or indirectly incurred, sustained or suffered by or asserted against the Landlord and/or its directors, officers, employees, agents, successors and assigns caused by or attributable to, either directly or indirectly, any act or omission of the Tenant and/or any person for whom the Tenant is in law responsible;

(i) enter into any additional contract of insurance respecting the Premises which the Landlord may reasonably require to protect the Landlord and its directors, officers, employees, agents, successors and assigns from any Environmental Claim respecting the Premises;

(j) provide to the Landlord such security as the Landlord may from time to time require, acting reasonably, to ensure compliance by the Tenant of its covenants herein contained; and

(k) provide access to the Premises for the Landlord or its agents to conduct an environmental audit of the Premises, at the Tenant's expense, at least two (2) months prior to the expiry of the Term of this Lease.

21.2 Tenant's Indemnity: The Tenant will indemnify, hold harmless and defend the Landlord, its respective directors, officers, agents, employees, invitees and representatives from and against any and all losses, damages, expenses, claims, suits, costs and demands of whatsoever nature resulting from damages or injuries, caused by or arising out of any breach by the Tenant of these covenants, warranties and representations, including any default, act, omission, negligence in whole or in part, by those for whom in law the Tenant is responsible. The indemnification of the Landlord contained in this Section 21.2 shall not be prejudiced by, and shall survive the termination of, this Lease.

21.3 Inquiries by the Landlord: The Tenant hereby authorizes the Landlord to make inquiries from time to time of any government or quasi-governmental agency having jurisdiction with respect to the Tenant's compliance with the Environmental Law at the Premises, and the Tenant covenants and agrees that the Tenant will from time to time provide to the Landlord such written authorization as the Landlord may reasonably require in order to facilitate the obtaining of such information. The Landlord or its agent may inspect the Premises from time to time without notice, in order to verify the Tenant's compliance with the Environmental Law and the requirements of this Lease respecting Hazardous Substance. If the Landlord suspects that the Tenant is in breach of any of its covenants herein, the Landlord and its agent shall be entitled to conduct an environmental audit immediately, and the Tenant shall provide access to the Landlord and its agent for the purpose of conducting an environmental audit. Such environmental audit shall be at the Tenant's expense, and the Tenant shall forthwith remedy any problems identified by the environmental audit, and shall ensure that it complies with all of its covenants herein. Upon request by the Landlord from time to time, the Tenant shall provide to the Landlord a certificate executed by a senior officer of the Tenant certifying ongoing compliance by the Tenant with its covenants contained herein.

21.4 Ownership of Hazardous Substances: If the Tenant shall bring or create upon the Premises, the Building, or the Lands any Hazardous Substance or if the conduct of the Tenant's business shall cause there to be any Hazardous Substance upon the Premises, the Buidling, or the Lands then, notwithstanding any rule of law to the contrary, such Hazardous Substance shall be and remain the sole and exclusive property of the Tenant and shall not become the property of the Landlord notwithstanding the degree of affixation of the Hazardous Substance or the goods containing the Hazardous Substance to the Premises, the Building, or the Lands and notwithstanding the expiry or earlier termination of this Lease.

21.5 Landlord's Remedies upon Default: Upon the Tenant's material default under this Article 21 and in addition to the rights and remedies set forth elsewhere in this Lease, the Landlord shall be entitled to the following rights and remedies:

(a) at the Landlord's option, to terminate this Lease, and/or

(b) to recover any and all damages associated with the material default, including without limitation, in addition to any rights reserved or

available to the Landlord in respect of an early termination of this Lease, cleanup costs and charges, civil and criminal penalties and fees, loss of business and sales by the Landlord and other tenants of the Lands or the Building, any and all damages and claims asserted by third parties and the Landlord's solicitors' fees and costs.

ARTICLE 22 – MISCELLANEOUS

22.1 Relationship of Parties: Nothing contained in this Lease shall create any relationship between the parties hereto other than that of landlord and tenant, and it is acknowledged and agreed that the Landlord does not in any way or for any purpose become a partner of the Tenant in the conduct of its business, or a joint venturer or a member of a joint or common enterprise with the Tenant.

22.2 Name of Building: The Landlord shall have the right, after thirty (30) days' notice to the Tenant, to change the name, number or designation of the Building, during the Term without liability to the Tenant.

22.3 Applicable Law and Construction: This Lease unless otherwise agreed by the parties shall be governed by and construed under the laws of the jurisdiction in which the Building is located and the parties attorn to the exclusive jurisdiction of the courts of such Province. The provisions of this Lease shall be construed as a whole according to their common meaning and not strictly for or against the Landlord or the Tenant. The words the Landlord and the Tenant shall include the plural as well as the singular. Time is of the essence of the Lease and each of its provisions. The captions of the Articles are included for convenience only, and shall have no effect upon the construction or interpretation of this Lease.

22.4 Entire Agreement: There are no terms and conditions which at the date of execution of this Lease are additional or supplemental to those set out on the pages of this Lease, and in the Schedules which are attached hereto and which form part of this Lease. This Lease contains the entire agreement between the parties hereto with respect to the subject matter of this Lease. The Tenant acknowledges and agrees that it has not relied upon any statement, representation, agreement or warranty except such as is set out in this Lease. Delivery of an unsigned copy of this Lease to the Tenant, notwithstanding insertion of all particulars in the Lease and presentation of any cheque or acceptance of any monies by the Landlord given by the Tenant as a deposit, does not constitute an offer by the Landlord, and no contractual or other legal right shall be created between the parties hereto until this Lease has been fully executed by both parties and delivery has been made of an executed copy of this Lease to the Tenant.

22.5 Amendment or Modification: Unless otherwise specifically provided in the Lease, no amendment, modification, or supplement to this Lease shall be valid or binding unless set out in writing and executed by the parties hereto in the same manner as the execution of this Lease.

22.6 Construed Covenants and Severability: All of the provisions of the Lease are to be construed as covenants and agreements as though the word importing such covenants and agreements were used in each separate Article hereof. Should any provision of this Lease be or become invalid, void, illegal or not enforceable, it shall be considered separate and severable from the Lease and the remaining provisions shall remain in force and be binding upon the parties hereto as though such provision had not been included.

22.7 No Implied Surrender or Waiver: No provisions of this Lease shall be deemed to have been waived by the Landlord unless such waiver is in writing and signed by the Landlord. The Landlord's waiver of a breach of any term or condition of this Lease shall not prevent a subsequent act, which would have originally constituted a breach, from having all the force and effect of any original breach. Failure of the Landlord to insist upon strict performance of any of the covenants or conditions of this Lease or to exercise any right herein contained shall not be construed as a waiver or relinquishment for the future of any such covenant, condition or right. The Landlord's receipt of Rent with knowledge of a breach by the Tenant of any term or condition of the Lease shall not be deemed a waiver of such term or condition. No act or thing done by the Landlord, its agents or employees during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid, unless in writing and signed by the Landlord. The delivery of keys to any of the Landlord's agents or employees shall not operate as a termination of the Lease or a surrender of the Premises. No payment by the Tenant, or receipt by the Landlord, of a lesser amount than the Rent due hereunder shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any cheque or any letter accompanying any cheque, or payment as Rent, be deemed an accord and satisfaction, and the Landlord may accept such cheque or payment without prejudice to the Landlord's right to recover the balance of such Rent or pursue any other remedy available to the Landlord.

22.8 Liability Joint/Several: In the event there is more than one entity or person which or whom are parties constituting the Tenant under this Lease, the obligation imposed upon the Tenant under this Lease shall be joint and several.

22.9 Registrations: The Tenant shall not register this Lease in applicable Land Title Office in any form without written consent of the Landlord, which consent will not be unreasonably withheld. If such consent is provided such registration shall be in the form of a short form of lease and shall not refer to any financial terms of this Lease but shall only reference the Premises, Term and any option to extend or renew this Lease, if applicable. The Tenant shall remove and discharge at the Tenant's expense the registration of such short form of lease at the expiry or the earlier termination of the Term and in the event of the Tenant's failure to remove or discharge such registration after ten (10) days' written notice by the Landlord or the Tenant, the Landlord may in the name and on behalf of the Tenant execute a discharge of such short form of lease in order to remove such registration and the Tenant hereby irrevocably constitutes and appoints any officer of the Landlord the true and lawful attorney of the Tenant.

22.10 Unavoidable Delay: Save and except for the obligations of the Tenant as set forth in this Lease to pay Base Rent, Occupancy Costs, increased rent or other monies to the Landlord, if either party shall fail to meet its obligations hereunder within the time prescribed and such failure shall be caused or materially contributed to by Force Majeure, such failure shall be deemed not to be a breach of the obligations of such party hereunder and neither party shall be entitled to compensation from the other for any inconvenience, nuisance or discomfort thereby occasioned, provided that the party claiming Force Majeure shall use reasonable diligence to put itself in a position to carry out its obligations hereunder.

22.11 Survival of Obligations: If the Tenant is in default of any of its obligations under this Lease at the time this Lease expires or is terminated:

(a) the Tenant shall remain fully liable for the performance of such obligations; and

(b) all of the Landlord's rights and remedies in respect of such failure shall remain in full force and effect,

all of which shall be deemed to have survived such expiration or termination of this Lease. Every indemnity, exclusion or release of liability and waiver of subrogation contained in this Lease or in any of the Tenant or the Landlord's insurance policies shall survive the expiration or termination of this Lease.

22.12 No Option: The submission of this Lease for examination does not constitute a reservation of or option to lease for the Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by the Landlord and the Tenant and the execution and delivery to the Landlord by the indemnifier, if any, of an indemnity agreement.

22.13 References to Statutes: Any reference to a statute in this Lease includes a reference to all regulations made pursuant to such statute, all amendments made to such statute and regulations in force from time to time and to any statute or regulation which may be passed and which has the effect of supplementing or superseding such statute or regulations.

22.14 Counterparts and Execution by Fax: This Lease may be executed by the parties in separate counterparts each of which when so executed and delivered to all of the parties shall be deemed to be and shall be read as a single Lease among the parties. In addition, execution of this Lease by any of the parties may be evidenced by way of a faxed transmission of such party's signature (which signature may be by separate counterpart), or a photocopy of such faxed transmission, and such faxed signature, or photocopy of such faxed signature, shall be deemed to constitute the original signature of such party to this Lease.

22.15 No Contra Proferentem: This Agreement has been negotiated and approved by the parties and, notwithstanding any rule or maxim of law or construction to the contrary, any ambiguity or uncertainty will not be construed against either of the parties by reason of the authorship of any of the provisions of this Agreement.

22.16 Binding Effect: All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors and permitted assigns of the said parties. No rights, however, shall enure to the benefit of any Transferee of the Tenant unless the Transfer to such Transferee has been affected in accordance with the provisions of Article 12 of this Lease.

22.17 Privacy Statement: The parties to this Lease who are individuals consent to the Landlord or an agent on behalf of the Landlord (the "Agent"), collecting, using, and disclosing of the personal information in this Lease or otherwise collected by or on behalf of the Landlord, the Agent or either of their agents, affiliates, or service providers, for the purposes:

(a) of considering the Tenant's offer to lease the Premises and determining the suitability of the Tenant, both for the initial lease term and for the renewal periods (if any); and

(b) of taking action for collection of Rent in the event of a default of this Lease by the Tenant.

The consent herein granted includes the disclosure of such information to credit agencies, collection agencies and existing or potential lenders, investors and purchasers. The parties also consent to, and confirm their authority to consent to, the Landlord's and the Agent's collection, use and disclosure, for such purposes, of personal information about employees of such parties and other individuals whose personal information is provided to or collected by the Agent in connection with this Lease.

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease as of the day and year first above written.

POPLAR PROPERTIES LTD.,
by its duly authorized agent, Triovest Realty Advisors (B.C.) Inc.
(LANDLORD)

Per: /s/ Sandy Cruickshank

Name & Title: Sandy Cruickshank, Executive Vice President

Per: /s/ Edith Hewitt

Name & Title: Edith Hewitt, Vice President, Asset Management

We have the authority to bind the corporation.

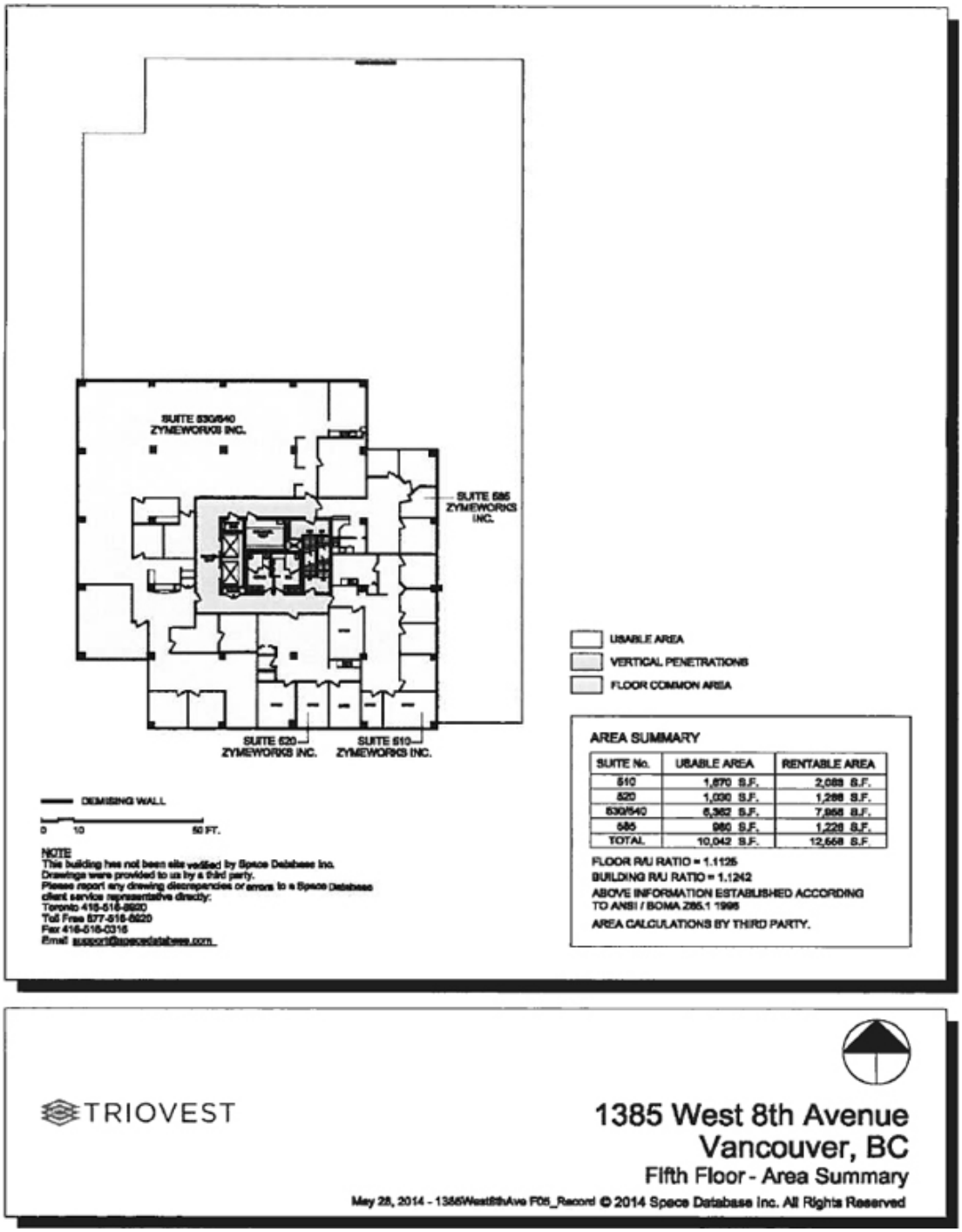
ZYMEWORKS INC.
(TENANT)

Per: /s/ David Tucker

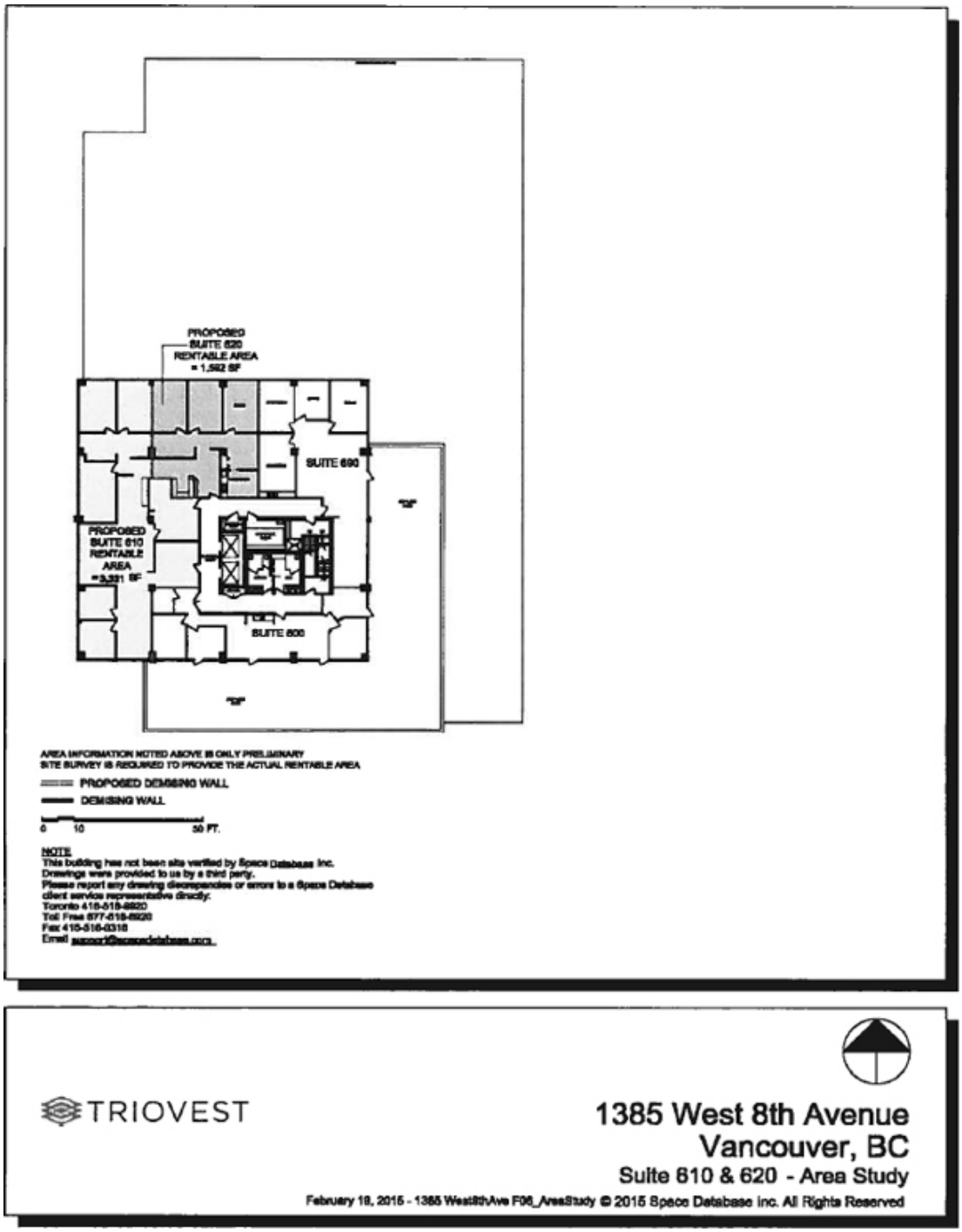
Name & Title: DAVID TUCKER, COO.

I have the authority to bind the corporation.

SCHEDULE A – FLOOR PLAN – FIFTH FLOOR



SCHEDULE A – FLOOR PLAN – SIXTH FLOOR



SCHEDULE B – LEGAL DESCRIPTION

Parcel Identifier: 007-180-314
Lot A, Block 312, District Lot 526, Plan 18387
City of Vancouver, Province of British Columbia

SCHEDULE C – OCCUPANCY COSTS

ARTICLE 1 – DEFINITIONS

In this Lease "Occupancy Costs" means the amount equal to the Tenant's Proportionate Share of Real Estate Taxes and Operating Expenses calculated in accordance with generally accepted accounting principles, on a per square foot basis, in each Fiscal Year without duplication.

(a) "Real Estate Taxes" means:

i) any form of assessment (including any "special" assessment), property tax, license fee, license tax, business license fee, business license tax, business improvements association assessment, including those areas designated for parking including parking facilities, local improvement assessment, commercial rental tax, levy, charge, penalty or tax, including an environmental or carbon tax, imposed by any authority having the direct power to tax, including any city, county, provincial or federal government, or any, school, agricultural, lighting, water drainage or other improvement or special district thereof, against the Premises or the Building or the Lands or any legal or equitable interest of the Landlord therein;

ii) any tax on the Landlord's right to rent the Premises or against the Landlord's business of leasing the Premises;

iii) any assessment, tax, fee, levy or charge in substitution, partially or totally, of or in addition to any assessment, tax, fee, levy or charge previously included within the definition of Real Estate Taxes which may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services provided to property owners or occupants;

iv) all business taxes and other taxes, if any, from time to time payable by the Landlord with respect to the Common Areas;

v) Capital Tax as it relates to or is attributable by the Landlord to the Building. The Landlord confirms to the Tenant that the Landlord is presently exempt from the payment of Capital Tax, and accordingly Capital Taxes are not currently a recoverable expense under this Lease;

vi) all taxes or business taxes, if any, not recovered, or which in the Landlord's opinion are not recoverable, from tenants of the Building; and

vii) all costs incurred by the Landlord contesting or appealing the Real Estate Taxes (including, without limitation, legal, appraisal and other professional fees and costs and administration and overhead costs).

Real Estate Taxes shall not include the Landlord's income, franchise, inheritance or estate taxes.

It is the intention of the Landlord and the Tenant that all new assessments, taxes, fees, levies and charges be included within the definition of Real Estate Taxes for purposes of this Lease. The following shall also be included within the definition of Real Estate Taxes for purposes of this Lease; provided, however, that the Tenant shall pay the Landlord the entire amount thereof:

viii) any tax allocable to or measured by the area of the Premises or the Rent payable hereunder, including without limitation, any gross income, privilege, goods and services, sales or excise tax levied by any municipal or provincial or federal government, with respect to the receipt of such Rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by the Tenant of the Premises or any portion thereof; and

ix) any tax upon this transaction or any document to which the Tenant is a party, creating or transferring an interest or an estate in the Premises.

(b) "Operating Expenses" shall mean the total of all costs which shall be incurred by the Landlord for the complete maintenance, repair, replacement, operation, supervision, management, ownership and administration of the Building, Lands and Common Areas, calculated as if the Building was fully occupied and fully operational, such costs as are in keeping with maintaining the standard of a similar office building in the market in which it is located so as to give it high character and distinction, including without limitation:

i) cost of providing heating, ventilating and air conditioning;

ii) cost of providing hot and cold water;

iii) cost of sewer charges;

iv) cost of fire, casualty, liability, rental and other insurance which the Landlord carries and the costs of any deductible amount paid by the Landlord in connection with a claim made by the Landlord under such insurance;

v) the reasonable rental value attributable to space used by the Landlord in connection with the maintenance, repair, operation or management of the Building, based on current rental rates in the Building from time to time, and the cost of Building office expenses, including telephones, stationery and supplies;

vi) cost of fuel for the Building;

vii) cost of providing electricity and other utilities;

viii) cost of all elevator and escalator (if installed in the Building) maintenance and operation;

ix) cost of porters, reception staff, maintenance, on-site and off-site management and support staff and other non-administrative personnel, including salaries, wages and fringe benefits;

x) cost of providing security;

xi) cost of providing janitorial services, window cleaning and garbage removal;

xii) cost of supplies and material;

xiii) cost of landscaping, gardening and snow and ice removal;

xiv) cost of decoration and maintenance of Common Areas;

xv) if applicable, costs of operating, equipping, insuring, cleaning, managing, administering, servicing, repairing, restoring,

renovating and maintaining the fitness facility, including the cost of personnel employed in connection therewith;

xvi) cost of providing visitor parking stalls available for the use of all tenants in the Building (if such stalls are provided by the Landlord) based on the market rates for the stalls provided;

xvii) the reasonable rental value attributable to space designated or to be designated by the Landlord as Common Areas for use by the Tenant and other tenants as a common amenity, including but not limited to a fitness facility, conference room and shower facilities, based on current rental rates in the Building from time to time;

xviii) cost of consulting engineering fees;

xix) cost of repairs and replacements, unless otherwise included under Operating Expenses, whether or not on capital account;

xx) costs of all service contracts;

xxi) costs of bank charges and audit fees pursuant to amounts payable under leases;

xxii) costs of each “major expenditure” (as hereinafter defined) which may be expensed in the year incurred, or at the Landlord’s option, amortized over a period of time as determined by the Landlord acting reasonably, where “major expenditure” shall mean any single expenditure incurred for the replacement of machinery, equipment, building elements, repairs, systems or facilities in connection with the Lands or the Building, including the replacement of the roof system (excluding the roof structure), or any capital improvement or modification or addition to the Building or Lands if one of the principal purposes of such modification or addition is to reduce energy consumption or Operating Expenses or is required by any governmental regulation in the year incurred, or at the Landlord’s option, any such amortization will be in accordance with generally accepted accounting principles at an interest rate calculated at three percent (3%) per annum in excess of the prime rate at the inception of the amortization, interest compounded semi-annually, upon the unamortized portion of the total costs of the foregoing;

xxiii) the cost of any management fees paid to managing agents or, in lieu thereof, if the Landlord manages the Building, an amount comparable to that which would be charged by an independent professional property management firm for management of a similar development in the city in which the Building is located; and

xxiv) all other direct and indirect costs and expenses of every kind, to the extent incurred in or allocable to the maintenance, repair, operation, supervision, management, ownership and administration of all or any part of the Building or any of its appurtenances.

For greater certainty, there shall be excluded from Operating Expenses the following:

i) income tax of the Landlord;

ii) any amounts directly charged by and reimbursed to the Landlord for any service, goods and benefits provided by the Landlord to any particular tenant or occupant of the Building on an individual basis where such charges do not form part of the Occupancy Costs;

iii) employment costs of the Landlord's employees who perform leasing or other administrative functions not related to the management and/or operation of the Building;

iv) marketing costs and leasing fees, costs associated with renovating or improving tenant spaces, costs or expenses for which the Landlord is entitled to be reimbursed from another party including insurers, contractors, suppliers or other tenants of the Building;

v) cost of major structural repairs and replacement of the Building (including foundation, concrete floors, structural frame and structural components of the roof, but shall not include the roof membrane);

vi) amortization and interest or any capital retirement of debt affecting the Lands;

vii) costs or expense for which the primary purpose is to expand or enlarge the Building;

viii) all fines, suits, claims, demands, costs, charges and expenses for which the Landlord is liable by reason of the negligent or willful act or omission of the Landlord for whom it is in law responsible;

ix) all work to the Building or the Lands made necessary by the Landlord's non-compliance with governing codes relating to the original construction of the Building; and

x) costs of repairing latent defects in the Building, including parking areas.

SCHEDULE D – RULES AND REGULATIONS

1. **Bicycles, Animals:** The Tenant shall not bring any animals or birds into the Building, and shall not permit bicycles or other vehicles (except those required by disabled persons) inside or on the sidewalks outside the Building except in areas designated from time to time by the Landlord for such purposes.

2. **Carpet Pads:** In those portions of the Premises where carpet has been provided directly or indirectly by the Landlord, the Tenant shall at its own expense install and maintain pads to protect the carpet under all furniture having casters other than carpet casters.

3. **Construction Noise:** The Tenant shall ensure that minimal noise (including without limitation noise caused by drilling, hammering or sawing) relating to the Tenant's alterations, including the Tenant's Work escapes the Premises during Normal Business Hours. Should the Landlord receive complaints from other tenants in the Building the Tenant shall use its best efforts to eliminate the noise.

4. **Dangerous or Immoral Activities:** The Tenant shall not make any use of the Premises that involves the danger of injury to any person, nor shall the same be used for any immoral purpose.

5. **Deliveries:** The Tenant shall ensure that deliveries of materials and supplies to the Premises including deliveries by courier are made through such entrances, elevators and corridors and at such times as may from time to time be designated by the Landlord, and shall promptly pay or cause to be paid to the Landlord the cost of repairing any damage in the Building caused by any person making such deliveries.

6. **Employees, Agents and Invitees:** In these Rules and Regulations, the Tenant includes the employees, agents, invitees and licensees of the Tenant and others permitted by the Tenant to use or occupy the Premises.

7. **Fire Drills:** The Tenant shall participate in fire drills and evacuations of the Building as directed by the Landlord. In the event of an emergency, the Tenant shall vacate the Building if the Landlord or any public authority so directs in the manner prescribed by the Landlord or such public authority.

8. **Heavy Articles:** The Tenant shall not place in or move about the Premises without the Landlord's prior written consent any safe or other heavy article which in the Landlord's reasonable opinion may damage the Building, and the Landlord may designate the location of any heavy articles in the Premises.

9. **Loading:** All loading and unloading of merchandise, supplies, fixtures, equipment and furniture shall be made at such hours and in accordance with such further rules as the Landlord may prescribe. If the Building has a loading dock or a common truck receiving area, all loading and unloading of merchandise, supplies, fixtures, equipment and furniture shall only be made through that area. The Tenant shall pay promptly, or cause to be paid to the Landlord promptly, the cost of repairing any damage in the Building caused by any person during the making of any such delivery to the Premises.

10. **Locks:** the Landlord may from time to time install and change locking mechanisms on entrances to the Building, Common Areas thereof, and the Premises, and (unless 24 hour security is provided by the Building) shall provide to the Tenant a reasonable number of keys and replacements therefor to meet the bona fide requirements of the Tenant. In these rules "keys" include any device serving the same purpose. The Tenant shall not add to or change the existing locking mechanisms on any door in or to the Premises without the Landlord's prior written consent. If with the Landlord's consent, the Tenant installs lock(s) incompatible with the Building master locking system:

(a) if such keys are damaged, lost, misplaced or otherwise require replacement, the Tenant may be granted access to the Premises and be provided with a new key upon presentation of acceptable identification and payment of an Administration Fee at the rate then in effect as determined by the Landlord, acting reasonably;

(b) the Landlord, without abatement of Rent, shall be relieved of any obligation under this Lease to provide any service to the affected areas which requires access thereto;

(c) the Tenant shall indemnify the Landlord against any expenses as a result of a forced entry thereto which may be required in an emergency; and

(d) the Tenant shall at the end of the Term and at the Landlord's request remove such lock(s) at the Tenant's expense.

11. **Moving:** The Tenant shall comply with all Building procedures relating to moving into or vacating the Building. Specifically, the Tenant shall provide a minimum of forty-eight (48) hours written notice to the Landlord of the scheduled moving date and time (which must be outside the Building's Normal Business Hours) and the name of the moving company. The Tenant shall, at the request of the Landlord, provide a copy of the moving company's insurance certificate to the Landlord. The Landlord may arrange for building security personnel to be on site during the entire move and the expense for such security shall be borne by the Tenant who shall pay the same to the Landlord forthwith as additional rent.

12. **Normal Business Hours:** means, except as otherwise specifically provided in this Lease, from = a.m. to = p.m. Monday through Friday, excluding weekends and days which are legal or statutory holidays in the jurisdiction in which the Building is located (the "Normal Business Hours").

13. **Nuisance:** The Tenant shall not use or permit the use of the Premises in such a manner as to create any objectionable noise, odor or other nuisance or hazard, or breach any applicable provision or municipal by-law or other lawful requirement applicable thereto or any requirement of the Landlord's insurers, shall not permit the Premises to be used for cooking (except with the Landlord's prior written consent), and shall leave the Premises at the end of each business day in a condition such as to facilitate the performance of the Landlord's janitorial services in the Premises.

14. **Obstructions:** The Tenant shall not obstruct or place anything in or on the sidewalks or driveways outside the Building or in the lobbies, corridors, stairwells or other Common Areas of the Building, or use such locations for any purpose except access to and exit from the Premises without the Landlord's prior written consent. The Landlord may remove at the Tenant's expense any such obstruction or thing (unauthorized by the Landlord) without notice or obligation to the Tenant.

15. **Personal Use of Premises:** The Premises shall not be used or permitted to be used for residential, lodging or sleeping purposes or for the storage of personal effects or property not required for business purposes.

16. **Proper Conduct:** The Tenant shall not conduct itself in any manner which is inconsistent with the character of the Building as a first quality Building or which will impair the comfort and convenience of other tenants in the Building.

17. **Refuse:** The Tenant shall place all refuse in proper receptacles provided by the Tenant at its expense in the Premises or in receptacles (if any) provided by the Landlord for the Building, and shall keep sidewalks and driveways outside the Building, and lobbies, corridors, stairwells, ducts and shafts of the Building

free of all refuse. The Tenant shall comply at its sole expense with all recycling requirements imposed by regulation or by the Landlord for the Building.

18. **Repair, Maintenance, Alterations and Improvements:** The Tenant shall carry out the Tenant's repair, maintenance, alterations and improvements in the Premises only during such time as agreed to in advance by the Landlord and in a manner which will not interfere with the rights of other tenants in the Building.

19. **Return of Keys:** At the end of the Term, the Tenant shall promptly return to the Landlord all keys for the Building and the Premises, which are in possession of the Tenant. If the Tenant fails to return all such keys, the Landlord may charge and recover as rent a fee at the rate then in effect as determined by the Landlord, acting reasonably.

20. **Security:** the Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, any persons occupying, using or entering the same, or any equipment, finishings or contents thereof, and the Tenant shall comply with the Landlord's reasonable requirements relative thereto.

21. **Signs:** The Tenant shall not paint, display, inscribe, place or affix any sign, picture, advertisement, notice, lettering or direction on any part of the exterior of the Premises or so as to be visible from the exterior of the Premises without the Landlord's written consent. The Tenant shall adhere to the building standard identification signs for tenants to be placed on the outside of the doors leading into the premises of tenants of multiple tenancy floors.

22. **Smoking:** This Building comprises a non-smoking site and the Tenant shall not smoke cigarettes, cigars or any other items in the Building or within three (3) meters of any entrance to the Building.

23. **Solicitations:** The Landlord reserves the right to restrict or prohibit canvassing, soliciting or peddling in the Building.

24. **Water Fixtures:** The Tenant shall not use water fixtures for any purpose for which they are not intended, nor shall water be wasted by tampering with such fixtures. The Tenant shall pay for any cost or damage resulting from such misuse by the Tenant.

25. **Windows:** The Tenant shall observe the Landlord's rules with respect to maintaining uniform drapes and venetian blinds at all windows in the Premises so that the Building presents a uniform exterior appearance, and shall not install any window shades, screen, drapes, covers or other materials on or at any window in the Premises without the Landlord's written consent. The Tenant shall ensure that all drapes and venetian blinds are closed on all windows in the Premises while they are exposed to direct rays of the sun.

The foregoing Rules and Regulations, as from time to time amended, are not necessarily of uniform application, but may be waived in whole or in part in respect of other tenants without affecting their enforceability with respect to the Tenant and the Premises, and may be waived in whole or in part with respect to the Premises without waiving them as to future application to the Premises, and the imposition of such Rules and Regulations shall not create or imply any obligation of the Landlord to enforce them or create any liability of the Landlord for their enforcement.

SCHEDULE E – TENANT IMPROVEMENT GUIDELINES

1. The Tenant's Work shall not be undertaken or commenced by the Tenant until:

    i) all permits necessary for the installation of the Tenant's Work and approval have been obtained by the Tenant from applicable municipal and any other government departments or quasi-governmental department having jurisdiction, prior to the commencement of the Tenant's Work, and copies of such permits and approvals provided to the Landlord;

    ii) a certificate of insurance has been provided to the Landlord showing that a valid insurance policy from the Tenant is in place naming the Landlord and its agent as an additional insured for commercial general liability of not less than five million dollars ($5,000,000) per occurrence; and

    iii) certificates of insurance have been provided to the Landlord showing that a valid insurance policy is in place for minimum general liability of no less than five million dollars ($5,000,000) from the Tenant's contractor and the contractor's sub-trades; and

    iv) the Tenant has received written approval from the Landlord of the Tenant's plans and specifications.

2. The Tenant agrees to comply with the following requirements in respect of any Tenant's Work:

    (a) the Tenant shall furnish the Landlord with two complete sets of professionally prepared working drawings (which shall include any architectural, structural, electrical mechanical, computer system wiring and telecommunications plans) of the proposed Tenant's Work. The Tenant shall retain the Landlord's base building mechanical, electrical and structural engineering consultants to ensure compatibility of the building systems and Tenant's Work. If the Tenant uses other consultants for the preparation of the Tenant's working drawings, then the Landlord may elect to retain an Architect to review such working drawings for the purpose of approving the proposed Tenant's Work (it being understood that notwithstanding such approval, the Landlord shall have no responsibility with respect to the adequacy of such working drawings). The Tenant shall pay to the Landlord, on demand, the costs of the examination of such drawings by either the Landlord or an outside consultant. Upon completion of the Tenant's Work, the Tenant shall provide 2 printed copies and one CD of digital as built drawings in AutoCAD format;

    (b) the Tenant's Work shall be subject to the reasonable regulations, supervision, control and inspection by the Landlord and, in addition to any other payment contained herein, the Tenant shall pay to the Landlord, on demand, the Landlord's then current fee for coordination services provided by the Landlord during the Tenant's construction of the Tenant's Work;

    (c) if the Tenant's Work could affect the structure, the exterior walls or the building systems, the Landlord may require that any such Tenant's Work be preformed by either the Landlord or its contractors in which case the Tenant shall pay the Landlord's cost plus an Administration Fee;

    (d) the preparation of all design and working drawings and specifications relating to completion of the Tenant's Work and the calling of tenders and letting of contracts relating to the Tenant's Work and the supervision and completion of the Tenant's Work and payment therefor shall be the responsibility of the Tenant;

    (e) approvals must be obtained for the Tenant's Work from the municipal building department and all authorities having jurisdiction and the Tenant must submit evidence of these approvals to the Landlord before commencing the Tenant's Work. The Tenant shall also be responsible for obtaining an occupancy permit prior to taking occupancy. The Tenant shall be responsible for payment of all fees and charges incurred in obtaining said approvals and permits;

    (f) the Tenant covenants to complete all Tenant's Work required by the Tenant to complete the Premises for occupancy or as otherwise approved by the Landlord throughout the Term of this Lease and such Tenant's Work shall be carried out with good workmanship and shall not be in contravention of the codes or regulations of the municipality or any other authority having jurisdiction;

    (g) before commencing any work, the Tenant shall furnish the Landlord with written proof of all contractors' commercial general liability insurance for limits not less than those to be maintained by the Tenant under the Lease and the Landlord and its agent shall be named as additional insureds in such contractors' insurance policies;

    (h) before commencing any work, the Tenant shall furnish the Landlord with written proof of all contractors' Workers' Compensation Board Clearance;

    (i) the Tenant shall at all times keep the Premises and all other areas clear of waste materials and refuse caused by itself, its suppliers, contractors or by their work;

    (j) the Landlord may require the Tenant to clean up on a daily basis and be entitled to clean up at the Tenant's expense if the Tenant shall not comply with the Landlord's reasonable requirements;

    (k) all Tenant's Work including the delivery, storage and removal of materials shall be subject to the reasonable supervision of the Landlord and shall be performed in accordance with any reasonable conditions or regulations imposed by the Landlord;

(l) the Landlord may require that the Landlord's contractors and sub-contractors be engaged for any mechanical or electrical work, work conducted on the roof or the fire and sprinkler systems, or other work which may be under warranty;

(m) the Landlord shall not in any way be responsible for or liable with regard to any work carried out or any materials left or installed in the Premises and shall be reimbursed for any additional cost and expense caused which may be occasioned to it by reason thereof and for any delays which may be directly or indirectly caused by the Tenant or its contractor;

(n) any damages caused by the Tenant, the contractors or subtrades employed on the Tenant's Work to any of the structures or the systems employed in the Building or to any property of the Landlord or of other tenants, shall be repaired by the Landlord's contractor to the satisfaction of the Landlord and the Landlord may recover the costs incurred from the Tenant;

(o) if the Tenant's contractor neglects to carry out the work properly or fails to perform any work required by or in accordance with the approved plans and specifications, the Landlord, after thirty (30) days' written notice to the Tenant and the Tenant's contractor may, without prejudice to any right or remedy, complete the work, remedy the default or make good any deficiencies and recover the costs incurred from the Tenant;

(p) the Tenant shall maintain and keep on the Premises at all times during construction and the Term of the Lease, a suitable portable fire extinguisher for Class A, B and C fires;

(q) the Tenant shall perform its work expeditiously and efficiently and shall complete the same prior to the Commencement Date subject only to circumstances over which the Tenant has no control and which by the exercise of due diligence could not have been avoided;

(r) on completion of the Tenant's Work, the Tenant shall forthwith furnish to the Landlord a statutory declaration stating that there are no builders' liens outstanding against the Premises or the Building on account of the Tenant's Work and that all accounts for work, service and materials have been paid in full with respect to all of the Tenant's Work, together with evidence in writing satisfactory to the Landlord that all assessments under the Workers Compensation Act have been paid;

(s) the Tenant shall not suffer or permit any Builders' or other lien for work, labour, services or materials to be filed against or attached to the Lands, the Building or the Premises and shall have such lien removed pursuant to Section 9.8 of the Lease. This includes, but shall not be limited to, payment of monies into court and/or any other remedy which would result in the lien being removed from title to the Lands forthwith;

(t) if the Tenant does not comply with the provisions of the Lease or any other agreement relative to the construction or occupation of the Premises, including this Schedule, the Landlord, in addition to and not in lieu or by other rights or remedies, shall have any or all of the following rights in its discretion:

i) to declare all fees, charges and other sums payable by the Tenant to the Landlord pursuant to this Schedule to be Rent and to be collectable as Rent under the provisions of this Lease; or

ii) to declare and treat the Tenant's non-compliance as an Event of Default under the Lease and exercise any rights available under the provisions of the Lease, including the right of termination.

SCHEDULE F – LANDLORD'S WORK AND TENANT'S WORK

LANDLORD'S WORK:

The Landlord shall not be required to provide any materials or do any work to or in respect of the Premises and it is hereby agreed that the Premises are leased on an "as is, where is" basis and there are no representations or warranties concerning the Premises except as contained herein.

Only those items enumerated below will be provided and installed by the Landlord in Suite 610 on a "once only" basis at the Landlord's expense and in accordance with the Landlord's choice of materials and will be known as Landlord's Work.

- demise Suite 610 in accordance with Schedule A for the sixth floor, and shall ensure that all lighting, electrical and mechanical systems have been split from the remaining area. Demising wall will be provided by the Landlord in taped and sanded condition, ready to receive the Tenant's wallcovering;
- remove flooring throughout;
- remove all portioning and install new or like new ceiling tiles, to be matching throughout.

TENANT'S WORK:

All Tenant's Work shall be completed in a good and workmanlike manner in accordance with Schedule E attached hereto and with plans and specifications that have been submitted to the Landlord for its prior written approval by not less than ten (10) business days prior to: (i) the submission of any such plans and specifications to the municipal authority for a building permit; or (ii) if no building permit is required, the commencement of the Tenant's Work.

SCHEDULE G - SPECIAL PROVISIONS

The following provisions (the "Special Provisions") have been agreed upon by the Tenant and the Landlord to add to or modify the standard provisions of the Lease which are those contained in SECTIONS 1.2 and 1.3 and ARTICLES 2 to 22 of this Lease (the "Standard Provisions"). *In case of discrepancy, the Special Provisions will prevail over the Standard Provisions.*

1. **Fixturing Period for Suite 610.**

Provided this Lease has been executed by the Tenant and the Tenant has provided proof of insurance to the Landlord, the Tenant shall have a fixturing period (the "**Fixturing Period**"), commencing on May 1, 2015 and ending on August 31, 2015, to complete the Tenant's Work in Suite 610. During the Fixturing Period, the Tenant may occupy Suite 610 jointly with the Landlord and the Landlord's contractor and agents. During the Fixturing Period, the Tenant shall be bound by and shall observe and perform all of the Tenant's covenants and obligations under the Lease, excluding the covenant to pay Base Rent and Occupancy Costs. Should the Tenant commence business operations during the Fixturing Period, the Tenant shall be required to pay Occupancy Costs.

2. **Tenant Improvement Allowance.**

For the purposes of assisting the Tenant to complete the leasehold improvements upon the Premises, all in accordance with the Tenant's final drawings and specifications which have the Landlord's prior written approval (the "**Leasehold Improvements**"), the Landlord agrees to advance to or on behalf of the Tenant a sum equal to **Fifteen Dollars ($15.00)** per square foot of the Rentable Area of Suite 540 and **Twenty Dollars ($20.00)** per square foot of the Rentable Area of Suite 610 (which combined sum is hereinafter referred to as the "**Allowance**") upon the following terms and conditions:

(i) the Tenant shall furnish to the Landlord the Tenant's final architectural drawings and specifications prior to commencement of work;

(ii) the Tenant shall furnish to the Landlord an invoice for the total amount of the Allowance requested by the Tenant, accompanied by copies of paid invoices evidencing payment, by not later than December 31, 2016;

(iii) the Tenant shall cause all of the Leasehold Improvements to be constructed and installed in accordance with the terms of the Lease;

(iv) the Allowance shall not be used to fund the Tenant's purchase of equipment, furniture, trade fixtures, and communications installations.

The Allowance shall be advanced by the Landlord upon the later of:

(v) completion of the Leasehold Improvements, to the satisfaction of the Landlord;

(vi) the Tenant having commenced to carry on its business in the Premises or any part thereof;

(vii) the Tenant having provided the Landlord with a statutory declaration from the Tenant's general contractor stating all of the Leasehold Improvements have been completed and that all contractors have been paid in full;

(viii) the expiry of any lien holdback period provided for by any applicable Builders or Mechanics Lien Legislation; and

(ix) execution of this Lease by all parties.

It is further understood and agreed that if the Tenant either:

(a) vacates the Premises; or

(b) discontinues the regular and punctual payment of Rent;

at any time prior to the end of the Term, then all amounts advanced or credited to the Tenant under this provision shall immediately be repayable to the Landlord and may be collected as Rent due and owing.

If any amounts are owed to the Landlord at the time the Allowance becomes payable, such amount shall be deducted from the Allowance and credited to the Tenant's account and the balance paid to the Tenant. Should the cost of the Leasehold Improvements be less than the Allowance then the lesser amount shall be paid to the Tenant. Should the cost of the Leasehold Improvements be more than the Allowance then the Tenant shall be solely responsible for the payment of any excess amount.

3. **Parking.**

The Landlord shall, throughout the Term of the Lease, provide the Tenant with eighteen (18) permits for parking in the parking facility of the Building and/or the parking facility of the Landlord's adjacent building at 1333 West Broadway (together, the "**Parking Facility**"), all permits to be at the prevailing rental rate for parking from time to time (current monthly rental rate for random and reserved parking spaces are $115.00 and $150.00 respectively per month per permit plus applicable taxes). Such rental rate is subject to increase to current market rent from time-to-time upon the Landlord providing the Tenant with a minimum of thirty (30) days' prior written notice. The Tenant must accept from the Landlord all the permits to which it is entitled on the Commencement Date or forfeit the number it has elected not to take. The Tenant acknowledges and agrees that this is a contractual right only and does not form part of the Premises demised to the Tenant and no landlord or tenant relationship exists with respect to this parking right, but the obligations shall be binding upon successors and assigns of Landlord's interest in the Building.

The Tenant agrees to sign, on Landlord's request, the Landlord's standard form of parking license agreement for the Parking Facility. The Tenant shall not be entitled to park in the Parking Facility until the license agreement has been executed and returned to the Landlord, and its right thereafter to park in the Parking Facility shall be governed solely by the terms of the license agreement.

4. **Occupancy Costs.**

The Landlord confirms that the estimated Occupancy Costs for 2015 are $17.77 per square foot of the Rentable Area of the Premises and that such estimate is subject to change in 2015 and in each subsequent Fiscal Year.

5. **Option to Extend.**

The Tenant may extend the Term for an additional period of five (5) years (such extended period being called the "**Extended Term**"), provided that the Tenant:

(i) has duly and punctually observed and performed all of the Tenant's covenants and obligations under this Lease throughout the Term in accordance with the terms of this Lease;

(ii) is not in default of, and has not previously been in default of, any of the Tenant's covenants and obligations under this Lease;

(iii) is in possession of and is conducting its business in the whole of the Premises;

(iv) advises the Landlord in writing that it wishes to extend the Term not more than 12 months and not less than 6 months prior to the expiration of the original Term, failing which this right to extend shall be rendered null and void.

If the Tenant exercises its right to extend the Term in accordance with the foregoing, the Lease shall be read as if the original Term was for a period of ten (10) years commencing on the Commencement Date and:

(v) the Base Rent during the Extended Term shall be the then current fair market rental value of the Premises based on prevailing market rates for similar improved premises in similar buildings in the area of the Building, as established by the mutual agreement of the Landlord and the Tenant, but in no event shall the Base Rent payable during the Extended Term be less than the Base Rent payable during the last year of the original Term. If the Base Rent for the Extended Term has not been mutually agreed upon by the Landlord and the Tenant at least 3 months prior to the expiry of the original Term, the Base Rent for the Extended Term shall be determined by arbitration by a single arbitrator chosen by the Landlord and the Tenant, and if they cannot agree upon the arbitrator within 5 days after the written request for arbitration by either party to the other, either party may apply to a judge for the appointment of an arbitrator in accordance with the provisions of the Arbitration Act (British Columbia), as amended from time to time. The provisions of the Arbitration Act shall govern the arbitration and the decision of the arbitrator shall be final and binding upon the parties. Each party shall pay one-half of the fees and expenses of the arbitrator. The arbitrator shall be instructed to render its decision no later than 15 days prior to the expiry of the original Term, but if the arbitrator fails to do so:

   A. the Tenant shall pay the same Base Rent it was paying during the last 12 months of the original Term; and

   B. upon the arbitrator rendering its decision, any adjustments in Base Rent shall be made effective the commencement of the Extended Term and shall be paid by the relevant party within 15 days of the arbitrator rendering its decision.

   All documents and proceedings with respect to the arbitration are to be kept confidential by each of the parties; and

(vi) the Landlord may require the Tenant to amend the Lease to bring it into conformity with the Landlord's then-standard form of lease.

For greater certainty, the parties acknowledge and agree that upon the Tenant exercising its within right to extend the Term:

(vii) the Tenant will not be entitled to further extend the Term;

(viii) the Landlord will not be required to perform the Landlord's Work, if any, and the Tenant will not be required to perform the Tenant's Work; and

(ix) the Tenant will not be entitled to any leasehold improvement allowance, tenant inducement or rent free period.

The exercise of the within right to extend is solely within the control of the Tenant and nothing contained in the Lease obligates or requires the Landlord to remind the Tenant to exercise the within right to extend.

6. **Restoration.**

Notwithstanding anything to the contrary contained in this Lease and provided the Tenant is "Zymeworks Inc." and is itself in occupancy of the entire Premises, the Tenant shall not be responsible for any costs associated with removing typical standard office Leasehold Improvements or in restoring or bringing the Premises back to a base Building standard at the expiry of the Term. However, the Tenant will be responsible for the removal of its trade fixtures, cabling and any specialized improvements, such as raised floor systems and items which the Landlord may deem, acting reasonably, to be specialized improvements in the course of approving the Tenant's Work.

AMENDMENT OF LEASE

This AMENDMENT OF LEASE made the 28th day of August, 2015,

BETWEEN:

POPLAR PROPERTIES LTD.,
by its duly authorized agent, Triovest Realty Advisors (B.C.) Inc.

(the "**Landlord**")

OF THE FIRST PART

AND:

ZYMEWORKS INC.

(the "**Tenant**")

OF THE SECOND PART

WHEREAS:

A. By a lease dated April 6, 2015 (the "**Lease**"), and made between the Landlord and the Tenant, the Landlord leased to the Tenant, for and during a term (the "**Term**") of five (5) years, commencing on September 1, 2015 and expiring on August 31, 2020, certain premises (the "**Premises**") designated as Suites 540 and 610 as shown on the plans attached to the Lease as Schedule A and municipally located at 1385 West 8th Avenue, Vancouver, BC;

B. Pursuant to Section 4.2 of the Lease, the Expert has measured Suite 610 and has determined that the Rentable Area is 3,321 square feet as shown on the plan attached as Schedule A to this Amendment of Lease;

C. The Landlord and the Tenant wish to amend the terms and conditions of the Lease.

NOW THEREFORE, pursuant to the premises and in consideration of the covenants and agreements herein contained and the sum of $10.00 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Landlord and Tenant covenant and agree to modify the Lease as follows:

1. The parties acknowledge that the foregoing recitals are true in substance and in fact.

2. Capitalized terms that are used in this Amendment of Lease and not otherwise defined, shall have the meanings ascribed thereto in the Lease.

3. Effective as of September 1, 2015, the Lease is hereby modified and amended as follows:

   (a) Section 1.1(b) of the Lease is hereby deleted and replaced with the following:

   "1.1(b) **Rentable Area of Premises:** 15,878 square feet (comprised of 12,557 square feet in Suite 540 and 3,321 square feet in Suite 610)";

   (b) Schedule A to the Lease is hereby amended by deleting the second floor plan entitled "**SCHEDULE A – FLOOR PLAN – SIXTH FLOOR**" and replacing it with the floor plan entitled "**SCHEDULE A – FLOOR PLAN – SIXTH FLOOR**" attached as Schedule A to this Amendment of Lease.

4. This Amendment of Lease is supplemental to the Lease, and all covenants, agreements, provisos, stipulations and conditions whatsoever therein contained shall continue in full force and effect during the Term except as to the amended terms and conditions set forth herein.

5. This Amendment of Lease will enure to the benefit of and be binding upon the Landlord and the Tenant and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this Amendment of Lease as of the day and year first above written.

POPLAR PROPERTIES LTD., by its duly authorized agent,
Triovest Realty Advisors (B.C.) Inc.
(LANDLORD)

Per: /s/ Sandy Cruickshank

Name & Title: Sandy Cruickshank, Executive Vice President

Per: /s/ Greg Last

Name & Title: Greg Last, Vice President, Property Management

We have the authority to bind the corporation.

ZYMEWORKS INC.
(TENANT)

Per: /s/ David Tucker

Name & Title: D. TUCKER, COO

I have the authority to bind the corporation.

SCHEDULE A – FLOOR PLAN – SIXTH FLOOR

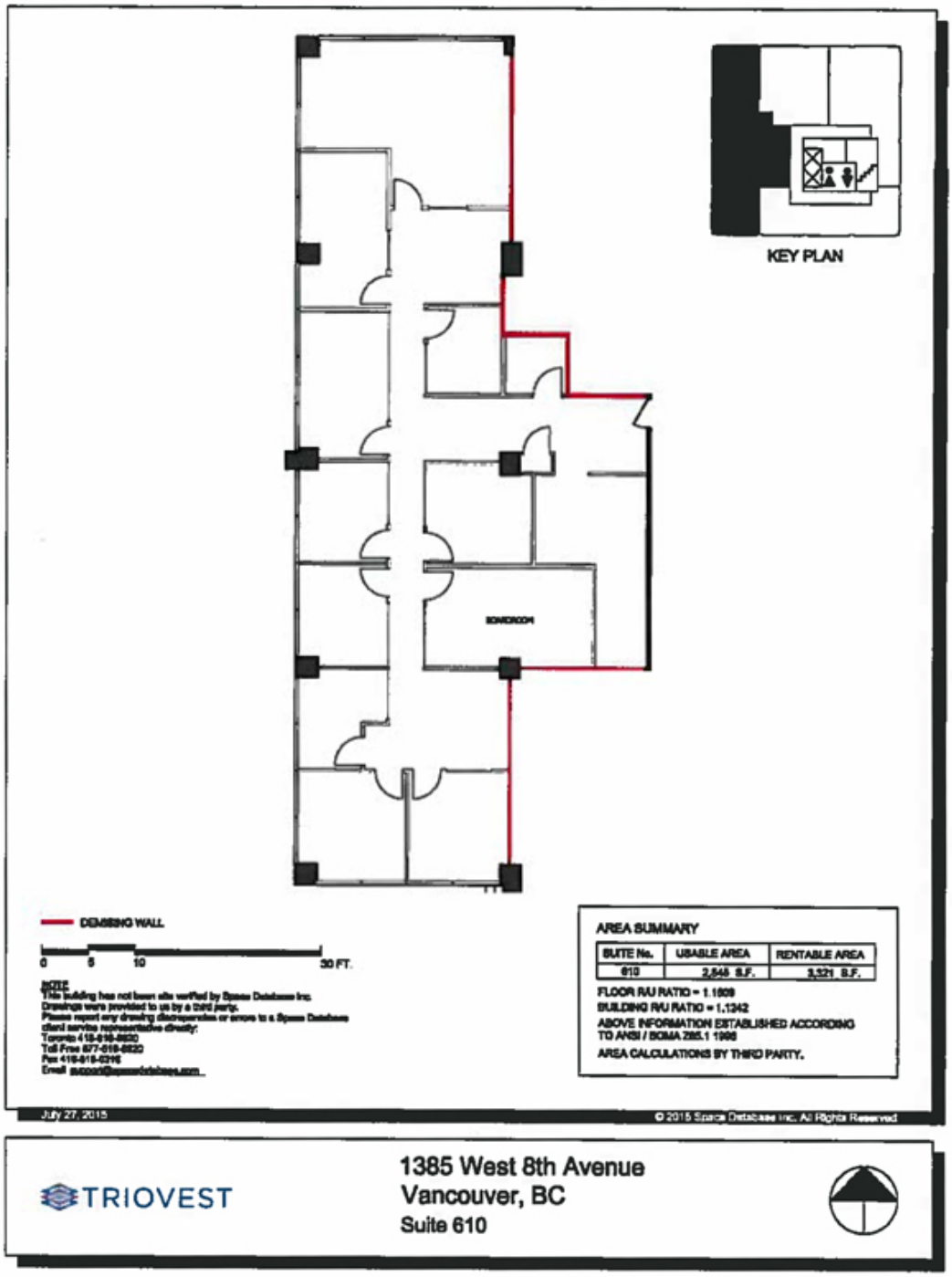


Exhibit 10.27

Execution Version

CREDIT AGREEMENT AND GUARANTY

Dated as of

June 2, 2016

among

ZYMEWORKS INC.,
as Borrower,

THE GUARANTORS FROM TIME TO TIME PARTY HERETO

and

PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P.
and PCOF PHOENIX II FUND, L.P.,
as Lenders

U.S. $15,000,000

TABLE OF CONTENTS

EXHIBITS:

EXHIBIT A	—	Form of Guarantee Assumption Agreement
EXHIBIT B	—	Form of Notice of Borrowing
EXHIBIT C	—	Form of Note
EXHIBIT D	—	Form of U.S. Tax Compliance Certificate
EXHIBIT E	—	Form of Compliance Certificate
EXHIBIT F	—	Intentionally Omitted
EXHIBIT G	—	Form of Sources and Uses Certificate
EXHIBIT H	—	Form of Warrant Certificate
EXHIBIT I	—	Form of U.S. Security Agreement
EXHIBIT J	—	Form of Canadian Security Agreement
EXHIBIT K-1	—	Form of Patent & Trademark Security Agreement
EXHIBIT K-2	—	Form of Copyright Security Agreement
EXHIBIT L	—	Form of Collateral Questionnaire

CREDIT AGREEMENT AND GUARANTY, dated as of June 2, 2016 (this *"Agreement"*), among ZYMEWORKS INC., a corporation organized under the laws of Canada (*"Borrower"*), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership (*"Perceptive"*), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership (*"PCOF"*), as a lender (together with Perceptive and each of their respective successors and assigns party hereto pursuant to Section 13.05, the *"Lenders"* and each a *"Lender"*).

W I T N E S S E T H:

Borrower has requested the Lenders to make term loans to Borrower, and the Lenders are prepared to make such loans on and subject to the terms and conditions hereof. Accordingly, the parties agree as follows:

ARTICLE 1.

DEFINITIONS

Section 1.01. Certain Defined Terms. As used herein, the following terms have the following respective meanings:

"*Accounting Change Notice*" has the meaning set forth in Section 1.04(a).

"*Acquisition*" means any transaction, or any series of related transactions, by which any Person directly or indirectly, by means of a take-over bid, tender offer, amalgamation, merger, purchase of assets, or similar transaction having the same effect as any of the foregoing, (a) acquires any business or all or substantially all of the assets of any Person engaged in any business, (b) acquires control of securities of a Person engaged in a business representing more than 50% of the ordinary voting power for the election of directors or other governing body if the business affairs of such Person are managed by a board of directors or other governing body, or (c) acquires control of more than 50% of the ownership interest in any Person engaged in any business that is not managed by a board of directors or other governing body.

"*Act*" has the meaning set forth in Section 13.16.

"*Affiliate*" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"*Agreement*" has the meaning set forth in the introduction hereto.

"*Agreement Currency*" has the meaning set forth in Section 13.17.

"*Anti-Corruption Laws*" means all laws, rules, regulations and requirements of any jurisdiction applicable to the Obligors and their Affiliates concerning or relating to bribery or corruption, including, without limitation, the Foreign Corrupt Practices Act of 1977, as amended, and the *Corruption of Foreign Public Officials Act* (Canada), as amended.

"*Anti-Terrorism Laws*" means any laws or regulations relating to terrorism or money laundering, including, without limitation, the *Criminal Code* (Canada), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Official Secrets Act* (Canada), the *Bank Secrecy Act* (31 U.S.C. §§ 5311 *et seq.*), the *Money Laundering Control Act of 1986* (18 U.S.C. §§ 1956 *et seq.*), the USA Patriot Act and any similar law enacted in the United States after the date of this Agreement.

"*Applicable Creditor*" has the meaning set forth in Section 13.17.

"*Applicable Margin*" means a rate of 10.00% per annum.

"*Asset Sale*" has the meaning set forth in Section 9.09.

"*Asset Sale Net Proceeds*" means the aggregate amount of cash proceeds received from any Asset Sale (including any cash received by way of deferred payment pursuant to a note receivable, other non-cash consideration or otherwise, but only as and when such cash is so received), net of any bona fide costs incurred in connection with such Asset Sale.

"*Assignment and Acceptance*" means an assignment and acceptance entered into by a Lender and an assignee of such Lender.

"*Bankruptcy Code*" means Title II of the United States Code entitled "Bankruptcy".

"*Bankruptcy Law*" means the Bankruptcy Code and Canadian Bankruptcy Law, as applicable.

"*Benefit Plan*" means any employee benefit plan as defined in Section 3(3) of ERISA (whether governed by the laws of the United States, the laws of Canada or otherwise) to which any Obligor or Subsidiary thereof incurs or otherwise has any obligation or liability, contingent or otherwise.

"*Board*" has the meaning set forth in Section 12.01.

"*Borrower*" has the meaning set forth in the introduction hereto.

"*Borrower Lease*" means that certain Lease of Office Space between Poplar Properties Ltd. and Borrower dated as of April 6, 2015, as amended from time to time.

"*Borrower Party*" has the meaning set forth in Section 13.03(b).

"*Borrowing*" means a borrowing consisting of Loans made on the same day by the Lenders according to their respective Commitments.

"*Borrowing Date*" means with respect to the Tranche B Term Loan, the Business Day on which all conditions set forth in Section 6.02 have been satisfied or waived by the Lenders and the Tranche B Term Loan is made hereunder.

"*Borrowing Notice Date*" means, the date that is at least three (3) Business Days prior to the Borrowing Date.

"*Business Day*" means a day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City and, when determined in connection with notices and determinations in respect of LIBOR or any Loan or any funding, Interest Period or any payments in respect of the Loans, that is also a day on which dealings in dollar deposits are carried on in the London interbank market.

"*Canadian Bankruptcy Law*" means the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada) or any other present or future federal bankruptcy or insolvency laws of Canada.

"*Canadian Deposit Account*" means any deposit account and/or securities account located and/or maintained in Canada.

"*Canadian Dollars*" means lawful money of Canada.

"*Canadian Security Agreement*" means the security agreement, dated as of the date hereof, in substantially the form of Exhibit J, among the Obligors, the Lenders and the Control Agent, granting a security interest in the personal Property constituting Collateral thereunder in favor of the Lenders.

"*Capital Lease Obligations*" means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal Property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined substantially in accordance with GAAP.

"*Casualty Event*" means any actual or constructive loss, condemnation, destruction, confiscation, requisition, seizure or forfeiture of all or any material portion of the assets of Borrower, excluding only those assets, individually or in the aggregate, subject to any such event during any calendar year with a fair market value as of the date thereof equal to or less than $500,000.

"*Change of Control*" means and shall be deemed to have occurred if:

(a) (i) prior to the occurrence of a Qualified IPO, the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons acting jointly or otherwise in concert of capital stock representing more than 40% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Borrower, or (ii) following the occurrence of a Qualified IPO, the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons acting jointly or otherwise in concert of capital stock representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Borrower;

(b) prior to the occurrence of a Qualified IPO, during any period of twelve (12) consecutive calendar months, the occupation of a majority of the seats (other than vacant seats) on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower, nor (ii) appointed by directors on the board of directors on the date hereof or so nominated;

(c) other than in connection with a transaction permitted by this Agreement, Borrower shall cease to own directly, beneficially and of record, determined on a fully diluted basis, 100% of the issued and outstanding capital stock of its Subsidiaries; or

(d) prior to the occurrence of a Qualified IPO, a Key Person Event shall have occurred.

"*Claims*" includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions, information (brought by a public prosecutor without grand jury indictment) or other similar processes, assessments or reassessments.

"*Closing Date*" means the Business Day on which all of the conditions set forth in Section 6.01 have been satisfied or waived by the Lenders and the Tranche A Term Loan is made.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"*Collaboration Agreements*" means those collaboration agreements identified on Schedule 9.12(c)(1) and similar agreements entered into by Borrower from time to time in the Ordinary Course of Business.

"*Collateral*" means any Property in which a Lien is purported to be granted under any of the Security Documents (or all such Property, as the context may require).

"*Collateral Questionnaire*" means that certain Collateral Questionnaire and Certification by Officer of Zymeworks Inc. substantially in the form of attached hereto as Exhibit L.

"*Commission*" means the Securities and Exchange Commission.

"*Commitment*" means, with respect to each Lender, such Lender's Tranche A Term Loan Commitment and Tranche B Term Loan Commitment, and "*Commitments*" means all such commitments of all Lenders. The aggregate Commitments of all Lenders as of the Closing Date is $15,000,000.

"*Committee*" has the meaning set forth in Section 12.01.

"*Commodity Account*" has the meaning set forth in the U.S. Security Agreement (including any equivalent meaning in Canada or under any applicable Canadian provincial personal property legislation).

"*Compliance Certificate*" has the meaning set forth in Section 8.01(c).

"*Contracts*" means contracts, licenses, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements under which a Person has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied).

"*Control*" means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"*Control Agent*" means the Lender acting as "Control Agent" under the U.S. Security Agreement and the Canadian Security Agreement, as applicable.

"*Copyright*" has the meaning set forth in the Security Documents.

"*Default*" means any Event of Default and any event that, upon the giving of notice, the lapse of time or both, would constitute an Event of Default.

"*Default Rate*" has the meaning set forth in Section 3.02(b).

"*Deposit Account*" means a U.S. Deposit Account and a Canadian Deposit Account.

"*Designated Account*" has the meaning set forth in Section 4.01(a).

"*Designated Person*" means a person or entity:

(a) listed in the annex to, or otherwise targeted by the provisions of, the Executive Order (as disclosed by World-Check or another reputable commercially available database);

(b) named as a "Specially Designated National and Blocked Person" on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list (as disclosed by World-Check or another reputable commercially available database);

(c) named or listed in the regulations made under the Special Economic Measures Act (Canada) (S,C. 1992, c. 17) as a person or entity with whom trading or dealing is prohibited, in accordance with the most recent of such lists published by the Department of Foreign Affairs and International Trade on its web site; or

(d) with which the Lenders are prohibited from dealing or otherwise engaging in any transaction by any Economic Sanctions Laws.

"*Dollars*" and "*$*" means lawful money of the United States of America.

"*Economic Sanctions Laws*" means:

(a) the Executive Order, the *International Emergency Economic Powers Act* (50 U.S.C. §§ 1701 *et seq.*), the *Trading with the Enemy Act* (50 U.S.C. App. §§ 1 *et seq.*), any other law or regulation promulgated thereunder from time to time and administered by OFAC and any similar law enacted in the United States after the date of this Agreement;

(b) the *Special Economic Measures Act* (Canada) (S,C. 1992, c. 17) and the regulations made thereunder, the *United Nations Act* (Canada) (R.S.C. 1985, c. U-2), and the regulations made thereunder, any other law or regulation promulgated from time to time and administered by the Canadian Department of Foreign Affairs and International Trade and any similar laws enacted in Canada after the date of this Agreement; and

(c) any other similar applicable law now or hereafter enacted in any other applicable jurisdiction.

"*Employee Plan*" means a Pension Plan, a Welfare Plan or both.

"*Environmental Law*" means any federal, state, provincial or local governmental law, rule, regulation, order, writ, judgment, injunction or decree relating to pollution or protection of the environment or the treatment, storage, disposal, release, threatened release or handling of hazardous materials, and all local laws and regulations related to environmental matters and any specific agreements entered into with any competent authorities which include commitments related to environmental matters.

"*Equity Interest*" means, with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, but excluding debt securities convertible or exchangeable into such equity.

"*Equivalent Amount*" means, with respect to an amount denominated in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the Exchange Rate at the time of determination.

"*ERISA*" means the United States Employee Retirement Income Security Act of 1974, as amended.

"*ERISA Affiliate*" means, collectively, any Obligor, Subsidiary thereof, and any Person under common control, or treated as a single employer, with any Obligor or Subsidiary thereof, within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"*ERISA Event*" means (i) a reportable event as defined in Section 4043 of ERISA with respect to a Title IV Plan, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; (ii) the applicability of the requirements of Section 4043(b) of ERISA with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, to any Title IV Plan where an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such plan within the following 30 days; (iii) a withdrawal by any Obligor or any ERISA Affiliate thereof from a Title IV Plan or the termination of any Title IV Plan resulting in liability under Sections 4063 or 4064 of ERISA; (iv) the withdrawal of any Obligor or any ERISA Affiliate thereof in a complete or partial withdrawal (within the meaning of Section 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any potential liability therefore, or the receipt by any Obligor or any ERISA Affiliate thereof of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA; (v) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Title IV Plan or Multiemployer Plan; (vi) the imposition of liability on any Obligor or any ERISA Affiliate thereof pursuant to Sections 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the failure by any Obligor or any ERISA Affiliate thereof to make any required contribution to a Plan, or the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Title IV Plan (whether or not waived in accordance with Section 412(c) of the Code) or the failure to make by its due date a required installment under Section 430 of the Code with respect to any Title IV Plan or the failure to make any required contribution to a Multiemployer Plan; (viii) the determination that any Title IV Plan is considered an at-risk plan or a plan in endangered to critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; (ix) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan; (x) the imposition of any liability under Title I or Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Obligor or any ERISA Affiliate thereof; (xi) an application for a funding waiver under Section 303 of ERISA or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Title IV Plan; (xii) the occurrence of a non-exempt prohibited transaction under Sections 406 or 407 of ERISA for which any Obligor or any Subsidiary thereof may be directly or indirectly liable; (xiii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person for which any Obligor or any ERISA Affiliate thereof may be directly or indirectly liable; (xiv) the occurrence of an act or omission which could give rise to the imposition on any

Obligor or any ERISA Affiliate thereof of fines, penalties, Taxes or related charges under Chapter 43 of the Code or under Sections 409, 502(c), (i) or (1) or 4071 of ERISA; (xv) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, or against any Obligor or any Subsidiary thereof in connection with any such plan; (xvi) receipt from the IRS of notice of the failure of any Qualified Plan to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Qualified Plan to fail to qualify for exemption from taxation under Section 501(a) of the Code; (xvii) the imposition of any lien (or the fulfillment of the conditions for the imposition of any lien) on any of the rights, properties or assets of any Obligor or any ERISA Affiliate thereof, in either case pursuant to Title I or IV, including Section 302(f) or 303(k) of ERISA or to Section 401(a)(29) or 430(k) of the Code; or (xviii) the establishment or amendment by any Obligor or any Subsidiary thereof of any "welfare plan," as such term is defined in Section 3(1) of ERISA, that provides post-employment welfare benefits in a manner that would increase the liability of any Obligor, other than those benefits required under the Consolidated Omnibus Budget Reconciliation Act.

"*ERISA Funding Rules*" means the rules regarding minimum required contributions (including any installment payment thereof) to Title IV Plans, as set forth in Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"*Event of Default*" has the meaning set forth in Section 10.01.

"*Excess Funding Guarantor*" has the meaning set forth in Section 11.08.

"*Excess Payment*" has the meaning set forth in Section 11.08.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Exchange Rate*" means on any day with respect to Canadian Dollars, the rate at which Canadian Dollars may be exchanged into Dollars, as set forth on the applicable Bloomberg currency page with respect to such currency; in the event that such rate does not appear on the applicable Bloomberg currency page, the "Exchange Rate" shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by Borrower and the Majority Lenders or, in the absence of such agreement, such Exchange Rate shall instead be determined by the Majority Lenders by any reasonable method as they deem applicable to determine such rate, and such determination shall be conclusive absent manifest error.

"*Excluded Taxes*" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes in each case (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of a Lender, its applicable lending office located in, the jurisdiction imposing such Tax or (ii) that are Other Connection Taxes, (b) any U.S. federal withholding Taxes that are imposed on amounts payable to Lender to the extent that the obligation to withhold amounts existed on the date that (i) Lender became a "Lender"

under this Agreement or (ii) Lender changes its lending office, except in each case to the extent Lender is a direct or indirect assignee of any other Lender that was entitled, at the time the assignment of such other Lender became effective, to receive additional amounts under Section 5.03 or Lender was entitled to receive additional amounts under Section 5.03 immediately before it changed its lending office, (c) any Taxes imposed in connection with FATCA, and (d) Taxes attributable to such Recipient's failure to comply with Section 5.03(e).

"*Executive Order*" means the US Executive Order No. 13224 on Blocking Property and Prohibiting Transactions with Persons who commit, Threaten to Commit, or Support Terrorism.

"*Expense Deposit*" means a cash deposit in the amount of $25,000 made by Borrower to an Affiliate of Perceptive Advisors LLC pursuant to the Proposal Letter for the prepayment of the Lenders' costs and expenses (payable pursuant to Section 13.03(a) and/or the Proposal Letter) incurred prior to the Closing Date.

"*FATCA*" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"*FD&C Act*" means the U.S. Food, Drug and Cosmetic Act of 1938 (or any successor thereto), as amended from time to time, and the rules and regulations promulgated thereunder.

"*FDA*" means the U.S. Food and Drug Administration and any successor entity.

"*Foreign Lender*" means a Lender that is not a U.S. Person.

"*GAAP*" means generally accepted accounting principles in the United States of America, as in effect from time to time, set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, in the statements and pronouncements of the Financial Accounting Standards Board and in such other statements by such other entity as may be in general use by significant segments of the accounting profession that are applicable to the circumstances as of the date of determination; *provided*, that for the sole purpose of complying with Canadian reporting obligations, GAAP in respect of the financial statements and accounting determinations for Borrower individually or on a consolidated basis (which for the avoidance of doubt shall not include any statements or determinations relating only to Borrower individually or on a consolidated basis) means generally accepted accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute (which, for greater clarity, includes the International Financial Reporting Standards (IRFS) and Accounting Standards for Private Enterprises (ASPE) as applicable approved by same from time to time). Subject to Section 1.02, all references to "GAAP" shall be to GAAP applied consistently with the principles used in the preparation of the financial statements described in Section 7.04(a).

"*Governmental Approval*" means any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"*Governmental Authority*" means any nation, government, branch of power (whether executive, legislative or judicial), state, province or municipality or other political subdivision thereof and any entity exercising executive, legislative, judicial, monetary, regulatory or administrative functions of or pertaining to government, including without limitation Regulatory Authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, courts, bodies, boards, tribunals and dispute settlement panels, and other law-, rule- or regulation-making organizations or entities of any State, province, territory, county, city or other political subdivision of the United States or Canada.

"*Guarantee*" of or by any Person (the "*guarantor*") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; *provided*, that the term Guarantee shall not include endorsements for collection or deposit in the Ordinary Course of Business.

"*Guarantee Assumption Agreement*" means a Guarantee Assumption Agreement substantially in the form of Exhibit A by an entity that, pursuant to Section 8.11(a), is required to become a "Guarantor".

"*Guaranteed Obligations*" has the meaning set forth in Section 11.01.

"*Guarantor*" means each Subsidiary of Borrower.

"*Hazardous Material*" means any substance, element, chemical, compound, product, solid, gas, liquid, waste, by-product, pollutant, contaminant or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as "hazardous" or "toxic" or words of like import pursuant to an Environmental Law.

"*Hedging Agreement*" means any interest rate exchange agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"*IND*" means (i)(x) an investigational new drug application (as defined in the FD&C Act) that is required to be filed with the FDA before beginning clinical testing in human subjects, or any successor application or procedure and (y) any similar application or functional equivalent relating to any investigational new drug application applicable to or required by any country, jurisdiction or Governmental Authority other than the U.S. and (ii) all supplements and amendments that may be filed with respect to the foregoing.

"*Indebtedness*" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to Property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of Property or services (excluding current accounts payable which are incurred in the Ordinary Course of Business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) obligations under any Hedging Agreement, currency swaps, forwards, futures or derivatives transactions, (k) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (l) all obligations of such Person under license or other agreements containing a guaranteed minimum payment or purchase by such Person, (m) all obligations, contingent or otherwise, of such Person arising under indemnity agreements or other agreements that contain an obligation to indemnify any third party, and (n) all other obligations required to be classified as indebtedness of such Person under GAAP. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"*Indemnified Party*" has the meaning set forth in Section 13.03(b).

"*Indemnified Taxes*" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any Obligation and (b) to the extent not otherwise described in clause (a), Other Taxes.

"*Industrial Designs*" has the meaning set forth in the Security Documents.

"*Information*" has the meaning set forth in Section 13.18.

"*Insolvency Proceeding*" means (i) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (ii) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar

arrangement in respect of any Person's creditors generally or any substantial portion of such Person's creditors, in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Law.

"*Intellectual Property*" means all Patents, Trademarks, Copyright, Industrial Designs, Technical Information and other intellectual property, whether registered or not, domestic and foreign. Intellectual Property shall include all:

(a) applications or registrations relating to such Intellectual Property;

(b) rights and privileges arising under applicable Laws with respect to such Intellectual Property;

(c) rights to sue for past, present or future infringements of such Intellectual Property, in accordance with applicable Laws;

(d) Product Authorizations;

(e) Product Agreements; and

(f) rights of the same or similar effect or nature in any jurisdiction corresponding to such Intellectual Property throughout the world.

"*Interest Period*" means, (i) initially, the period beginning on (and including) the Closing Date and ending on (and including) the last day of the calendar month in which the Closing Date occurs, and (ii) thereafter, the period beginning on (and including) the first day of each succeeding calendar month and ending on the earlier of (and including) (x) the last day of such calendar month and (y) the Maturity Date.

"*Invention*" means any novel, inventive and useful art, apparatus, method, process, machine (including article or device), manufacture or composition of matter, or any novel, inventive and useful improvement in any art, method, process, machine (including article or device), manufacture or composition of matter.

"*Investment*" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit in the nature of an ordinary course trade receivable having a term not exceeding 90 days arising in connection with the sale of inventory or supplies by such Person in the Ordinary Course of Business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount

committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement. The amount of an Investment will be determined at the time the Investment is made without giving effect to any subsequent changes in value.

"*IRS*" means the U.S. Internal Revenue Service or any successor agency, and to the extent relevant, the U.S. Department of the Treasury.

"*Judgment Currency*" has the meaning set forth in Section 13.17.

"*Key Person*" means Dr. Ali Tehrani or such other person as may be acceptable by the Lenders as Dr. Tehrani's replacement pursuant to the definition of "Key Person Event."

"*Key Person Event*" means the Key Person (a) ceases to hold the office of chief executive officer (or equivalent) of Borrower or fails to be directly and actively involved in the day to day management and direction of Borrower and its Subsidiaries and a successor reasonably acceptable to the Lenders shall not have been appointed within 60 days of such cessation, or (b) becomes or is an employee, manager or officer of any entity other than Borrower and its Subsidiaries and such affiliation materially affects the amount of time the Key Person devotes to the business of Borrower and its Subsidiaries.

"*Laws*" means, collectively, all international, foreign, federal, state, provincial, territorial, municipal and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"*Lenders*" has the meaning set forth in the introduction hereto.

"*LIBOR*" means the greater of:

(i) the rate *per annum* (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

LIBOR = Base LIBOR

100% - LIBOR Reserve Percentage

and

(ii) 1.00% *per annum*,

where "*Base LIBOR*" means, with respect to any Interest Period, the rate determined by the Majority Lenders to be the offered rate for deposits in Dollars for the applicable Interest Period appearing on the Dow Jones Markets Telerate Page 3750 as of 11:00 a.m. (London

time) on the second full Business Day next preceding the first day of such Interest Period. In the event that such rate does not appear on the Dow Jones Markets Telerate Page 3750 (or otherwise on the Dow Jones Markets screen) at such time, the "Base LIBOR" shall be determined by reference to such other comparable publicly available service for displaying the offered rate for deposit in Dollars in the London interbank market as may be selected by the Majority Lenders and, in the absence of availability, such other method to determine such offered rate as may be selected by the Majority Lenders in their sole discretion.

"*LIBOR Reserve Percentage*" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by the Majority Lenders for expected changes in such reserve percentage during the term of the Loans.

"*Lien*" means any mortgage, lien, pledge, charge or other security interest, or any lease, title retention agreement, mortgage, restriction, easement, right-of-way, option or adverse claim (of ownership or possession) or other encumbrance of any kind or character whatsoever or any preferential arrangement that has the practical effect of creating a security interest.

"*Liquidity*" means the balance of unencumbered cash (other than cash encumbered by the Liens granted to the Lenders pursuant to the Loan Documents) and Permitted Cash Equivalent Investments (which for greater certainty shall not include any undrawn credit lines), in each case, to the extent held in Deposit Accounts over which the Lenders have a first priority perfected security interest and which are subject to control agreements in favor of the Lenders (except as otherwise set forth in Section 8.19).

"*Loan Documents*" means, collectively, this Agreement, the Notes, the Security Documents, any Guarantee Assumption Agreement, each Warrant Certificate, and any subordination agreement, intercreditor agreement or other present or future document, instrument, agreement or certificate delivered to any Lender in connection with this Agreement or any of the other Loan Documents, in each case, as amended, restated, supplemented or otherwise modified.

"*Loan Exposure*" means, with respect to any Lender, as of any date of determination, the outstanding principal amount of the Loans of such Lender; *provided*, at any time prior to the making of the Loans, the Loan Exposure of any Lender shall be equal to such Lender's Commitment.

"*Loans*" means the Tranche A Term Loan and the Tranche B Term Loan.

"*Loss*" means judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any Claim or any proceeding relating to any Claim.

"*Majority Lenders*" means, at any time, one or more Lenders having or holding Loan Exposure and representing more than 50% of the aggregate Loan Exposure of all Lenders.

"*Margin Stock*" means "margin stock" within the meaning of Regulations U and X.

"*Material Adverse Change*" and "*Material Adverse Effect*" mean a material adverse change in or effect on (i) the business, financial condition, operations, performance, or Property of Borrower and its Subsidiaries taken as a whole, (ii) the ability of any Obligor to perform its obligations under any Loan Document, (iii) the value of the Property comprising Collateral (taken as a whole), or (iv) the legality, validity, binding effect or enforceability of the Loan Documents or the rights and remedies of any Lender under any of the Loan Documents. For the avoidance of doubt, a "going concern" or like qualification or "emphasis of matter" paragraph in an auditor's opinion shall not, in and of itself, constitute a Material Adverse Change or a Material Adverse Effect.

"*Material Agreements*" means (A) the agreements which are listed in Schedule 7.14, and (B) all other agreements to which any Obligor or any of its Properties are bound, from time to time, the absence or termination of any of which would reasonably be expected to result in a Material Adverse Effect (which include agreements for the contracted manufacturing of Products and the distribution and payment of royalties); *provided*, that "Material Agreements" excludes all: (i) licenses implied by the sale of a product; and (ii) paid-up licenses for commonly available software programs under which an Obligor is the licensee; *provided further*, that for purposes of Sections 8.03(d), 9.12(b) and 10.01(g) "Material Agreements" shall exclude the Collaboration Agreements and the Specified Collaboration Agreements.

"*Material Indebtedness*" means, at any time, any Indebtedness of any Obligor, the outstanding principal amount of which, individually or in the aggregate, exceeds $500,000 (or the Equivalent Amount in other currencies).

"*Material Intellectual Property*" means, the Obligor Intellectual Property described in Schedule 7.05(b) and any other Obligor Intellectual Property the loss of which would reasonably be expected to have or result in a Material Adverse Effect.

"*Maturity Date*" means the earlier to occur of (i) the Stated Maturity Date, and (ii) the date on which the Loans are accelerated pursuant to Section 10.02.

"*Multiemployer Plan*" means any multiemployer plan, as defined in Section 400l(a)(3) of ERISA, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

"*NDA*" means (i)(x) a new drug application (as defined in the FD&C Act) and (y) any similar application or functional equivalent relating to any new drug application applicable to or required by any country, jurisdiction or Governmental Authority other than the U.S. and (ii) all supplements and amendments that may be filed with respect to the foregoing.

"*Note*" means a promissory note executed and delivered by Borrower to any Lender in accordance with Section 2.04.

"*Notice of Borrowing*" has the meaning set forth in Section 2.01.

"*Obligations*" means, with respect to any Obligor, all amounts, obligations (including, without limitation, Warrant Obligations), liabilities, covenants and duties of every type and description owing by such Obligor to any Lender, any other indemnitee hereunder or any participant, arising out of, under, or in connection with, any Loan Document, whether direct or indirect (regardless of whether acquired by assignment), absolute or contingent, due or to become due, whether liquidated or not, now existing or hereafter arising and however acquired, and whether or not evidenced by any instrument or for the payment of money, including, without duplication, (i) all Loans, (ii) all interest, whether or not accruing after the filing of any petition in bankruptcy or after the commencement of any insolvency, reorganization or similar proceeding, and whether or not a claim for post-filing or post-petition interest is allowed in any such proceeding, and (iii) the Prepayment Premium and all other fees, expenses (including fees, charges and disbursement of counsel), interest, commissions, charges, costs, disbursements, indemnities and reimbursement of amounts paid and other sums chargeable to such Obligor under any Loan Document.

"*Obligor Intellectual Property*" means Intellectual Property owned by or licensed to any of the Obligors.

"*Obligors*" means, collectively, Borrower, each Guarantor and each of their respective successors and permitted assigns.

"*Observer*" has the meaning set forth in Section 12.01.

"*OFAC*" means the Office of Foreign Assets Control of the U.S. Department of the Treasury (or any successor thereto).

"*Ordinary Course of Business*" means, with respect to the Obligors, the ordinary course of business consistent with past custom and practice (including with respect to nature, scope, magnitude, quantity and frequency) that does not require any board of director or shareholder approval or any other separate or special authorization of any nature and similar in nature, scope and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business.

"*Organizational Documents*" means (i) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by-laws, as amended, (ii) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (iii) with respect to any general partnership, its partnership agreement, as amended, and (iv) with respect to any limited liability company, its articles of organization, as amended, and its operating agreement, as amended. In the event any term of condition of this Agreement or any other Loan Document requires any Organizational Document to be certified by a secretary of state or similar government official, the reference to any such "Organizational Document" shall only be to a document of a type customarily certified by such government official.

"*Other Connection Taxes*" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"*Other Taxes*" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 5.03(g)).

"*Participant*" has the meaning set forth in Section 13.05(d).

"*Patents*" has the meaning set forth in the Security Documents.

"*Payment Date*" means the last day of each Interest Period; *provided* that if such last day of such Interest Period is not a Business Day, then the Payment Date for such Interest Period will be the next preceding Business Day.

"*PBGC*" means the United States Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"*PDMA*" means the Prescription Drug Marketing Act.

"*Pension Plan*" means a "pension plan" or "plan" within the meaning of the applicable pension benefits legislation in any jurisdiction of Canada, that is organized and administered to provide pensions, pension benefits or retirement benefits for employees and former employees of any Obligor.

"*Permits*" means all permits, licenses, registrations, certificates, orders, approvals, authorizations, consents, waivers, franchises, variances and similar rights issued by or obtained from any Governmental Authority or any other Person, including, without limitation, those relating to Environmental Laws.

"*Permitted Acquisition*" means any acquisition by Borrower or any of its wholly-owned Subsidiaries, by (i) purchase, merger, license or otherwise, of all or substantially all of the assets of, all of the Equity Interests of, or a business line or unit or a division of, any Person or (ii) license arrangement for the rights to use, develop, market or otherwise commercialize any Patents, Trademarks, Copyrights or other Intellectual Property (other than ordinary course, over the counter software license arrangements); *provided* that:

(a) immediately prior to, and immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(b) all transactions in connection therewith shall be consummated, in all material respects, in accordance with all applicable Laws and in conformity in all material respects with all applicable Governmental Approvals;

(c) in the case of the acquisition of all of the Equity Interests of such Person, all of the Equity Interests (except for any such securities in the nature of directors' qualifying shares required pursuant to applicable Law) acquired, or otherwise issued by such Person or any newly formed Subsidiary of Borrower in connection with such acquisition, shall be owned 100% by an Obligor or any other Subsidiary, and Borrower shall have taken, or caused to be taken, as of the date such Person becomes a Subsidiary of Borrower, each of the actions set forth in Section 8.11, if applicable;

(d) such Person (in the case of an acquisition of Equity Interests) or assets (in the case of an acquisition of assets or a division) (i) shall be engaged or used, as the case may be, in the same business or lines of business in which Borrower and/or its Subsidiaries are engaged or a business reasonably and substantially related thereto or (ii) shall have a similar customer base as Borrower and/or its Subsidiaries; and

(e) on a pro forma basis after giving effect to such acquisition, Borrower and its Subsidiaries shall be in compliance with the financial covenants set forth in Section 8.18.

"*Permitted Cash Equivalent Investments*" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than two (2) years from the date of acquisition, (ii) commercial paper with an average maturity of no more than one (1) year and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) any money market funds or other investment vehicles whose principal investments are in investments described in clauses (i) or (ii) above, and (iv) investments permitted by the investment policy approved by the board of directors of Borrower, so long as Borrower provides written notice to the Lenders of any changes to the investment policy delivered to the Lenders on the Closing Date and such changes will not adversely affect the Lenders in any material respect (including, without limitation, any impact on the calculation of the covenant set forth in Section 8.18) in the determination of the Lenders in their reasonable discretion.

"*Permitted Commercialization Arrangement*" means such commercialization, research and development, co-marketing and other collaborative arrangements, including joint ventures, in each case where (i) such arrangements provide for Permitted Licenses and (ii) all upfront payments, royalties, milestone payments or other proceeds arising from such licensing agreements that are payable to Borrower or any Guarantor are paid only to Deposit Accounts over which the Lenders have a first priority perfected security interest.

"*Permitted Indebtedness*" means any Indebtedness permitted under Section 9.01.

"*Permitted Licenses*" are (i) licenses of over-the-counter software that is commercially available to the public and (ii) non-exclusive and exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries, in each case entered into in the Ordinary Course of Business or as otherwise may be approved by Borrower's board of directors so long as (A) no Event of Default has occurred and is continuing at the time of such license and (B) such license does not materially impair the Lenders from exercising their rights under any of the Loan Documents.

"*Permitted Liens*" means any Liens permitted under Section 9.02.

"*Permitted Priority Liens*" means (i) Liens permitted under Section 9.02(d), (e), (f), (g) or (j), and (ii) Liens permitted under Section 9.02(b) *provided* that such Liens are also of the type described in Section 9.02(d), (e), (f), (g) or (j).

"*Permitted Refinancing*" means, with respect to any Indebtedness, any refinancing, extensions, renewals and replacements of such Indebtedness; *provided*, that such refinancing, extension, renewal or replacement (i) shall not increase the outstanding principal amount of such Indebtedness, (ii) contains terms relating to outstanding principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole no less favorable in any material respect to Borrower and its Subsidiaries or any Lender than the terms of any agreement or instrument governing such existing Indebtedness, (iii) shall have an applicable interest rate which does not exceed the rate of interest of the Indebtedness being replaced, and (iv) shall not contain any new requirement to grant any lien or security or to give any guarantee that was not an existing requirement of such Indebtedness.

"*Person*" means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

"*PFIC*" has the meaning set forth in Section 8.01(i).

"*Plan*" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"*Prepayment Premium*" has the meaning set forth in Section 3.03(a).

"*Product*" means any future product developed, manufactured, licensed, marketed, sold or otherwise commercialized by any Obligor, including any such product in development or which may be developed, in each case related to Material Intellectual Property.

"*Product Agreement*" means each agreement, license, document, instrument, interest (equity or otherwise) or the like under which one or more Persons grants or receives any right, title or interest with respect to any Product Development and Commercialization Activities in

respect of one or more Products specified therein, or receives or is granted the right to exclude any third parties from engaging in any Product Development and Commercialization Activities with respect thereto, including each contract or agreement with suppliers, manufacturers, distributors, clinical research organizations, wholesalers, pharmacies or with any other Person related to any such entity.

"*Product Authorizations*" means any and all approvals (including applicable supplements, amendments, pre and post approvals, drug master files, governmental price and reimbursement approvals and approvals of applications for regulatory exclusivity), licenses, registrations or authorizations of any Governmental Authority necessary for the manufacture, development, distribution, use, storage, import, export, transport, promotion, marketing, sale or other commercialization of a Product in any country or jurisdiction, including without limitation INDs, NDAs or similar applications.

"*Product Development and Commercialization Activities*" means, with respect to any Product, any combination of research, development, manufacture, importation, use, sale, storage, design, labeling, marketing, promotion, supply, distribution, testing, packaging, purchasing or other commercialization activities, receipt of payment in respect of any of the foregoing, or like activities the purpose of which is to commercially exploit such Product.

"*Projections*" has the meaning set forth in Section 7.04(b).

"*Property*" of any Person means any property or assets, or interest therein, of such Person.

"*Proportionate Share*" means, with respect to any Lender, the percentage obtained by dividing (i) the Loan Exposure of such Lender then in effect by (ii) the aggregate Loan Exposure of all Lenders then in effect.

"*Proposal Letter*" means the letter agreement, dated November 16, 2015, among Borrower and Perceptive Advisors LLC, regarding the transactions contemplated hereby and the outline of proposed terms and conditions attached thereto and as such Proposal Letter may be amended, restated or otherwise modified from time to time.

"*Pro Rata Share*" has the meaning set forth in Section 11.08.

"*Publicly Reporting Company*" means an issuer generally subject to the public reporting requirements of the Securities and Exchange Act of 1934.

"*Qualified IPO*" means an initial public offering of the equity securities of Borrower (or any entity that directly or indirectly owns and Controls Borrower) pursuant to a registration statement on Form S-1, Form F-1, or equivalent in accordance with the Securities Act, raising at least $50,000,000.

"*Qualified Plan*" means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored

by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was ever obligated to make, contributions, and (ii) that is intended to be tax qualified under Section 401(a) of the Code.

"*Recipient*" means any Lender or any other recipient of any payment to be made by or on account of any Obligation.

"*Redemption Date*" has the meaning set forth in Section 3.03(a).

"*Redemption Price*" has the meaning set forth in Section 3.03(a).

"*Register*" has the meaning set forth in Section 13.05(c).

"*Regulation T*" means Regulation T of the Board of Governors of the Federal Reserve System, as amended.

"*Regulation U*" means Regulation U of the Board of Governors of the Federal Reserve System, as amended.

"*Regulation X*" means Regulation X of the Board of Governors of the Federal Reserve System, as amended.

"*Regulatory Approvals*" means (i) any registrations, licenses, authorizations, permits or approvals issued by any Governmental Authority and applications or submissions related to any of the foregoing and (ii) with respect to any Product, all approvals, clearances, authorizations, orders, exemptions, registrations, certifications, licenses and Permits granted by any Regulatory Authorities, including all NDAs and Product Authorizations held by any Obligor or any of their respective licensors, as applicable, or that are pending before the FDA or equivalent non-United States Governmental Entity with respect to the Products.

"*Regulatory Authority*" means any Governmental Authority that is concerned with or has regulatory oversight with respect to the use, control, safety, efficacy, reliability, manufacturing, marketing, distribution, sale or other Product Development and Commercialization Activities relating to any Product of an Obligor, including the FDA and all equivalent of such agencies in other jurisdictions, and includes Standard Bodies.

"*Representatives*" has the meaning set forth in Section 13.18.

"*Required Equity Financing*" has the meaning set forth in Section 6.01(g).

"*Requirements of Canadian Health Care Law*" means all provincial legislation and regulations applicable to accountability and/or accessibility to health care, federal and provincial legislation and regulations applicable to drugs and pharmacies, provincial legislation and regulations which regulate and control health professions, provincial legislation and regulations affecting health insurance, the *Canada Health Care Act* and the regulations thereunder, the *Personal Information Protection and Electronic Documents Act* (Canada) and

regulations thereunder, provincial legislation and regulations applicable to the privacy of health information, and any other federal or provincial legislation or regulations applicable to health care.

"*Requirement of Law*" means, as to any Person, any statute, law, treaty, rule or regulation or determination, order, injunction or judgment of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Properties or revenues.

"*Responsible Officer*" of any Person means each of the president, chief executive officer, chief financial officer, vice president and similar officer of such Person.

"*Restricted Payment*" means any dividend or other distribution (whether in cash, securities or other Property) with respect to any Equity Interest of Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of Borrower or any of its Subsidiaries or any option, warrant or other right to acquire any such shares of capital stock of Borrower or any of its Subsidiaries.

"*Restrictive Agreement*" means any indenture, agreement, instrument or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its Property (other than (i) customary provisions in contracts (including without limitation leases and licenses of Intellectual Property) restricting the assignment thereof, (ii) restrictions or conditions imposed by any agreement governing secured Permitted Indebtedness permitted under Section 9.01(g), to the extent that such restrictions or conditions apply only to the Property securing such Indebtedness and (iii) software and other Intellectual Property licenses pursuant to which Borrower or a Subsidiary thereof is the licensee of the relevant software or Intellectual Property, as the case may be (in which case, any prohibition or limitation shall relate only to the assets or rights subject to the applicable license and/or the license itself)), or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to Borrower or any other Subsidiary or to Guarantee Indebtedness of Borrower or any other Subsidiary.

"*Revenue*" of a Person means all revenue properly recognized under GAAP, consistently applied, less all rebates, discounts and other price allowances.

"*Sanctions*" means economic or financial sanctions, requirements or trade embargoes imposed, administered or enforced from time to time by U.S. Governmental Authorities (including, but not limited to, OFAC, the U.S. Department of State and the U.S. Department of Commerce).

"*Sanctions Laws*" means all laws, rules, regulations and requirements of any jurisdiction applicable to the Obligors or any party to the Credit Documents concerning or relating to Sanctions, terrorism or money laundering.

"*SEC*" means United States Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"*Security Documents*" means, collectively, the U.S. Security Agreement, the Canadian Security Agreement, each Short-Form IP Security Agreement, and each other security document, control agreement or financing statement executed to perfect Liens in favor of the Lenders.

"*Securities Account*" has the meaning set forth in the U.S. Security Agreement (including any equivalent meaning in Canada or under any applicable Canadian provincial personal property legislation).

"*Short-Form IP Security Agreements*" means short-form copyright, patent or trademark (as the case may be) security agreements, dated as of the date hereof, in substantially the form of Exhibits K-1 and K-2, entered into by one or more Obligors in favor of the Lenders, each in form and substance satisfactory to the Majority Lenders.

"*Solvent*" means, with respect to any Person at any time, that (a) the present fair saleable value of the Property of such Person is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair saleable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, and (c) such Person has not incurred and does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature.

"*Sources and Uses Certificate*" means a certificate, required to be delivered pursuant to Section 6.01(f)(xii), duly executed and completed by a Responsible Officer of Borrower setting forth the sources and uses of the cash and equity proceeds to be used in connection with the Transactions.

"*Specified Collaboration Agreement*" means those collaboration agreements identified on Schedule 9.12(c)(2).

"*Stated Maturity Date*" means the fourth (4th) anniversary of the Closing Date; *provided* that if any such date shall occur on a day that is not a Business Day, then the Stated Maturity Date shall be the next preceding Business Day.

"*Statutory Plan*" means the Canada Pension Plan, Quebec Pension Plan and any equivalent plan maintained in any other jurisdiction to which any Obligor is required to remit contributions on its behalf and/or on behalf of any employees.

"*Subordinated Debt*" means indebtedness incurred by Borrower or any of its Subsidiaries that is subordinated to all Indebtedness of Borrower and/or its Subsidiaries owed to the Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form

and substance satisfactory to the Lenders, entered into among the Lenders, Borrower, and/or any of its Subsidiaries, and the other creditor), on terms reasonably acceptable to the Lenders in their sole discretion.

"*Subsidiary*" means, with respect to any Person (the "*parent*") at any time of determination, any other Person of which more than 50% of the outstanding capital stock of such other Person having ordinary voting powers, determined on a fully diluted basis, is at the time directly or indirectly owned or controlled by the parent. Unless the context otherwise specifically requires, the term "Subsidiary" shall be a reference to a Subsidiary of Borrower.

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"*Technical Information*" means all trade secrets and other proprietary or confidential information, which may include any information of a scientific, technical, or business nature in any form or medium, standards and specifications, conceptions, ideas, innovations, discoveries, Invention disclosures, all documented research, developmental, demonstration or engineering work, data, plans, specifications, reports, summaries, experimental data, manuals, models, samples, know-how, technical information, systems, methodologies, computer programs or information technology.

"*Title IV Plan*" means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was obligated to make, contributions, and (ii) that is or was subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA.

"*Trademarks*" has the meaning set forth in the Security Documents.

"*Tranche A Term Loan*" means each loan advanced by a Lender pursuant to Section 2.01(a). For purposes of clarification, any calculation of the aggregate outstanding principal amount of the Tranche A Term Loan on any date of determination shall mean the aggregate principal amount of the Tranche A Term Loan made pursuant to Section 2.01(a) that has not yet been repaid as of such date.

"*Tranche A Term Loan Commitment*" means the commitment of a Lender to make or otherwise fund a Tranche A Term Loan and "*Tranche A Term Loan Commitments*" means such commitments of all Lenders in the aggregate. The amount of each Lender's Tranche A Term Loan Commitment, if any, is set forth on Schedule 1. The aggregate amount of the Tranche A Term Loan Commitments as of the Closing Date is $7,500,000.

"*Tranche B Term Loan*" means each loan advanced by a Lender pursuant to Section 2.01(b). For purposes of clarification, any calculation of the aggregate outstanding principal amount of the Tranche B Term Loan on any date of determination shall mean the aggregate principal amount of the Tranche B Term Loan made pursuant to Section 2.01(b) that has not yet been repaid as of such date.

"*Tranche B Term Loan Commitment*" means the commitment of a Lender to make or otherwise fund a Tranche B Term Loan and "*Tranche B Term Loan Commitments*" means such commitments of all Lenders in the aggregate. The amount of each Lender's Tranche B Term Loan Commitment, if any, is set forth on Schedule 1. The aggregate amount of the Tranche B Term Loan Commitments as of the Closing Date is $7,500,000.

"*Tranche B Term Loan Commitment Termination Date*" means the fourteen (14) month anniversary of the Closing Date; *provided* that if any such date shall occur on a day that is not a Business Day, then the Tranche B Term Loan Commitment Termination Date shall be the next preceding Business Day.

"*Transactions*" means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is a party, the other transactions contemplated hereby and thereby, including disbursement and application of the proceeds of the Loans.

"*U.S. Deposit Account*" has the meaning set forth in the U.S. Security Agreement and relates to such accounts located and/or maintained in the United States of America.

"*U.S. Person*" means a "United States Person" within the meaning of Section 7701(a)(30) of the Code.

"*U.S. Security Agreement*" means the security agreement, dated as of the date hereof, in substantially the form of Exhibit I, among the Obligors, the Lenders and the Control Agent, granting a security interest in the personal Property constituting Collateral thereunder in favor of the Lenders.

"*U.S. Tax Compliance Certificate*" has the meaning set forth in Section 5.03(e)(ii)(B)(3).

"*Warrant Certificate*" means each Warrant Certificate in substantially the form of Exhibit H, pursuant to which Borrower has granted to each Lender the right to purchase Equity Interests of Borrower, per the Warrant Shares table on Schedule 1.

"*Warrant Obligations*" means, with respect to Borrower, all of its Obligations arising out of, under or in connection with, any Warrant Certificate.

"*Welfare Plan*" means any deferred compensation, bonus, share option or purchase, savings, retirement savings, retirement benefit, profit sharing, medical, health, hospitalization, insurance or any other benefit, program, agreement or arrangement, funded or unfunded, formal or informal, written or unwritten, that is applicable to any current or former employee, director, officer, shareholder, consultant or independent contractor of any Obligor, or any dependent of any of them, except a Pension Plan or a Statutory Plan.

"*Withdrawal Liability*" means, at any time, any liability incurred (whether or not assessed) by any ERISA Affiliate and not yet satisfied or paid in full at such time with respect to any Multiemployer Plan pursuant to Section 4201 of ERISA.

Section 1.02. Accounting Terms and Principles. All accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made substantially in accordance with GAAP. All components of financial calculations made to determine compliance with this Agreement shall be adjusted to include or exclude, as the case may be, without duplication, such components of such calculations attributable to any Acquisition consummated after the first day of the applicable period of determination and prior to the end of such period, as determined in good faith by Borrower based on assumptions expressed therein and that were reasonable based on the information available to Borrower at the time of preparation of the Compliance Certificate setting forth such calculations.

Section 1.03. Interpretation. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, (a) the terms defined in this Agreement include the plural as well as the singular and vice versa; (b) words importing gender include all genders; (c) any reference to a Section, Annex, Schedule or Exhibit refers to a Section of, or Annex, Schedule or Exhibit to, this Agreement; (d) any reference to "this Agreement" refers to this Agreement, including all Annexes, Schedules and Exhibits hereto, and the words herein, hereof, hereto and hereunder and words of similar import refer to this Agreement and its Annexes, Schedules and Exhibits as a whole and not to any particular Section, Annex, Schedule, Exhibit or any other subdivision; (e) references to days, months and years refer to calendar days, months and years, respectively; (f) all references herein to "include" or "including" shall be deemed to be followed by the words "without limitation"; (g) the word "from" when used in connection with a period of time means "from and including" and the word "until" means "to but not including"; and (h) accounting terms not specifically defined herein shall be construed substantially in accordance with GAAP (except for the term "property," which shall be interpreted as broadly as possible, including, in any case, cash, securities, other assets, rights under contractual obligations and permits and any right or interest in any property, except where otherwise noted). Unless otherwise expressly provided herein, references to organizational documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto permitted by the Loan Documents.

Section 1.04. Changes to GAAP. If, after the date hereof, any change occurs in GAAP or in the application thereof and such change would cause any amount required to be determined for the purposes of the covenants to be maintained or calculated pursuant to Section 8 or 9 to be materially different than the amount that would be determined prior to such change, then:

(a) Borrower will provide a detailed notice of such change (an *"Accounting Change Notice"*) to the Lenders in conjunction with the next required delivery of financial statements pursuant to Section 8.01;

(b) either Borrower or the Majority Lenders may indicate within 90 days following the date of the Accounting Change Notice that they wish to revise the method of calculating such financial covenants or amend any such amount, in which case the parties will in good faith attempt to agree upon a revised method for calculating the financial covenants;

(c) until Borrower and the Majority Lenders have reached agreement on such revisions, (i) such financial covenants or amounts will be determined without giving effect to such change and (ii) all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP;

(d) if no party elects to revise the method of calculating the financial covenants or amounts, then the financial covenants or amounts will not be revised and will be determined substantially in accordance with GAAP without giving effect to such change; and

(e) any Event of Default arising as a result of such change which is cured by operation of this Section 1.04 shall be deemed to be of no effect *ab initio*.

ARTICLE 2.

THE COMMITMENTS

Section 2.01. Loans.

(a) *Tranche A Term Loan.*

(i) Subject to the terms and conditions of this Agreement and relying on the representations and warranties set forth herein, each Lender, severally and not jointly, agrees to provide its share of the Tranche A Term Loan to Borrower on the Closing Date in Dollars in a principal amount equal to such Lender's Tranche A Term Loan Commitment. No Lender shall have an obligation to make a Tranche A Term Loan in excess of such Lender's Tranche A Term Loan Commitment.

(ii) Borrower may make one borrowing under the Tranche A Term Loan Commitment which shall be on the Closing Date. Subject to Section 3.03, all amounts owed hereunder with respect to the Tranche A Term Loan shall be paid in full no later than the Maturity Date. Each Lender's Tranche A Term Loan Commitment shall terminate immediately and without further action on the Closing Date after giving effect to the funding of such Lender's Tranche A Term Loan Commitment on such date.

(iii) Upon satisfaction or waiver of the conditions precedent set forth in this Agreement, the Lenders shall make the proceeds of the Tranche A Term Loan available to Borrower on the Closing Date.

(b) *Tranche B Term Loan.*

(i) Prior to the Tranche B Term Loan Commitment Termination Date, subject to the terms and conditions of this Agreement and relying on the representations and warranties set forth herein, each Lender, severally and not jointly, agrees, at the request of Borrower, to provide its share of the Tranche B Term Loan to Borrower on the Borrowing Date in Dollars in a principal amount equal to such Lender's Tranche B Term Loan Commitment. No Lender shall have an obligation to make a Tranche B Term Loan in excess of such Lender's Tranche B Term Loan Commitment.

(ii) Subject to the terms and conditions of this Agreement (including Section 6.02), Borrower shall deliver to the Lenders a written notice in the form of Exhibit B not later than 11:00 a.m. (Eastern time) on the Borrowing Notice Date (the *"Notice of Borrowing"*) requesting that the Lenders provide the Tranche B Term Loan.

(iii) Borrower may make one borrowing under the Tranche B Term Loan Commitment which shall be on the Borrowing Date. Subject to Section 3.03, all amounts owed hereunder with respect to the Tranche B Term Loan shall be paid in full no later than the Maturity Date. Each Lender's Tranche B Term Loan Commitment shall terminate immediately and without further action on the Borrowing Date after giving effect to the funding of such Lender's Tranche B Term Loan Commitment on such date.

(c) Any principal amount of any Loans borrowed under Section 2.01(a) or Section 2.01(b) hereof and subsequently repaid or prepaid may not be reborrowed.

Section 2.02. Proportionate Shares. All Loans shall be made, and all participations purchased, by the Lenders simultaneously and proportionately to their respective Proportionate Shares, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make a Loan hereunder or purchase a participation required hereby nor shall the Commitment of any Lender be increased or decreased as a result of a default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby.

Section 2.03. Fees. On the Closing Date, Borrower shall pay out of the proceeds of the Tranche A Term Loan advanced by the Lenders on the Closing Date such fees as set forth in the Proposal Letter, which fees shall be non-refundable. Such payment shall be in addition to such fees, costs and expenses due and payable pursuant to Section 13.03.

Section 2.04. Notes. The Loans of each Lender shall be evidenced by one or more promissory notes (each, a *"Note"*). Borrower shall prepare, execute and deliver to each Lender such promissory note(s) payable to it (or if requested by it, to it and its registered assigns) and in the form attached hereto as Exhibit C. Thereafter, the Loans and interest thereon shall at all times (including after assignment pursuant to Section 13.05) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.05. Use of Proceeds. Borrower shall use the proceeds of the Loans for (i) general working capital purposes and corporate purposes and (ii) to pay, in accordance with the Sources and Uses Certificate, fees, costs and expenses incurred in connection with the Transactions.

ARTICLE 3.

PAYMENTS OF PRINCIPAL AND INTEREST

Section 3.01. Repayment.

(a) *Repayment of Principal.* The entire outstanding principal amount of the Loans will be due and payable on the Maturity Date. Prior thereto, commencing with the Payment Date occurring immediately after the second anniversary of the Closing Date, Borrower shall on each Payment Date make a repayment of the Loans in the amount of $225,000.

(b) *Application.* Any optional or mandatory prepayment of the Loans shall be applied to the installments thereof under Section 3.01(a) in the inverse order of maturity. To the extent not previously paid, the principal amount of the Loans, together with all other outstanding Obligations (other than Warrant Obligations), shall be due and payable on the Maturity Date.

Section 3.02. Interest.

(a) *Interest Generally.* Borrower agrees to pay to the Lenders interest in cash on the unpaid principal amount of the Loans and the amount of all other outstanding Obligations (other than the Warrant Obligations), in the case of the Loans, for the period from the Closing Date, and in the case of any other Obligation (other than the Warrant Obligations), from the date such other Obligation is due and payable, in each case, until paid in full, at a rate per annum equal to the sum of (i) LIBOR plus (ii) the Applicable Margin.

(b) *Default Interest.* Notwithstanding the foregoing, upon the occurrence and during the continuance of any Event of Default, the Applicable Margin shall increase automatically by 4.00% per annum (such aggregate increased rate, the *"Default Rate"*). Notwithstanding any other provision herein, if interest is required to be paid at the Default Rate, it shall also be paid entirely in cash. If any Obligation (other than the Warrant Obligation) is not paid when due (giving effect to any applicable grace period) under the applicable Loan Document, the amount thereof shall accrue interest at a rate equal to 4.00% per annum (without duplication of interest payable at the Default Rate).

(c) *Payment Dates.* Accrued interest on the Loans shall be payable in arrears on each Payment Date with respect to the most recently completed Interest Period in cash, and upon the payment or prepayment of the Loans (on the principal amount being so paid or prepaid); *provided* that interest payable at the Default Rate shall be payable from time to time on demand by the Lender.

(d) *Maximum Rate.* Notwithstanding any other provision of this Agreement, in no event will any interest or rates referred to herein exceed the maximum interest rate permitted by applicable law. If such maximum interest rate would be exceeded by the terms hereof, the rates of interest payable hereunder will be reduced to the extent necessary so that such rates (together with any fees or other amounts which are construed by a court of competent jurisdiction to be interest or in the nature of interest) equal the maximum interest rate permitted by applicable law, and any overpayment of interest received by the Lenders before such rates are so construed will be applied, forthwith after determination of such overpayment, to pay all then outstanding interest, and thereafter to pay outstanding principal.

(e) *Canadian Criminal Rate of Interest.*

(i) Any provision of this Agreement that would oblige Borrower to pay any fine, penalty or rate of interest on any arrears of principal or interest secured by a mortgage on real property or hypothec on immovables that has the effect of increasing the charge on arrears beyond the rate of interest payable on principal money not in arrears shall not apply to Borrower, which shall be required to pay interest on money in arrears at the same rate of interest payable on principal money not in arrears.

(ii) If any provision of this Agreement would oblige Borrower to make any payment of interest or other amount payable to a Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by a Lender of "interest" at a "criminal rate" (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by applicable law or so result in a receipt by such Lender of "interest" at a "criminal rate," such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows: (i) first, by reducing the amount or rate of interest; and (ii) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada).

(f) *Interest Calculation.* For the purposes of the *Interest Act* (Canada) and disclosure under such statute, whenever interest to be paid under this Agreement is to be calculated on the basis of any period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by such other period of time. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement.

Section 3.03. Prepayments.

(a) *Optional Prepayments.* Borrower shall have the right to optionally prepay in whole or in part (in a minimum amount of $500,000 and integral multiples of $100,000 in excess of that amount for each partial prepayment) the outstanding principal amount of the

Loans on any Business Day (a "*Redemption Date*") for an amount equal to the Prepayment Premium plus any accrued but unpaid interest on the aggregate principal amount of the Loans being prepaid (such aggregate amount, the "*Redemption Price*"). The applicable "*Prepayment Premium*" shall be an amount calculated pursuant to Section 3.03(a)(i).

(i) If the Redemption Date occurs:

(A) on or prior to the first anniversary of the Closing Date, the Prepayment Premium shall be an amount equal to one hundred five percent (105%) of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(B) after the first anniversary of the Closing Date and on or prior to the second anniversary of the Closing Date, the Prepayment Premium shall be an amount equal to one hundred and four percent (104%) of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(C) after the second anniversary of the Closing Date and on or prior to the third anniversary of the Closing Date, the Prepayment Premium shall be an amount equal to one hundred and two percent (102%) of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date; and

(D) after the third anniversary of the Closing Date and at any time thereafter, the Prepayment Premium shall be an amount equal to one hundred and one percent (101%) of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date.

(ii) No partial prepayment shall be made under this Section 3.03(a) in connection with any event described in Section 3.03(b).

(b) *Mandatory Prepayments Upon Any Asset Sale.* In the event of any contemplated Asset Sale or series of Asset Sales that are in excess of $500,000 in the aggregate in any Fiscal Year (other than any Asset Sale permitted under Section 9.09 (other than Section 9.09(j)), Borrower shall provide five (5) Business Days' prior written notice of such Asset Sale to the Lenders and, if within such notice period the Majority Lenders advise Borrower that a prepayment is required pursuant to this Section 3.03(b), Borrower shall prepay the Loans in an amount equal to the entire amount of the Asset Sale Net Proceeds of such Asset Sale, plus the Prepayment Premium on the principal amount of the Loans being prepaid (calculated in accordance with Section 3.03(a)(i), it being agreed that the relevant payment date shall be deemed to be the "Redemption Date" for purposes of such calculation), plus any accrued but unpaid interest and any fees then due and owing, credited in the order set forth in Section 4.01(b)(ii); *provided*, *however*, that notwithstanding the foregoing to the contrary, in the event of an Asset Sale or a series of Asset Sales in excess of $500,000 in the aggregate in any Fiscal Year or made pursuant to Section 9.09(j), Borrower may within 180 days of such Asset Sale

apply the Asset Sale Net Proceeds to the purchase price of any replacement property. For the avoidance of doubt any prepayment made pursuant to this Section 3.03(b) shall not be deemed to be a consent to any such Asset Sale or a cure or waiver of any Event of Default which occurs in connection with such Asset Sale, it being understood that such Event of Default may only be waived with the express consent of Majority Lenders.

(c) *Other Mandatory Prepayments.* In addition to the mandatory prepayment required pursuant to Section 3.03(b) above, Borrower shall prepay the Loans in amounts as provided below, plus in respect of any event specified in clause (c)(ii) below, the Prepayment Premium on the principal amount of the Loans being prepaid (calculated in accordance with Section 3.03(a)(i), it being agreed that the relevant payment date shall be deemed to be the "Redemption Date" for purposes of such calculation), plus any accrued but unpaid interest and fees then due and owing, as follows:

(i) In the event of any Casualty Event, an amount equal to 100% of the net insurance or other proceeds received by Borrower with respect thereto; *provided, however,* so long as no Default or Event of Default has occurred and is continuing, within 180 days after receipt of such proceeds, Borrower may apply the net proceeds of any casualty policy up to $250,000 with respect to any loss, but not exceeding $500,000 in the aggregate for all losses under all casualty policies during the term of this Agreement, toward the replacement or repair of destroyed or damaged property; *provided, further,* that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Lenders have been granted a first priority security interest and Borrower shall take all such actions required to provide the Lenders with a first priority security interest on such property.

(ii) In the event Borrower incurs Indebtedness other than Indebtedness that is permitted by Section 9.01 hereof, 100% of the net proceeds thereof received by Borrower. For the avoidance of doubt, any prepayment made pursuant to this Section 3.03(c)(ii) shall not be deemed to be a consent to any such incurrence of Indebtedness or a cure or waiver of any Event of Default which occurs in connection therewith, it being understood that any such Event of Default may only be waived with the express consent of the Majority Lenders.

All prepayments made pursuant to this Section 3.03(c) shall be applied pursuant to Section 4.01(b)(ii).

ARTICLE 4.

PAYMENTS, ETC.

Section 4.01. Payments.

(a) *Payments Generally.* Each payment of principal, interest and other amounts to be made by the Obligors under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to the

deposit account of such Lender designated by such Lender by written notice to Borrower (each, a "*Designated Account*"), not later than 2:00 p.m. (Eastern time) on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) *Application of Payments.* (i) So long as no Event of Default has occurred and is continuing, each Obligor shall, at the time of making each payment under this Agreement or any other Loan Document (other than any prepayment made pursuant to Section 3.01 and Section 3.03(b) and (c)), specify to the Lenders the amounts payable by such Obligor hereunder to which such payment is to be applied (and in the event that Obligors fail to so specify, the Lenders may apply such payment in the manner they determine to be appropriate), and (ii) following the occurrence and continuance of an Event of Default, all prepayments (including any prepayment made pursuant to Section 3.03(b) and (c)) shall be applied as follows:

(A) first, in reduction of Borrower's obligation to pay any unpaid interest and any fees then due and owing including, without limitation, (x) interest payable pursuant to Section 3.02(b) and (y) the Prepayment Premium;

(B) second, in reduction of Borrower's obligation to pay any Claims or Losses referred to in Section 13.03(b) then due and owing;

(C) third, in reduction of Borrower's obligation to pay any amounts due and owing on account of the unpaid principal amount of the Loans;

(D) fourth, in reduction of any other Obligation then due and owing; and

(E) fifth, to Borrower or such other Persons as may lawfully be entitled to or directed by Borrower to receive the remainder.

Unless otherwise directed by the Majority Lenders, all payments of principal, interest and fees under this Agreement and the other Loan Documents shall be made by the Obligors to the Lenders pro rata in accordance with the Lenders' respective Proportionate Shares of such payments.

(c) *Non-Business Days.* If the due date of any payment under this Agreement (other than of principal of or interest on the Loans) would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

Section 4.02. Computations. All computations of interest and fees hereunder shall be computed on the basis of a year of 360 days and actual days elapsed during the period for which payable.

Section 4.03. Notices. Each notice of optional prepayment shall be effective only if received by the Lenders not later than 2:00 p.m. (Eastern time) on the date three (3) Business Days prior to the date of prepayment. Each notice of optional prepayment shall specify the amount to be prepaid and the date of prepayment.

Section 4.04. Set-Off.

(a) *Set-Off Generally.* Upon the occurrence and during the continuance of any Event of Default, the Lenders and each of their respective Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lenders or such Affiliates to or for the credit or the account of any Obligor against any and all of the Obligations, whether or not the Lenders shall have made any demand and although such Obligations may be unmatured. The Lenders agree promptly to notify Borrower after any such set-off and application, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lenders and their respective Affiliates under this Section 4.04 are in addition to other rights and remedies (including other rights of set-off) that the Lenders and their respective Affiliates may have.

(b) *Exercise of Rights Not Required.* Nothing contained herein shall require the Lenders to exercise any such right or shall affect the right of such Persons to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of any Obligor.

ARTICLE 5.

YIELD PROTECTION, ETC.

Section 5.01. Additional Costs.

(a) *Change in Requirements of Law Generally.* If, on or after the date hereof, the adoption of any Requirement of Law, or any change in any Requirement of Law, or any change in the interpretation or administration thereof by any court or other Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or its lending office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, shall impose, modify or deem applicable any reserve (including any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, contribution, insurance assessment or similar requirement, in each case that becomes effective after the date hereof, against assets of, deposits with or for the account of, or credit extended by, a Lender (or its lending office) or shall impose on a Lender (or its lending office) any other condition affecting the Loans or the Commitment, not as a result of any action or inaction on the part of such Lender, and the result of any of the foregoing is to increase the cost to any Lender of making or maintaining its Loan, or to reduce the amount of any sum received or receivable by any Lender under this Agreement or any other Loan Document, by an amount reasonably deemed by such Lender in good faith to be

material (other than (i) Indemnified Taxes and (ii) Taxes described in clauses (b) through (d) of the definition of "*Excluded Taxes*")), then Borrower shall promptly pay to such Lender on demand such additional amount or amounts as will compensate such Lender for such increased cost or reduction. Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to constitute a change in Requirements of Law for all purposes of this Section 5.01, regardless of the date enacted, adopted or issued.

(b) *Change in Capital Requirements.* If a Lender shall have determined that, on or after the date hereof, the adoption of any Requirement of Law regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, in each case that becomes effective after the date hereof, has or would have the effect of reducing the rate of return on capital of a Lender (or its parent) as a consequence of a Lender's obligations hereunder or the Loans to a level below that which a Lender (or its parent) could have achieved but for such adoption, change, request or directive by an amount reasonably deemed by it to be material, then Borrower shall pay to such Lender on demand such additional amount or amounts as will compensate such Lender (or its parent) for such reduction.

(c) *Notification by Lender.* The Lenders will promptly notify Borrower of any event of which it has knowledge, occurring after the date hereof, which will entitle a Lender to compensation pursuant to this Section 5.01. Before giving any such notice pursuant to this Section 5.01(c) such Lender shall designate a different lending office if such designation (x) will, in the reasonable judgment of such Lender, avoid the need for, or reduce the amount of, such compensation and (y) will not, in the reasonable judgment of such Lender, be materially disadvantageous to such Lender. A certificate of the Lender claiming compensation under this Section 5.01, setting forth the amount or amounts to be paid to it hereunder, shall be conclusive and binding on Borrower in the absence of manifest error.

Section 5.02. Illegality. Notwithstanding any other provision of this Agreement, in the event that on or after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by any competent Governmental Authority shall make it unlawful for a Lender or its lending office to make or maintain the Loans (and, in the opinion of such Lender, the designation of a different lending office would either not avoid such unlawfulness or would be disadvantageous to such Lender), then such Lender shall promptly notify Borrower thereof following which (a) the Lender's Commitment shall be suspended until such time as such Lender may again make and maintain the Loans hereunder and (b) if such Requirement of Law shall so mandate, the Loans shall be prepaid by Borrower on or before such date as shall be mandated by such Requirement of Law in an amount equal to the Redemption Price applicable on the date of such prepayment in accordance with Section 3.03(a).

Section 5.03. Taxes.

(a) *Payments Free of Taxes.* Any and all payments on account of any Obligation shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment by an Obligor, then such Obligor shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by such Obligor shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under Section 5.01) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) *Payment of Other Taxes by Borrower.* Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of each Lender, timely reimburse it for, Other Taxes.

(c) *Evidence of Payments.* As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority, as a withholding Tax pursuant to this Section 5.03, Borrower shall deliver to each Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, or a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lenders.

(d) *Indemnification.* Borrower shall reimburse and indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under Section 5.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; *provided* that Borrower shall not be required to indemnify a Recipient pursuant to this Section 5.03(d) to the extent that such Recipient fails to notify Borrower of its intent to make a claim for indemnification under this Section within one 180 days of the later of (i) the date on which the Indemnified Taxes are due to be paid by Recipient, or (ii) the date on which the relevant Governmental Authority asserts a claim for such Indemnified Taxes against Recipient. A certificate as to the amount of such payment or liability delivered to Borrower by a Lender shall be conclusive absent manifest error.

(e) *Status of Lenders.*

(i) Any Lender that is entitled to an exemption from, or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to Borrower at the time or times reasonably requested by Borrower such properly

completed and executed documentation reasonably requested by Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding; *provided* that, other than in the case of U.S. Federal withholding Taxes, such Lender has received written notice from Borrower advising it of the availability of such exemption or reduction and containing all applicable documentation. In addition, any Lender, if reasonably requested by Borrower, shall deliver such other documentation prescribed by applicable law or as reasonably requested by Borrower as will enable Borrower to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 5.03(e)(ii)(A), (B) or (D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to Borrower on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower), duly completed, valid, executed copies of IRS Form W-9 (or successor form) certifying that such Lender is exempt from U.S. Federal backup withholding Tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income Tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, duly completed, valid executed copies of IRS Form W-8BEN (or successor form) establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such Tax treaty and (y) with respect to any other applicable payments under any Loan Document, duly completed, valid, executed originals of IRS Form W-8BEN (or successor form) establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such Tax treaty;

(2) duly completed, valid, executed copies of IRS Form W-8ECI (or successor form);

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a

certificate substantially in the form of Exhibit D to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the applicable Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a *"U.S. Tax Compliance Certificate"*) and (y) executed copies of IRS Form W-8BEN (or successor form); or

(4) to the extent a Foreign Lender is not the beneficial owner, duly completed, valid, executed copies of IRS Form W-8IMY (or successor form), accompanied by IRS Form W-8ECI (or successor form), IRS Form W-8BEN (or successor form), a U.S. Tax Compliance Certificate, IRS Form W-9 (or successor form), and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrower), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit Borrower to determine the withholding or deduction required to be made; and

(D) any Recipient shall deliver to Borrower any forms and information necessary to establish that such Recipient is not subject to withholding Tax under FATCA or the amount required to be withheld under FATCA.

Each Recipient agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall promptly update such form or certification or promptly notify Borrower in writing of its legal inability to do so.

(f) *Treatment of Certain Refunds.* If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.03 (including by the payment of additional amounts pursuant to Section 5.01), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 5 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the written request of such indemnified party, shall repay to such indemnified party the amount

paid over pursuant to this paragraph (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 5.03(f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 5.03(f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund had never been paid. This Section 5.03(f) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g) *Mitigation Obligations.* If Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or to any Governmental Authority for the account of any Lender pursuant to Section 5.01 or this Section 5.03, then such Lender shall (at the request of Borrower) use commercially reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates if, in the sole reasonable judgment of such Lender, such designation or assignment and delegation would (i) eliminate or reduce amounts payable pursuant to Section 5.01 or this Section 5.03, as the case may be, in the future, (ii) not subject such Lender to any unreimbursed cost or expense and (iii) not otherwise be disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment and delegation.

ARTICLE 6.

CONDITIONS PRECEDENT

Section 6.01. Conditions to Tranche A Term Loan; Closing Date. The obligation of each Lender to make the Tranche A Term Loan shall not become effective until the following conditions precedent shall have been reasonably satisfied or waived in writing by the Lenders (which satisfaction or waiver may be made simultaneously with the making of the Tranche A Term Loan hereunder):

(a) *Closing Date.* The Closing Date shall occur on or before June 2, 2016.

(b) *Terms of Material Agreements, Etc.* The Lenders shall be reasonably satisfied with the terms and conditions of all of the Obligors' Material Agreements.

(c) *No Law Restraining Transactions.* No applicable law or regulation shall restrain, prevent or, in the reasonable judgment of the Lenders, impose materially adverse conditions upon the Transactions.

(d) *Payment of Upfront Fee.* The Lenders shall have received payment of the upfront fee payable pursuant to Section 2.03.

(e) *Lien Searches.* The Lenders shall be satisfied with Lien searches regarding Borrower and its Subsidiaries made prior to the Closing Date.

(f) *Documentary Deliveries.* The Lenders shall have received the following documents, each of which shall be in form and substance satisfactory to the Lenders:

(i) *Agreement.* This Agreement duly executed and delivered by Borrower and each of the other parties hereto.

(ii) [*Intentionally Omitted*.]

(iii) *Security Documents.*

(A) The Security Documents, duly executed and delivered by each of the Obligors.

(B) Each of the Short-Form IP Security Agreements, duly executed and delivered by the applicable Obligor.

(C) The Collateral Questionnaire, duly executed and delivered by a Responsible Officer of Borrower, substantially in the form of Exhibit L hereto and otherwise in form and substance satisfactory to the Lenders.

(D) Original share certificates or other documents or other evidence of title with regard to all Equity Interests owned by the Obligors (to the extent that such Equity Interests are certificated), together with share transfer documents, undated and executed in blank.

(E) Evidence of filing of UCC-1 and financing statements under the applicable provincial personal property security legislation in Canada against each applicable Obligor in its jurisdiction of formation or incorporation, as the case may be.

(F) Evidence of filing of each of the Short-Form IP Security Agreements in the United States Patent and Trademark Office or the United States Copyright office or the Canadian Intellectual Property Office, as applicable.

(G) Without limitation, all other documents and instruments reasonably required to perfect the Lenders' Lien on, and security interest in, the Collateral required to be delivered on or prior to the Closing Date shall have been duly executed and delivered and be in proper form for filing, and shall create in favor of the Lenders, a perfected Lien on, and security interest in, the Collateral, subject to no Liens other than Permitted Liens.

(iv) *Note.* Any Notes requested in accordance with Section 2.04.

(v) *Approvals.* Borrower shall certify that all Regulatory Approvals have been made or obtained, and all material licenses, consents, authorizations and approvals of, and notices to and filings and registrations with, any Governmental Authority (including all foreign exchange approvals) in connection with the Transactions have been made or obtained, and all material third-party consents and approvals, necessary in connection with the execution, delivery and performance by the Obligors of the Loan Documents and the Transactions have been obtained.

(vi) *Organizational Documents.* (a) Certified copies of the Organizational Documents of each Obligor and of resolutions of the Board of Directors (or similar governing body) of each Obligor approving and authorizing the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party, certified as of the Closing Date by its secretary or assistant secretary as being in full force and effect without modification or amendment; (b) a good standing certificate and/or compliance certificate from the applicable Governmental Body of each Obligor's jurisdiction of incorporation and in each jurisdiction in which it is qualified as a foreign corporation or other entity to do business, each dated a recent date prior to the Closing Date; and (c) such other documents as the Lenders may reasonably request.

(vii) *Incumbency Certificate.* A certificate of each Obligor as to the authority, incumbency and specimen signatures of the persons who have executed the Loan Documents and any other documents in connection herewith on behalf of the Obligors.

(viii) *Officer's Certificate.* A certificate, dated as of the Closing Date and signed by the President, a Vice President or a financial officer of Borrower, confirming compliance with the conditions set forth in this Section 6.01.

(ix) *Opinions of Counsel.* A favorable opinion, dated as of the Closing Date, of (A) New York counsel to each Obligor in form reasonably acceptable to the Lenders and their counsel, and (B) Canadian counsel to each Obligor in customary form reasonably acceptable to the Lenders and their counsel as to matters of Canadian law.

(x) *Evidence of Insurance.* Certificates from Borrower's insurance broker or other evidence satisfactory to the Lenders that all insurance required to be maintained pursuant to Section 8.05 is in full force and effect, together with endorsements naming the Lenders as additional insureds and loss payees, as applicable, under Borrower's liability and casualty insurance policies.

(xi) *Other Liens.* Duly executed and delivered copies of such acknowledgement letters as are reasonably requested by the Lenders with respect to existing Liens.

(xii) *Sources and Uses Certificate.* The Lenders shall have received the Sources and Uses Certificate duly executed and delivered by a Responsible Officer of Borrower, substantially in the form of Exhibit G hereto and otherwise in form and substance satisfactory to the Lenders.

(xiii) *Pro Forma Balance Sheet.* The Lenders shall have received a pro forma consolidated balance sheet of Borrower and its Subsidiaries, dated as of the Closing Date, prepared substantially in accordance with GAAP, subject to quarterly or year-end adjustments and except for the absence of footnotes, and giving effect to the consummation of the Transactions and the making of the Loans, which balance sheet shall be duly certified by the chief financial or accounting Responsible Officer of Borrower.

(xiv) *Investment Policy.* The Lenders shall have a received a copy of the investment policy approved by the board of directors of Borrower and in effect on the Closing Date.

(g) *[Intentionally Omitted.]*

(h) *Due Diligence.* The Lenders shall have received and be satisfied with all due diligence (including without limitation historical financial statements, Projections, technical, operational, legal, intellectual property, commercial market forecasts, clinical and regulatory assessments, supply chain, securities, labor, Tax, litigation, environmental, reimbursement and regulatory authority matters) in their sole discretion.

(i) *Closing Fees, Expenses, Etc.* The Lenders and their Affiliates shall have received for their own account, all fees, costs and expenses due and payable pursuant to Section 13.03, after deducting therefrom the Expense Deposit (to the extent such amount was not refunded pursuant to the Proposal Letter) as applicable.

(j) *Minimum Liquidity.* Borrower and its Subsidiaries shall have aggregate Liquidity in excess of $3,000,000 on the Closing Date.

Section 6.02. Conditions to Tranche B Term Loan; Borrowing Date. The obligation of each Lender to make the Tranche B Term Loan shall not become effective until the following conditions precedent shall have been satisfied or waived in writing by the Lenders (which satisfaction or waiver may be made simultaneously with the making of the Tranche B Term Loan hereunder):

(a) *Milestones.* Borrower shall:

(i) no later than the first (1st) anniversary of the Closing Date, have at least one patient enrolled in a Phase I clinical trial developing ZW25 for an indication targeting HER2 expressing tumors;

(ii) no later than the Tranche B Term Loan Commitment Termination Date, have at least one patient enrolled in a Phase I clinical trial developing ZW33 for an indication targeting HER2 expressing tumors; and

(iii) enter into a Collaboration Agreement with a publicly traded pharmaceutical or biotechnology company with a market capitalization greater than $10,000,000,000 that is reasonably expected to result in aggregate payments (including upfront fees, deferred payments and milestone payments) in excess of $100,000,000; provided that the Lenders hereby acknowledge that the Collaboration Agreement referred to in Schedule 6.02(a) satisfies this milestone.

(b) *Notice of Borrowing.* The Lenders shall have received the Notice of Borrowing as and when required pursuant to Section 2.01(b).

Section 6.03. Conditions to All Borrowings. The obligation of each Lender to make the Loans shall not become effective until the following conditions precedent shall have been satisfied or waived in writing by the Lenders (which satisfaction or waiver may be made simultaneously with the making of the Loans hereunder):

(a) *No Default; Representations and Warranties.* Both immediately prior to the making of a Borrowing, after giving effect to the making of the Loans and the intended use thereof:

(i) no Default shall have occurred and be continuing; and

(ii) the representations and warranties made by each Obligor in Section 7 shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that already is qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representation or warranty shall be true and correct in all respects subject to such qualification) on and as of the Closing Date and the Borrowing Date, as applicable, and immediately after giving effect to the application of the proceeds of the Borrowing, with the same force and effect as if made on and as of such date except that to the extent that any such representation or warranty refers to a specific earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date).

The borrowing of the Loans shall constitute a certification by Borrower to the effect that the conditions set forth in Section 6.01, Section 6.02 and Section 6.03, as applicable, have been fulfilled as of the Closing Date or the Borrowing Date, as applicable.

ARTICLE 7.

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Agreement and to extend the Loans hereunder, each Obligor represents and warrants to the Lenders, on the Closing Date and on the Borrowing Date, that the following statements are true and correct:

Section 7.01. Power and Authority. Each of Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of

organization, (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted except to the extent that failure to have the same would not reasonably be expected to have a Material Adverse Effect, (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary except where failure to so qualify would not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect, and (d) has full power, authority and legal right to make and perform each of the Loan Documents and, in the case of Borrower, to borrow the Loans hereunder.

Section 7.02. Authorization; Enforceability. The Transactions are within each Obligor's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational action and, if required, by all necessary shareholder or other equity holder action. The Loan Documents have been duly executed and delivered by each Obligor and constitutes, and each of the other Loan Documents to which it is a party when executed and delivered by such Obligor will constitute, a legal, valid and binding obligation of such Obligor, enforceable against each Obligor in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 7.03. Governmental and Other Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any third party, except for (i) such as have been obtained or made and are in full force and effect and (ii) filings and recordings in respect of the Liens created pursuant to the Security Documents, (b) will not violate any applicable law or regulation or the Organizational Documents of Borrower or its Subsidiaries or any order of any Governmental Authority, other than any such violations that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon Borrower or its Subsidiaries or assets (including any Material Agreement or agreement creating or evidencing any Material Indebtedness), or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien (other than Permitted Liens) on any asset of Borrower or its Subsidiaries.

Section 7.04. Financial Statements; Projections; Material Adverse Change.

(a) *Financial Statements.* Borrower has heretofore furnished to the Lenders certain financial statements as provided for in Section 8.01. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Obligors as of such dates and for such periods substantially in accordance with GAAP, subject to quarterly or year-end adjustments and the absence of footnotes. No Obligor has any material contingent liabilities or liabilities for taxes, long-term lease or unusual forward or long-term commitments not disclosed in the aforementioned financial statements.

(b) *Projections.* On and as of the Closing Date, the projections of Borrower and its Subsidiaries (collectively, the *"Projections"*) are based on good faith estimates and assumptions made by the management of Borrower; *provided*, the Projections are not to be viewed as facts and that actual results during the period or periods covered by the Projections may differ from such Projections and that the differences may be material; *provided, further,* as of the Closing Date, the management of Borrower believes that the Projections are reasonable and attainable.

(c) *No Material Adverse Change.* Since December 31, 2015, no event, circumstance or change has occurred that has caused or evidences, either in individually or in the aggregate, a Material Adverse Change.

Section 7.05. Properties.

(a) *Property Generally.* Each Obligor has good and marketable fee simple title to, or valid leasehold interests in, all its real and personal Property material to its business, subject only to Permitted Liens and except as would not reasonably be expected to interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) *Intellectual Property.*

(i) Schedule 7.05(b) lists all United States and foreign registrations of and applications for Patents, Trademarks, Copyrights, and Industrial Designs, Technical Information, Product Authorization and Product Agreements that are Obligor Intellectual Property, including the applicable jurisdiction, registration or application number and date, as applicable thereto, and a designation as to whether it is licensed or owned by Obligor.

(ii) Obligors own or possess all legal and beneficial rights, title and interest in and to Obligor Intellectual Property designated on Schedule 7.05(b) as being owned by that Obligor and has the right to use the Obligor Intellectual Property licensed to that Obligor, in each case with good and marketable title, free and clear of any Liens or Claims of any kind whatsoever other than Permitted Liens.

(iii) [Intentionally Omitted.]

(iv) To Obligors' knowledge, Borrower's current use of its Material Intellectual Property does not violate any license or infringe any valid and enforceable Intellectual Property right of another.

(v) Other than with respect to the Material Agreements, or as permitted by Section 9.09, the Obligors have not transferred ownership of Material Intellectual Property, in whole or in part, to any Person who is not an Obligor.

(vi) Other than as set forth on Schedule 7.05(b) and to Obligors' knowledge, Obligors have not received any written communications, nor is there any pending or threatened action in writing, suit, proceeding or claim in writing by another, alleging that any of the Obligors has violated, infringed, diluted or misappropriated or, by conducting its business as currently conducted or as proposed to be conducted does or would violate, infringe, dilute or misappropriate any Intellectual Property of another, and to Obligors' knowledge, there is no basis for such an allegation.

(vii) There is no pending or threatened action in writing, suit, proceeding or claim in writing by another (a) challenging Obligors' rights in or to any Intellectual Property owned by, or licensed to, Obligors, and Obligors have no knowledge of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; or (b) challenging the validity, enforceability or scope of any Intellectual Property owned by, or licensed to, Obligors, and Obligors have no knowledge of any facts which could form a reasonable basis for any such action, suit, proceeding or claim.

(viii) Obligors have taken reasonable precautions to protect the secrecy, confidentiality and value of the Obligor Intellectual Property, including without limitation, by requiring that all relevant current and former employees, contractors and consultants of Obligors execute written confidentiality agreements.

(ix) Obligors have complied with the material terms of each Material Agreement pursuant to which Intellectual Property has been licensed to Obligors (which material terms shall include, but not be limited to, pricing and duration of the agreement), and all such Material Agreements are in full force and effect, and Obligors have no knowledge of any facts which could form a reasonable basis for any claims of breach or default under such Material Agreements.

(x) Other than those permitted by Section 9.09, Permitted Licenses or as set forth on Schedule 7.05(b), (a) there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership interests of any kind relating to the Intellectual Property owned by, or licensed to, Obligors and (b) nor are Obligors bound by, or a party to, any options, licenses or agreements of any kind with respect to any Intellectual Property of another.

(xi) Obligors have no knowledge of any prior art that would reasonably be expected to render any claim of any United States Patent within the Material Intellectual Property invalid that has not been disclosed to the United States Patent and Trademark Office.

(xii) All maintenance fees, annuities, and the like due or payable on the Patents have been timely paid or the failure to so pay was the result of an intentional decision by the applicable Obligor, which would not reasonably be expected to result in a Material Adverse Change.

(xiii) To Obligors' knowledge, there are no material defects in any of the Patents that constitute the Material Intellectual Property and no such Patents have ever been finally adjudicated to be invalid, unpatentable or unenforceable for any reason in any administrative, arbitration, judicial or other proceeding.

(xiv) Obligors have not received any notice asserting that the Patents constituting Material Intellectual Property are invalid, unpatentable or unenforceable and, to Obligors' knowledge, neither they nor any current or prior owner of such Patents or their respective agents or representatives, have engaged in any conduct, or omitted to perform any necessary act, the result of which would invalidate or render unpatentable or unenforceable any such Patent.

(xv) To Obligors' knowledge, other than as set forth in Schedule 7.05(b), Obligors are not obligated to make any payment by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any Obligor Intellectual Property, with respect to the use thereof or in connection with the conduct of its business or otherwise.

(xvi) To Obligors' knowledge, no employee of Obligors is or has been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with Obligors.

(xvii) Each employee and consultant has waived all moral rights and assigned to Obligors all intellectual property rights he or she owns that are related to Obligors' business as now conducted and as presently proposed to be conducted.

Section 7.06. No Actions or Proceedings.

(a) *Litigation.* There is no litigation, investigation or proceeding pending or threatened in writing with respect to any Obligor by or before any Governmental Authority or arbitrator (i) that either individually or in the aggregate would reasonably be expected to have a Material Adverse Effect, except as specified in Schedule 7.06 or (ii) that involves this Agreement or the Transactions.

(b) *Environmental Matters.* The operations and the real Property of the Obligors comply with all applicable Environmental Laws, except to the extent the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. There have been no conditions, occurrences or release of Hazardous Materials which would reasonably be expected to form the basis of any environmental liability claim under applicable Environmental Laws with respect to Borrower's and its Subsidiaries' businesses, operations or properties.

(c) *Labor Matters.* No Obligor has engaged in unfair labor practices and there are no pending or threatened in writing labor actions, disputes, grievance or arbitration proceeding involving the employees of any Obligor, in each case that would reasonably be expected to

have a Material Adverse Effect. There is no strike or work stoppage in existence or threatened in writing against any Obligor and to the knowledge of Borrower, no union organization activity is taking place. No person or entity has claimed that any person employed by or affiliated with any Obligor has: (i) violated or may be violating any of the terms or conditions of his or her employment, non-competition or non-disclosure agreement with such other person or entity; (ii) disclosed or may be disclosing, or utilized or may be utilizing, any trade secret or proprietary information or documentation of such third party; or (iii) interfered or may be interfering in the employment relationship between such third party and any of its present or former employees.

Section 7.07. Compliance with Laws and Agreements. Each of the Obligors is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its Property and all indentures, agreements and other instruments binding upon it or its Property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. To the extent applicable, Obligors and their Subsidiaries are in compliance with 21 CFR §§ 210-211 and 21 CFR §§ 600-610.

Section 7.08. Taxes. Except as set forth on Schedule 7.08, each of the Obligors has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which such Obligor has set aside on its books adequate reserves with respect thereto substantially in accordance with GAAP.

Section 7.09. Full Disclosure. Borrower has disclosed to the Lenders all Material Agreements to which any Obligor is subject, and all other matters to its knowledge, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Obligors to the Lenders in connection with the negotiation of this Agreement and the other Loan Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to projected financial information, Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 7.10. Regulation.

(a) *Investment Company Act.* Neither Borrower nor any of its Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

(b) *Margin Stock.* Neither Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the Loans will be used to buy or carry any Margin Stock in violation of Regulation T, U or X.

Section 7.11. Solvency. Borrower and its Subsidiaries, on a consolidated basis, are and, immediately after giving effect to the Borrowings, the use of proceeds thereof, and the consummation of the Transactions, will be, Solvent.

Section 7.12. Subsidiaries. As of the Closing Date, Zymeworks Biopharmaceuticals Inc. and Zymeworks Biochemistry Inc. are the only Subsidiaries of Borrower.

Section 7.13. Indebtedness and Liens. Set forth on Schedule 7.13A is a complete and correct list of all Indebtedness of each Obligor outstanding as of the date hereof. Set forth on Schedule 7.13B is a complete and correct list of all Liens granted by Borrower and other Obligors with respect to their respective Property and outstanding as of the date hereof.

Section 7.14. Material Agreements. Set forth on Schedule 7.14 is a complete and correct list as of the Closing Date of (i) each Material Agreement and (ii) each agreement creating or evidencing any Material Indebtedness. No Obligor is in material default under any such Material Agreement or agreement creating or evidencing any Material Indebtedness. Except as otherwise disclosed on Schedule 7.14, all material vendor purchase agreements and supplier contracts of the Obligors existing on the Closing Date are in full force and effect without material modification from the form in which the same were disclosed to the Lenders, except for such modifications as would not reasonably be expected to be adverse to the interests of the Lenders.

Section 7.15. Restrictive Agreements. None of the Obligors is subject to any Restrictive Agreement, except (i) those listed on Schedule 7.15 or otherwise permitted under Section 9.11, (ii) restrictions and conditions imposed by law or by this Agreement, (iii) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or assets pending such sale, *provided* such restrictions and conditions apply only to the Subsidiary or assets that are to be sold and such sale is permitted hereunder, (iv) any stockholder agreement, charter, by laws or other organizational documents of Borrower or any Subsidiary as in effect on the date hereof, and (v) limitations associated with Permitted Liens.

Section 7.16. Real Property. Neither Borrower nor any of its Subsidiaries owns or leases (as tenant thereof) any real Property on the date hereof, except as described on Schedule 7.16.

Section 7.17. Pension and Other Plans.

(a) *U.S. Pension Matters.* Schedule 7.17 sets forth, as of the date hereof, a complete and correct list of, and that separately identifies, (a) all Title IV Plans, (b) all Multiemployer Plans and (c) all material Benefit Plans. Each Benefit Plan, and each trust thereunder, intended to qualify for Tax exempt status under Section 401 or 501 of the Code or other Requirements of Law so qualifies. Except for those that would not, in the aggregate, have a Material Adverse Effect, (x) each Benefit Plan is in compliance with applicable

provisions of ERISA, the Code and other Requirements of Law, (y) there are no existing or pending (or to the knowledge of any Obligor or Subsidiary thereof, threatened) claims (other than routine claims for benefits in the normal course), sanctions, actions, lawsuits or other proceedings or investigation involving any Benefit Plan to which any Obligor or Subsidiary thereof incurs or otherwise has or would have an obligation or any liability or Claim and (z) no ERISA Event is reasonably expected to occur. Borrower and each of its ERISA Affiliates has met all applicable requirements under the ERISA Funding Rules with respect to each Title IV Plan, and no waiver of the minimum funding standards under the ERISA Funding Rules has been applied for or obtained. As of the most recent valuation date for any Title IV Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and neither Borrower nor any of its ERISA Affiliates knows of any facts or circumstances that would reasonably be expected to cause the funding target attainment percentage to fall below 60% as of the most recent valuation date. As of the date hereof, no ERISA Event has occurred in connection with which obligations and liabilities (contingent or otherwise) remain outstanding. No ERISA Affiliate would have any Withdrawal Liability as a result of a complete withdrawal from any Multiemployer Plan on the date this representation is made.

(b) *Canadian Pensions and Other Plans.*

(i) *Employee Plans.* Schedule 7.17 sets forth, as of the date hereof, a complete and correct list of, and that separately identifies all Statutory Plans, Pension Plans and Welfare Plans. (A) No Employee Plan offers any defined benefit pension benefit, and each Employee Plan is, and has been, established, registered, qualified, administered and invested in compliance in all respects with its terms and all applicable law, (B) all employer and employee payments, contributions and premiums required to be remitted or paid to or in respect of any Employee Plan or Statutory Plan have been remitted or paid in a timely fashion to or in respect of the Employee Plan or the Statutory Plan in accordance with their respective terms and all applicable law, (C) all of its obligations that are due under each applicable Employee Plan and Statutory Plan have been satisfied, (D) all contributions have been segregated appropriately between employer and employee contributions, (E) there is no claim by any Governmental Authority or by any Person pending or, to its knowledge, threatened in respect of any Employee Plan (except routine claims for payment of benefits), (F) no event has occurred that has given rise to or would reasonably be expected to give rise to any liability on its part under any Employee Plan except those disclosed in the Employee Plans themselves or in the financial statements required to be provided pursuant to this Agreement, (G) with respect to any Employee Plan that is registered under any applicable law, no event has occurred and no condition exists that has resulted or would reasonably be expected to result in that Employee Plan having its registration revoked, or entitle any Person (except the Obligor) to terminate or wind up that Employee Plan (in whole or in part), or result in that Employee Plan being placed under the administration of any Governmental Authority, or result in it being required to pay any Taxes or penalties under any applicable law, (H) with respect to each Pension Plan that is fully funded, on a going concern basis and a solvency basis, in accordance with the terms of the Pension Plan and the requirements of applicable law, and (I) during the last twelve consecutive

months, (x) no steps have been taken by any of the Obligors or by a Governmental Authority to terminate or wind up an Employee Plan (wholly or in part) that could result in it being required to make additional contributions to the Employee Plan, and (y) no condition exists and no event has occurred with respect to any Employee Plan or Statutory Plan that would result in an increase in the amount of its liability over, or the incurrence by it of any liability in addition to, its liability before the existence of the condition or the occurrence of the event, or that would result in it incurring any fine or penalty.

(ii) *Welfare Plans.* None of the Obligors has any liability or contingent liability under a Welfare Plan to provide for benefits after termination or retirement.

Section 7.18. Collateral; Security Interest. Each Security Document is effective to create in favor of the Lenders a legal, valid and enforceable security interest in the Collateral subject thereto and each such security interest is perfected to the extent required by (and has the priority required by) the applicable Security Document. The Security Documents collectively are effective to create in favor of the Lenders a legal, valid and enforceable security interest in the Collateral, which upon the filing of financing statements and other similar statements filed in the appropriate offices, such security interests are first-priority security interests (subject only to Permitted Priority Liens).

Section 7.19. Regulatory Approvals.

(a) Each Obligor and each of its Subsidiaries holds either directly or through licensees and agents, all Regulatory Approvals, licenses, permits and similar governmental authorizations of a Governmental Authority necessary or required for each Obligor and its Subsidiaries to conduct their operations and business substantially in the manner currently conducted.

(b) Set forth on Schedule 7.19(b) is a complete and accurate list as of the date hereof of all material Regulatory Approvals relating to the Obligors, the conduct of their business and the Products (on a per Product basis). All such material Regulatory Approvals are (i) legally and beneficially owned exclusively by the Obligors, free and clear of all Liens other than Permitted Liens, (ii) validly registered and on file with the applicable Governmental Authority, in material compliance with all registration, filing and maintenance requirements (including any fee requirements) thereof, and (iii) in good standing, valid and enforceable with the applicable Governmental Authority in all material respects. All required and material notices, registrations and listings, supplemental applications or notifications, reports (including field alerts or other reports of adverse experiences) and other required and material filings with respect to the Products have been filed with the FDA and all other applicable Governmental Authorities.

(c) (i) All material regulatory filings required by any Regulatory Authority or in respect of any Regulatory Approval or Product Authorization with respect to any Product or any Product Development and Commercialization Activities have been made, and all such filings are complete and correct in all material respects and have complied in all material

respects with all applicable laws and regulations, (ii) all clinical and pre-clinical trials, if any, of investigational Products have been and are being conducted by each Obligor according to all applicable laws and regulations in all material respects along with appropriate monitoring of clinical investigator trial sites for their compliance, and (iii) each Obligor has disclosed to the Lenders all such material regulatory filings and all material communications between representatives of each Obligor and any Regulatory Authority.

(d) Each Obligor and each of its agents are in compliance in all material respects with all applicable statutes, rules and regulations (including all Regulatory Approvals and Product Authorizations) of all applicable Governmental Authorities, including the FDA and all other Regulatory Authorities, with respect to each Product and all Product Development and Commercialization Activities related thereto. Each Obligor has and maintains in full force and effect all the necessary and requisite Regulatory Approvals and Product Authorizations. Each Obligor is in compliance in all material respects with all applicable registration and listing requirements set forth in the FD&C Act or equivalent regulation of each other Governmental Authority having jurisdiction over such Person. Each Obligor adheres in all material respects to all applicable regulations of all Regulatory Authorities with respect to the Products and all Product Development and Commercialization Activities related thereto.

(e) Except as set forth on Schedule 7.19(e), no Obligor has received from any Regulatory Authority any notice of adverse findings with respect to any Product or any Product Development and Commercialization Activities related thereto, including any FDA Form 483 inspectional observations, notices of violations, Warning Letters, criminal proceeding notices under Section 305 of the FD&C Act, or any other similar communication from any Regulatory Authority. There have been no seizures conducted or, to Borrower's knowledge, threatened by any Regulatory Authority with respect to any Product, and no recalls, market withdrawals, field notifications, notifications of misbranding or adulteration or safety alerts conducted, requested or, to Borrower's knowledge, threatened by any Regulatory Authority with respect to any Product, and no recalls, market withdrawals, field notifications, notifications of misbranding or adulteration or safety alerts have been conducted, requested or, to Borrower's knowledge, threatened by any Regulatory Authority relating to any Products. No Obligor has received any written notification that remains unresolved from the FDA or any other Regulatory Authority indicating any breach or violation of any applicable Product Authorization or Regulatory Approval, including that any of the Products is misbranded or adulterated as defined in the FD&C Act or the rules and regulations promulgated thereunder.

(f) Neither any Obligor nor any officer, employee or agent thereof, has made an untrue statement of a material fact or fraudulent statements to the FDA or any other Regulatory Authority, failed to disclose a material fact required to be disclosed to the FDA or any other Regulatory Authority, or committed an act, made a statement, or failed to make a statement that, at the time such disclosure was made (or was not made), would reasonably be expected to provide a basis for the FDA or any other Regulatory Authority to invoke its policy respecting Fraud, Untrue Statements of Material Facts, Bribery and Illegal Gratuities, set forth in 56 Fed. Reg. 46191 (September 10, 1991) or any similar policy.

(g) No Obligor has received any written notice that the FDA or any other applicable Regulatory Authority has commenced or initiated, or, to the knowledge of Borrower or any such Obligor, threatened to commence or initiate, any action to withdraw any Regulatory Approval or Product Authorization or requested the recall of any Products or commenced or initiated or, to the knowledge of Borrower or any such Obligor, threatened to commence or initiate, any action to enjoin any Product Development and Commercialization Activities of Borrower or any such Obligor.

(h) The clinical, preclinical, safety and other studies and tests conducted by or on behalf of or sponsored by each Obligor, or in respect of which any Products or Product candidates under development have participated, were (and if still pending, are) being conducted materially in accordance with standard medical and scientific research procedures and all applicable Product Authorizations. Each Obligor has operated within, and currently is in compliance in all material respects with, all applicable laws, Product Authorizations and Regulatory Approvals, as well as the rules and regulations of the FDA and each other Regulatory Authority. No Obligor has received any notices or other correspondence from the FDA or any other Regulatory Authority requiring the termination or suspension of any clinical, preclinical, safety or other studies or tests used to support regulatory clearance of, or any Product Authorization or Regulatory Approval for, any Product.

Notwithstanding the foregoing, no representations and warranties set forth in Sections 7.19(b)-(h) above shall be made prior to the Borrowing Date.

Section 7.20. Capitalization. All of the issued and outstanding securities of each Obligor have been duly authorized, are validly issued, fully paid, and non-assessable. As of the Closing Date and except as set forth on Schedule 7.20, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require the Obligors to issue, sell, or otherwise cause to become outstanding any of their ownership interests. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Obligors. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the ownership interests of the Obligors. None of the Equity Interests in the Obligors has been mortgaged, assigned or pledged in favor of any Person.

Section 7.21. Insurance. Each Obligor has obtained (and is maintaining), insurance for its assets (including the Collateral) and business as required under the Loan Documents.

Section 7.22. Certain Fees. No broker’s or finder’s fee or commission will be payable in connection with this Agreement or any of the Transactions contemplated hereby.

Section 7.23. Sanctions Laws. Obligors and, to the knowledge of the Obligors, any director, officer, agent, employee or other Person acting on behalf of the Obligors are in compliance with the Sanctions Laws.

Section 7.24. Anti-Corruption Laws. None of the Obligors nor, to the knowledge of the Obligors, any director, officer, agent, employee or other Person acting on behalf of the Obligors has taken any action, directly or indirectly, that would result in a violation by such Persons of the Anti-Corruption Laws.

Section 7.25. Anti-Terrorism Laws. The Obligors have taken reasonable measures to ensure compliance with applicable Economic Sanctions Laws and Anti-Terrorism Laws; are not Designated Persons; and have not used any part of the proceeds from any advance on behalf of any Designated Person or has not used, directly by it or indirectly through any Subsidiary, such proceeds in connection with any investment in, or any transactions or dealings with, any Designated Person.

ARTICLE 8.

AFFIRMATIVE COVENANTS

Each Obligor covenants and agrees with the Lenders that, until the Commitments have expired or been terminated and all Obligations (other than Warrant Obligations and inchoate indemnity obligations) have been paid in full indefeasibly in cash:

Section 8.01. Financial Statements and Other Information. Borrower will furnish to the Lenders:

(a)

(i) so long as Borrower is not a Publicly Reporting Company, as soon as available and in any event within 30 days after the end of each of the first two fiscal months of each fiscal quarter, the consolidated balance sheets of Borrower and its Subsidiaries as of the end of each such month, and the related consolidated statements of income, shareholders' equity and cash flows of Borrower and its Subsidiaries for such month, all in reasonable detail and setting forth in comparative form the figures for the corresponding period in the preceding fiscal year, together with a certificate of a Responsible Officer of Borrower stating that such financial statements fairly present in all material respects the financial condition of Borrower and its Subsidiaries as at such date and the results of operations of Borrower and its Subsidiaries for the period ended on such date and have been prepared substantially in accordance with GAAP consistently applied, subject to changes resulting from normal, quarterly or year-end adjustments and except for the absence of notes; *provided*, *however*, that Borrower shall not be required to deliver any financial statements pursuant to this Section 8.01(a)(i) for so long as Borrower is not delivering such financial statements to Borrower's Board and/or shareholders; and

(ii) (x) so long as Borrower is not a Publicly Reporting Company, commencing with the fiscal quarter ended June 30, 2016, as soon as available and in any event within 45 days after the end of the first three quarters of each fiscal year (or 60 days, in the case of the fourth fiscal quarter), and (y) after Borrower becomes a Publicly

Reporting Company, as soon as available and in any event within five (5) days following the date Borrower files the Quarterly Report on Form 10-Q with the SEC, the consolidated balance sheets of Borrower and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income, shareholders' equity and cash flows of Borrower and its Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, all in reasonable detail and setting forth in comparative form the figures for the corresponding period in the preceding fiscal year, together with a certificate of a Responsible Officer of Borrower stating that such financial statements fairly present in all material respects the financial condition of Borrower and its Subsidiaries as at such date and the results of operations of Borrower and its Subsidiaries for the period ended on such date and have been prepared substantially in accordance with GAAP consistently applied, subject to changes resulting from normal quarterly or year-end adjustments and except for the absence of notes;

(b) (x) so long as Borrower is not a Publicly Reporting Company, as soon as available and in any event within 120 days after the end of each fiscal year, and (y) after Borrower becomes a Publicly Reporting Company, as soon as available and in any event within five (5) days following the date Borrower files the Annual Report on Form 10-K with the SEC, the consolidated balance sheets of Borrower and its Subsidiaries as of the end of such fiscal year, and the related consolidated statements of income, shareholders' equity and cash flows of Borrower and its Subsidiaries for such fiscal year, prepared substantially in accordance with GAAP consistently applied, all in reasonable detail and setting forth in comparative form the figures for the previous fiscal year, accompanied by a report and opinion thereon of KPMG LLP or another firm of independent certified public accountants of recognized national standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit;

(c) within 30 days after the end of each month, a compliance certificate of a Responsible Officer as of the end of the applicable accounting period (which delivery may, unless a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes) in the form of Exhibit E (a *"Compliance Certificate,"* which, for purposes of clarification, shall (i) demonstrate Borrower's compliance with Section 8.18 in respect of such month and (ii) state whether the representations and warranties made by Borrower in Section 7.04 are true on and as of the date thereof) including details of any issues that are material that are raised by auditors;

(d) promptly, and in any event within five (5) Business Days after receipt thereof by an Obligor thereof, copies of each notice or other correspondence received from any securities regulator or exchange to the authority of which Borrower may become subject from time to time concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of such Obligor;

(e) the information regarding insurance maintained by Borrower and its Subsidiaries as required under Section 8.05;

(f) promptly following the Lenders' written request at any time, proof of Borrower's compliance with Section 8.18;

(g) within five (5) days of delivery, copies of all statements, reports and notices (including board kits) made available to holders of Borrower's Equity Interests; *provided* that (i) any such material may be redacted by Borrower to exclude information relating to the Lenders (including Borrower's strategy regarding the Loans) and (ii) the Lenders shall not be entitled to receive statements, reports and notices relating to topics that (x) are subject to attorney-client privilege or (y) present a conflict of interest for the Lenders;

(h) so long as Borrower is not a Publicly Reporting Company, a financial forecast for Borrower and its Subsidiaries for each fiscal year, including forecasted balance sheets, statements of income and cash flows of Borrower and its Subsidiaries, all of which shall be prepared on a consolidated basis and delivered not later than February 28 of such fiscal year;

(i) promptly following any Lender's written request, certify that such Obligor is not a passive foreign investment company ("*PFIC*") within the meaning of Sections 1291 through 1297 of the Code, or, if such Obligor determines that it is a PFIC, provide such information as would allow the Lender to make a qualified electing fund election with respect to the stock of the Obligor;

(j) after Borrower becomes a Publicly Reporting Company, within five (5) days of filing, provide access (via posting and/or links on Borrower's web site) to all reports on Form 10-K and Form 10-Q filed with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange; and within five (5) days of filing, provide notice and access (via posting and/or links on Borrower's web site) to all reports on Form 8-K filed with the SEC, and copies of (or access to, via posting and/or links on Borrower's web site) all other reports, proxy statements and other materials filed by Borrower with the SEC, any Governmental Authority succeeding to any of the functions of the SEC or with any national securities exchange; and

(k) such other information respecting the operations, properties, business or condition (financial or otherwise) of the Obligors (including with respect to the Collateral) as the Lenders may from time to time reasonably request;

provided, that upon and following the occurrence of a Qualified IPO of Borrower or any of its Subsidiaries, Borrower covenants and agrees that neither Borrower, nor any other Person acting on its behalf, will provide any Lender or its Representatives with any information that Borrower believes constitutes material non-public information, unless prior thereto such Lender shall have confirmed to Borrower in writing that it consents to receive such information. Borrower understands and confirms that each Lender shall be relying on the foregoing covenant in effecting transactions in securities of Borrower.

Section 8.02. Notices of Material Events. Borrower will furnish to the Lenders written notice of the following promptly after a Responsible Officer first learns of the existence of:

(a) the occurrence of any Default;

(b) the occurrence of any event with respect to any Obligor's Property resulting in a Loss, to the extent not covered by insurance, aggregating $500,000 (or the Equivalent Amount in other currencies) or more;

(c) (i) any proposed Acquisition by any Obligor that would reasonably be expected to result in environmental liability under Environmental Laws, and (ii)(A) spillage, leakage, discharge, disposal, leaching, migration or release of any Hazardous Material required to be reported to any Governmental Authority under applicable Environmental Laws, and (B) all actions, suits, claims, notices of violation, hearings, investigations or proceedings pending, or threatened in writing against or affecting Borrower or any of its Subsidiaries or with respect to the ownership, use, maintenance and operation of their respective businesses, operations or properties, relating to Environmental Laws or Hazardous Material;

(d) the assertion of any environmental matter by any Person against, or with respect to the activities of, Borrower or any of its Subsidiaries and any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations which would reasonably be expected to involve damages in excess of $500,000 other than any environmental matter or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect;

(e) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or directly affecting Borrower or any of its Subsidiaries that, would reasonably be expected to result in a Material Adverse Effect;

(f) (i) on or prior to any filing by any ERISA Affiliate of any notice of intent to terminate any Title IV Plan, a copy of such notice and (ii) promptly, and in any event within 10 days, after any Responsible Officer of any ERISA Affiliate knows or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a notice (which may be made by telephone if promptly confirmed in writing) describing such waiver request and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(g) (i) the termination of any Material Agreement; (ii) the receipt by Borrower or any of its Subsidiaries of a notice under any Material Agreement (and a copy thereof) asserting a default by Borrower or any of its Subsidiaries where such alleged default would permit such counterparty to terminate such Material Agreement; (iii) the entering into any new Material Agreement by an Obligor (and a copy thereof); or (iv) any material amendment to a Material Agreement that would be adverse in any material respect to the Lenders (and a copy thereof) (which includes, but is not limited to, any amendments to provisions relating to pricing and term), *provided* that notices required under this subsection (g) may be delivered with Borrower's monthly Compliance Certificate unless any of the foregoing events would reasonably be expected to have a Material Adverse Effect;

(h) any product recalls, safety alerts, corrections, withdrawals, marketing suspensions, removals or the like conducted, to be undertaken or issued by Borrower or any of its Subsidiaries or its suppliers, whether or not at the request, demand or order of any Governmental Authority or otherwise with respect to any Product, or any basis for undertaking or issuing any such action or item;

(i) any infringement or other violation by any Person of any Obligor Intellectual Property that would reasonably be expected to result in a Material Adverse Effect;

(j) a licensing agreement or arrangement entered into by Borrower or any of its Subsidiaries in connection with any infringement or alleged infringement of the Intellectual Property of another Person;

(k) any claim by any Person that the conduct of any Obligor's (or any Subsidiary thereof) business, including the development, manufacture, use, sale or other commercialization of any Product, infringes any Intellectual Property of such Person, except to the extent any such claim would not reasonably be expected to result in a Material Adverse Effect;

(l) any event, circumstance, act or omission that would cause any representation or warranty contained in Section 7.19 to be incorrect in any material respect if such representation or warranty were to be made at the time the applicable Obligor or Subsidiary thereof learned of such event, circumstance, act or omission;

(m) the reports and notices as required by the Security Documents;

(n) within 30 days of the date thereof, or, if earlier, on the date of delivery of any financial statements pursuant to Section 8.01, notice of any material change in accounting policies or financial reporting practices by the Obligors;

(o) promptly after the occurrence thereof, notice of any labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other material labor disruption against or involving an Obligor;

(p) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect;

(q) concurrently with the delivery of financial statements under Section 8.01(a)(ii), the creation or other acquisition of any Intellectual Property by Borrower or any Subsidiary after the date hereof and during such prior fiscal year which is registered or becomes registered or the subject of an application for registration with the United States Copyright Office or the United States Patent and Trademark Office, as applicable, or with any other equivalent foreign Governmental Authority;

(r) (i) the taking of any steps by an Obligor or any Governmental Authority to terminate any Employee Plan (wholly or in part) that would result in any Obligor being

required to make an additional contribution to the Employee Plan, or (ii) the taking of any action by any Person or the occurrence of any event with respect to any Employee Plan or Statutory Plan that would reasonably be expected to (A) give rise to a Lien under any applicable law, (B) result in an increase in the liability of an Obligor over, or the incurrence by an Obligor of any liability in addition to, the liability of the Obligor before the action was taken or the event occurred, (C) result in a fine, a penalty or any increase in the contingent liability of any Obligor under any Welfare Plan with respect to any benefit after termination of employment or retirement, in any case, or (D) have a Material Adverse Effect; and

(s) any change to any Obligor's ownership of Deposit Accounts, Securities Accounts and Commodity Accounts, by delivering to the Lenders an updated Schedule 7 to the Security Documents setting forth a complete and correct list of all such accounts as of the date of such change.

Each notice delivered under this Section 8.02 shall be accompanied by a statement of a financial officer or other executive officer of Borrower setting forth in reasonable detail the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 8.03. Existence; Maintenance of Properties, Etc.

(a) It will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence; *provided* that the foregoing shall not prohibit any merger, amalgamation, consolidation, liquidation or dissolution permitted under Section 9.03.

(b) If Borrower shall be in default under the Borrower Lease, Borrower shall permit the Lenders to cause the default or defaults under the Borrower Lease to be remedied.

(c) It shall, and shall cause each of its Subsidiaries to, maintain and preserve all rights, licenses, permits, privileges and franchises material to the conduct of its business, and maintain and preserve all of its properties necessary to the conduct of its business in good working order and condition, ordinary wear and tear and damage from casualty or condemnation excepted.

(d) It shall, and shall cause each of its Subsidiaries to, (i) maintain in full force and effect, and pay all costs and expenses relating to, all Material Intellectual Property owned or controlled by it or such Subsidiary and all Material Agreements, (ii) aggressively pursue any infringement or other violation by any Person of its Material Intellectual Property, except in any specific circumstances where both (x) it or such Subsidiary is able to demonstrate that it is not commercially reasonable to do so and (y) where not doing so does not materially adversely affect any Product, and (iii) use commercially reasonable efforts to pursue and maintain in full force and effect legal protection for all new Material Intellectual Property developed or controlled by it.

(e) It shall, and shall cause each of its Subsidiaries to, take all actions reasonably necessary to obtain, maintain in full force and effect and preserve, and take all necessary action to timely renew, (i) all material Regulatory Authorizations for each Product and (ii) all other all Permits and accreditations that are necessary in the proper conduct of its business.

(f) It shall, and shall cause each of its Subsidiaries to, use commercially reasonable efforts to cause each new employee and contractor to execute and deliver a customary confidentiality, non-disclosure and Intellectual Property assignment agreement that includes a waiver of moral rights.

Section 8.04. Payment of Obligations. It will, and will cause each of its Subsidiaries to, pay and discharge (i) all federal income and other material Taxes, fees, assessments and governmental charges or levies imposed upon it or upon its properties or assets prior to the date on which penalties attach thereto, and all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien (other than a Permitted Lien) upon any properties or assets of Borrower or any Subsidiary, except to the extent such Taxes, fees, assessments or governmental charges or levies, or such claims are being contested in good faith by appropriate proceedings and are adequately reserved against substantially in accordance with GAAP, (ii) all lawful claims which, if unpaid, would by Law become a Lien upon its Property not constituting a Permitted Lien and (iii) all other obligations if the failure to discharge such obligation would reasonably be expected to result in a Material Adverse Effect.

Section 8.05. Insurance. At its own cost and expense, Borrower shall obtain and maintain insurance of the kinds, and in the amounts, set forth below, it being understood and agreed that the insurance held by Borrower on the Closing Date is deemed to fulfill this requirement on the date hereof:

(a) *All Risks of Physical Loss Insurance.* Borrower will maintain insurance against loss, destruction or damage to its properties and assets (including the Collateral) as determined by Borrower in its good faith business judgment to be customary for companies similar to Borrower.

(b) *Commercial General Liability Insurance.* Borrower will maintain commercial general liability insurance covering bodily injury, death, property damage, products liability in such amounts as are generally required by institutional lenders for businesses and assets comparable to the business and assets of Borrower, but in any event for a combined single limit of at least $1,000,000 per occurrence and $2,000,000 in the aggregate.

(c) *Workers Compensation Insurance.* Borrower will maintain statutory workers' compensation insurance with respect to any work performed on or about the property or assets of Borrower.

(d) *General Requirements.* All of the insurance policies required pursuant to this Section 8.05 will (i) be issued by financially sound and reputable insurers with a rating of at least "A" or better by both Standard & Poor's Ratings Service and Moody's Investors Service (or such other credit rating agencies as may be designated by the Agent) or a general policy

rating of "A-" or better and a financial class of VIII or better by A.M. Best Company, Inc., (ii) name the Lenders as a "loss payee," "additional insured" or "mortgagee," as applicable, and (iii) provide for 30 days' prior written notice (10 days' prior written notice from Borrower for nonpayment of premium) to the Lenders before such policy is canceled or terminated. Receipt of notice of termination or cancellation of any such insurance policies or reduction of coverages or amounts thereunder shall entitle the Lenders to renew any such policies, cause the coverages and amounts thereof to be maintained at levels required pursuant to this Section 8.05 or otherwise to obtain similar insurance in place of such policies, in each case at the expense of Borrower (payable on demand). The amount of any such expenses shall accrue interest at the Default Rate if not paid on demand, and shall constitute "Obligations." All of the insurance policies required hereby will be evidenced by one or more certificates of insurance delivered to the Lenders on or before the Closing Date and at such other times as the Lenders may request from time to time.

Section 8.06. Books and Records; Inspection Rights. It will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. It will, and will cause each of its Subsidiaries to, permit any representatives designated by the Lenders, upon reasonable prior notice and at reasonable times, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times during normal business hours and with reasonable advance notice (but not more often than once a year unless an Event of Default has occurred and is continuing) as the Lenders may request. It will, and will cause each of its Subsidiaries to, pay all costs of all such inspections.

Section 8.07. Compliance with Laws and Other Obligations. It will, and will cause each of its Subsidiaries to, (i) comply in all material respects with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property (including Environmental Laws) and (ii) comply in all material respects with all terms of Indebtedness and all other Material Agreements, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

Section 8.08. Licenses. It shall, and shall cause each of its Subsidiaries to, obtain and maintain all licenses, authorizations, consents, filings, exemptions, registrations and other Governmental Approvals necessary in connection with the execution, delivery and performance of the Loan Documents, the consummation of the Transactions or the operation and conduct of its business and ownership of its properties, except where failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 8.09. Action under Environmental Laws. It shall, and shall cause each of its Subsidiaries to, upon becoming aware of the release of any Hazardous Materials or the existence of any environmental liability under applicable Environmental Laws with respect to their respective businesses, operations or properties, take all actions, at their cost and expense, as shall be necessary or advisable to investigate and clean up the condition of their respective businesses, operations or properties, including all required removal, containment and remedial actions, and restore their respective businesses, operations or properties to a condition, in each case in material compliance with applicable Environmental Laws.

Section 8.10. Use of Proceeds. The proceeds of the Loans will be used only as provided in Section 2.05. No part of the proceeds of the Loans will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board of Governors of the Federal Reserve System, including Regulations T, U and X.

Section 8.11. Certain Obligations Respecting Subsidiaries; Further Assurances.

(a) *Subsidiaries.* It will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries are "Guarantors" hereunder. Without limiting the generality of the foregoing, in the event that Borrower or any of its Subsidiaries shall form or acquire any new Subsidiary, it and its Subsidiaries will promptly and in any event within 15 days (or such longer time as consented to by the Majority Lenders in writing) of the formation or acquisition of such Subsidiary:

(i) cause such new Subsidiary to become a "Guarantor" hereunder, and a "Grantor" under the Security Documents, pursuant to a Guarantee Assumption Agreement;

(ii) take such action or cause such Subsidiary to take such action (including delivering such shares of stock together with undated transfer powers executed in blank) as shall be necessary to create and perfect valid and enforceable first priority (subject to Permitted Priority Liens) Liens on substantially all of the personal Property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder;

(iii) to the extent that the parent of such Subsidiary is not a party to the Security Documents or has not otherwise pledged Equity Interests in its Subsidiaries in accordance with the terms of the Security Documents and this Agreement, cause the parent of such Subsidiary to execute and deliver a pledge agreement in favor of the Lenders, in respect of all outstanding issued shares of such Subsidiary; and

(iv) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to Section 6.01 or as the Majority Lenders shall have requested.

(b) *Further Assurances.* It will, and will cause each of its Subsidiaries to, take such action from time to time as shall reasonably be requested in writing by the Majority Lenders to effectuate the purposes and objectives of this Agreement.

Without limiting the generality of the foregoing, it will, and will cause each Person that is required to be a Guarantor to, take such action from time to time (including executing and delivering such assignments, security agreements, control agreements and other instruments) as shall be reasonably requested in writing by the Majority Lenders to create, in favor of the Lenders, perfected security interests and Liens in substantially all of the personal Property,

including any Intellectual Property, of such Obligor as collateral security for the Obligations; *provided* that any such security interest or Lien shall be subject to the relevant requirements of the Security Documents.

Section 8.12. Termination of Non-Permitted Liens. In the event that Borrower or any of its Subsidiaries shall become aware or be notified by the Lenders of the existence of any outstanding Lien against any Property of Borrower or any of its Subsidiaries, which Lien is not a Permitted Lien, Borrower shall use its best efforts to promptly terminate or cause the termination of such Lien.

Section 8.13. Employee Plans. It shall perform all of its obligations under and in respect of each Employee Plan and Statutory Plan and shall remit or pay all payments, contributions and premiums that it is required to remit or pay to or in respect of each Employee Plan and Statutory Plan, all in a timely way in accordance with the terms of the terms of the applicable plan and all applicable law.

Section 8.14. Non-Consolidation. Borrower will and will cause each of its Subsidiaries to (i) maintain entity records and books of account separate from those of any other entity which is an Affiliate of such entity; (ii) not commingle its funds or assets with those of any other entity which is an Affiliate of such entity; and (iii) provide that its board of directors or other analogous governing body will hold all appropriate meetings to authorize and approve such entity's actions, which meetings will be separate from those of other entities.

Section 8.15. Anti-Terrorism and Anti-Corruption Laws. No Obligor shall engage in any transaction that violates any of the applicable prohibitions set forth in any Economic Sanctions Law, Anti-Terrorism Law, the *US Foreign Corrupt Practices Act of 1977* (15 USC. §§ 78dd-1 *et seq.*), the *Corruption of Foreign Public Officials Act* (Canada) (S,C. 1998, c. 34), or any other Applicable Laws applicable to such Obligor. None of the funds or assets of such Obligor or any Subsidiary that are used to repay the Loans shall constitute property of, or shall be beneficially owned by, any Designated Person or be the direct proceeds derived from any transactions that violate the prohibitions set forth in any applicable Economic Sanctions Law, and no Designated Person shall have any direct or indirect interest in such Obligor insofar as such interest would violate any Economic Sanctions Laws applicable to such Obligor.

Section 8.16. Required Milestones. On or before September 30, 2017, Borrower will have achieved at least two of the following milestones:

(a) at least one patient shall have been enrolled in a Phase I clinical trial developing ZW25 for an indication targeting HER2 expressing tumors; and/or

(b) at least one patient shall have been enrolled in a Phase I clinical trial developing ZW33 for an indication targeting HER2 expressing tumors; and/or

(c) enter into a Collaboration Agreement with a publicly traded pharmaceutical or biotechnology company with a market capitalization greater than $10,000,000,000 that is reasonably expected to result in aggregate payments (including upfront fees, deferred payments

and milestone payments) in excess of $100,000,000; provided that the Lenders hereby acknowledge that the Collaboration Agreement referred to in Schedule 6.02(a) satisfies this milestone.

Section 8.17. Qualified IPO. Borrower shall complete a Qualified IPO on or before December 31, 2017.

Section 8.18. Minimum Liquidity. Borrower shall ensure that Borrower and its Subsidiaries shall have aggregate Liquidity in excess of $3,000,000 as of the last day of each calendar month. Each measurement of Liquidity hereunder shall be in Dollars and shall be determined based on the Exchange Rate in effect on the last day of each calendar month to the extent Liquidity shall include any amounts denominated in Canadian Dollars.

Section 8.19. Post-Closing Covenant. Borrower shall comply with the obligations set forth on Schedule 8.19 within the periods set forth therein.

Section 8.20. Certain Payments. Upon the occurrence of an Event of Default and at all times thereafter until the Obligations (other than the Warrant Obligations and contingent indemnification obligations for which no claim has been made) have been paid in full in cash, Borrower shall instruct each counterparty to a Collaboration Agreement to direct all payments made pursuant to such Collaboration Agreement to a bank account which is subject to a control agreement in favor of the Lenders.

ARTICLE 9.

NEGATIVE COVENANTS

Each Obligor covenants and agrees with the Lenders that, until the Commitments have expired or been terminated and all Obligations (other than Warrant Obligations and inchoate indemnity obligations) have been paid in full indefeasibly in cash:

Section 9.01. Indebtedness. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, whether directly or indirectly, except:

(a) the Obligations;

(b) Indebtedness existing on the date hereof and set forth in Schedule 7.13A and Permitted Refinancings thereof;

(c) accounts payable to trade creditors for goods and services and current operating liabilities (not the result of the borrowing of money) incurred in the Ordinary Course of Business in accordance with customary terms and paid within the specified time, unless contested in good faith by appropriate proceedings and reserved for substantially in accordance with GAAP;

(d) Indebtedness consisting of guarantees resulting from endorsement of negotiable instruments for collection by it or any of its Subsidiaries in the Ordinary Course of Business;

(e) Indebtedness of an Obligor to the extent the same is permitted as an Investment pursuant to Section 9.05;

(f) Guarantees by any Obligor of Indebtedness of any other Obligor;

(g) Purchase money and capital lease financing; *provided* that (i) if secured, the collateral therefor consists solely of the assets being financed, the products and proceeds thereof and books and records related thereto, and (ii) the aggregate outstanding principal amount of such Indebtedness does not exceed $1,000,000 (or the Equivalent Amount in other currencies) at any time;

(h) Indebtedness in respect of any agreement providing for treasury, depositary, or cash management services, including in connection with any automated clearing house transfers of funds or any similar transactions, securities settlements, foreign exchange contracts, assumed settlement, netting services, overdraft protections and other cash management, intercompany cash pooling and similar arrangements, in each case in the Ordinary Course of Business;

(i) Indebtedness of the type permitted by Section 9.01(g) or consisting of letters of credit, in each case assumed or otherwise acquired in connection with a Permitted Acquisition, so long as the aggregate principal amount of all such acquired Indebtedness does not exceed $2,500,000;

(j) unsecured obligations under bona fide time-based licenses of Borrower or any Subsidiary in the Ordinary Course of Business;

(k) advance or deposits from customers or vendors received in the Ordinary Course of Business and held with a deposit bank insured by the Federal Deposit Insurance Corporation;

(l) unsecured Indebtedness (other than for borrowed money) that may be deemed to exist pursuant to any bona fide warranty or contractual service obligations or performance in the Ordinary Course of Business;

(m) unsecured Indebtedness consisting of (i) the bona fide financing of insurance premiums or self-insurance obligations (which must be commercially reasonable and consistent with insurance practices generally) or (ii) take-or-pay obligations contained in supply or similar agreements, in each case, in the Ordinary Course of Business;

(n) any indemnification, purchase price adjustment, earn-outs, milestones, royalties, or similar obligations incurred in connection with Investments permitted by Section 9.03(d) (but subject to the same monetary limits as described in Section 9.03(d));

(o) other unsecured Indebtedness in an aggregate principal amount not to exceed $250,000 at any time outstanding;

(p) unsecured workers' compensation claims, payment obligations in connection with health, disability or other types of social security benefits, unemployment or other insurance obligations, reclamation and statutory obligations, in each case incurred in the Ordinary Course of Business;

(q) Subordinated Debt;

(r) Indebtedness under any credit cards in an aggregate amount not to exceed $250,000;

(s) Indebtedness under any letters of credit in an aggregate amount not to exceed $250,000, issued for the account of Borrower in connection with a real property lease of Borrower;

(t) Indebtedness under (l) or (m) of the definition of "Indebtedness" arising out of any Permitted License, Collaboration Agreement or Permitted Commercialization Agreement; or

(u) Indebtedness approved in advance in writing by the Majority Lenders.

Section 9.02. Liens. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any Property now owned by it, except:

(a) Liens securing the Obligations;

(b) any Lien on any Property of Borrower or any of its Subsidiaries existing on the date hereof and set forth in Schedule 7.13B; *provided* that (i) no such Lien shall extend to any other Property of Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens securing Indebtedness permitted under Section 9.01(g); *provided* that such Liens are restricted solely to the collateral described in Section 9.01(g);

(d) Liens imposed by law which were incurred in the Ordinary Course of Business, including (but not limited to) carriers', warehousemen's, landlords' and mechanics' liens, liens relating to leasehold improvements and other similar liens arising in the Ordinary Course of Business and which (i) do not in the aggregate materially detract from the value of the Property subject thereto or materially impair the use thereof in the operations of the business of such Person or (ii) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such liens and for which adequate reserves have been made if required substantially in accordance with GAAP;

(e) Liens, pledges or deposits made in the Ordinary Course of Business in connection with bids, contracts, leases, appeal bonds, workers' compensation, unemployment insurance or other similar social security legislation;

(f) Liens securing Taxes, assessments and other governmental charges, the payment of which is not yet due or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made;

(g) servitudes, easements, rights of way, restrictions and other similar encumbrances on real Property imposed by applicable Laws and encumbrances consisting of zoning or building restrictions, easements, licenses, restrictions on the use of Property or minor imperfections in title thereto which, in the aggregate, are not material, and which do not in any case materially detract from the value of the Property subject thereto or interfere with the ordinary conduct of the business of any of the Obligors;

(h) with respect to any real Property, (i) such defects or encroachments as might be revealed by an up-to-date survey of such real Property; (ii) the reservations, limitations, provisos and conditions expressed in the original grant, deed or patent of such Property by the original owner of such real Property pursuant to applicable Laws; (iii) rights of expropriation, access or user or any similar right conferred or reserved by or in applicable Laws, which, in the aggregate for (i), (ii) and (iii), are not material, and which do not in any case materially detract from the value of the Property subject thereto or interfere with the Ordinary Course of Business of any of the Obligors; and (iv) leases or subleases granted in the Ordinary Course of Business;

(i) bankers liens, rights of setoff and similar Liens incurred on deposits made in the Ordinary Course of Business;

(j) Liens consisting of deposits of cash or treasury securities collateralizing and/or securing the obligations of Borrower under letters of credit issued for the account of Borrower in connection with a real Property lease; *provided*, that any such deposit shall not exceed 110% of the face amount of the applicable letter of credit; *provided*, *further*, that the aggregate face amount of such letters of credit shall not exceed $250,000 at any time;

(k) non-exclusive licenses or sublicenses, leases or subleases of property (other than real Property or Intellectual Property) granted in the Ordinary Course of Business or as approved by Borrower's board of directors, if the leases, subleases, licenses and sublicenses do not prohibit an Obligor from granting Control Agent or any Lender a security interest in such property;

(l) Liens in connection with transfers permitted under Section 9.09;

(m) Liens the creation of which did not involve Borrower's or its Subsidiaries' consensual participation or involvement encumbering assets not to exceed $50,000 in the aggregate in any fiscal year;

(n) cash collateral accounts serving as collateral in connection with Indebtedness permitted under Section 9.01(i);

(o) any judgment lien or lien arising from decrees or attachments not constituting an Event of Default; and

(p) Permitted Licenses (including those granted in connection with Collaboration Agreements or Permitted Commercialization Agreements) solely to the extent that such Permitted License would constitute a Lien;

provided that no Lien otherwise permitted under any of the foregoing Sections 9.02(b) through (o) shall apply to any Material Intellectual Property.

Section 9.03. Fundamental Changes and Acquisitions. It will not, and will not permit any of its Subsidiaries to, (i) enter into any transaction of merger, amalgamation or consolidation, including without limitation, a reverse-triangular merger, or other similar transaction or series of related transactions, (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or (iii) make any Acquisition, except:

(a) Investments permitted under Section 9.05(e);

(b) the sale, lease, transfer or other disposition by any Guarantor of any or all of its Property (upon voluntary liquidation or otherwise) to Borrower or any other Obligor;

(c) the sale, transfer or other disposition of the capital stock of any Guarantor to Borrower or any other Obligor;

(d) Permitted Acquisitions for an aggregate consideration not to exceed:

(i) prior to the occurrence of a Qualified IPO, the sum of (x) $5,000,000 in cash in any fiscal year plus (y) any consideration in the form of equity contributions and/or equity issuances with a fair market value not to exceed $20,000,000 in the aggregate; and

(ii) following the occurrence of a Qualified IPO, the sum of (x) $5,000,000 in cash in any fiscal year plus (y) any consideration in the form of equity contributions and/or equity issuances;

(e) the merger, amalgamation or consolidation of any Obligor with or into any other Obligor, provided that if Borrower is a party to such merger, amalgamation or consolidation, Borrower shall be the surviving entity;

(f) the Obligors may enter into Permitted Commercialization Arrangements;

(g) transactions set forth on Schedule 9.03, which shall include any earn-outs, milestones, royalties, purchase price adjustments and other similar payments; and

(h) Borrower may liquidate, wind up or dissolve Zymeworks Biochemistry Inc. (or Zymeworks Biochemistry Inc. may suffer a liquidation or dissolution) so long as such liquidation, winding up or dissolution does not result in a Material Adverse Effect and the assets of Zymeworks Biochemistry Inc. are conveyed or transferred to Borrower or a Guarantor.

Section 9.04. Lines of Business. It will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than the business engaged in on the date hereof by Borrower or any Subsidiary thereof, or a business reasonably related, incidental or complimentary thereto or reasonable extensions thereof.

Section 9.05. Investments. It will not, and will not permit any of its Subsidiaries to, make, directly or indirectly, or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in Schedule 9.05;

(b) operating deposit accounts with banks;

(c) extensions of credit in the nature of accounts receivable or notes receivable arising from the sales of goods or services in the Ordinary Course of Business;

(d) Permitted Cash Equivalent Investments;

(e) Investments by Borrower or a Subsidiary in any Subsidiary Guarantor or any Subsidiary acquired in a Permitted Acquisition;

(f) Hedging Agreements entered into in the ordinary course of Borrower's financial planning solely to hedge interest rate risks (and not for speculative purposes) in respect of Permitted Indebtedness;

(g) Investments consisting of prepaid expenses, negotiable instruments held for collection or deposit, security deposits with utilities, landlords and other like Persons, and deposits in connection with workers compensation and similar deposits, in each case made in the Ordinary Course of Business;

(h) forgivable and non-forgivable employee loans, travel advances and guarantees in accordance with Borrower's usual and customary practices with respect thereto (if permitted by applicable law) which in the aggregate shall not exceed $250,000 outstanding at any time (or the Equivalent Amount in other currencies);

(i) Investments received in connection with any Insolvency Proceedings in respect of any customers, suppliers or clients and in settlement of delinquent obligations of, and other disputes with, customers, suppliers or clients;

(j) Investments as part of a Permitted Commercialization Arrangement, *provided* that the value of the cash and tangible property components of such Investment shall not

exceed $2,500,000 in the aggregate at any time outstanding (or such higher threshold as consented to by Majority Lenders, such consent not to be unreasonably withheld) for all such Permitted Commercialization Arrangements taken together;

(k) other Investments in an aggregate principal amount not to exceed $250,000 at any time outstanding; and

(l) Investments permitted under Section 9.03.

Section 9.06. Restricted Payments. It will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, other than:

(a) dividends with respect to any capital stock of Borrower or any of its Subsidiaries payable solely in additional shares of its common stock;

(b) any purchase, redemption, retirement, or other acquisition by Borrower or any of its Subsidiaries of shares of its capital stock or other Equity Interests with the proceeds received from a substantially concurrent issue of new shares of its capital stock or other Equity Interests;

(c) for payments pursuant to employee stock plans in an aggregate amount not to exceed the sum of $250,000 per fiscal year;

(d) dividends paid by any Subsidiary Guarantor to any other Obligor; and

(e) cashless exercises of options and warrants.

Section 9.07. Payments of Indebtedness. It will not, and will not permit any of its Subsidiaries to, make any payments in respect of any Material Indebtedness other than (i) payments of the Obligations, (ii) scheduled payments of other Indebtedness (other than Subordinated Debt except as provided for in any subordination agreement governing such Subordinated Debt) and (iii) repayment of intercompany Indebtedness permitted in reliance upon Section 9.01(e).

Section 9.08. Change in Fiscal Year. Without at least 30 days' prior written notice, it will not, and will not permit any of its Subsidiaries to, change the last day of its fiscal year from that in effect on the date hereof, except to change the fiscal year of a Subsidiary acquired in connection with an Acquisition to conform its fiscal year to that of Borrower.

Section 9.09. Sales of Assets, Etc. It will not, and will not permit any of its Subsidiaries to, sell, lease, exclusively license (in terms of geography or field of use), as a licensor, transfer or otherwise dispose of any of its Property (including accounts receivable and capital stock of Subsidiaries), or forgive, release or compromise any amount owed to Borrower or any of its Subsidiaries, in each case, in one transaction or series of transactions (any thereof, an *"Asset Sale"*), except:

(a) transfers of cash in the Ordinary Course of Business for equivalent value;

(b) sales or leases of inventory in the Ordinary Course of Business on ordinary business terms;

(c) the forgiveness, release or compromise of any amount owed to Borrower or any of its Subsidiaries in the Ordinary Course of Business;

(d) entering into, or becoming bound by, a Permitted License (including those granted in connection with Collaboration Agreements or Permitted Commercialization Agreements) to the extent not otherwise prohibited by this Agreement;

(e) transfers of Property between Obligors;

(f) a sale, lease, exclusive license, transfer or other disposition (including by way of abandonment or cancellation) of any Property that is obsolete or worn out or no longer used or useful in connection with the business of Borrower and its Subsidiaries;

(g) dispositions consisting of the sale, transfer, assignment or other disposition of unpaid and overdue accounts receivable in connection with the collection, compromise or settlement thereof in the Ordinary Course of Business and not as part of a financing transaction;

(h) dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property;

(i) dispositions resulting from Casualty Events;

(j) the disposition of other property in the aggregate amount not to exceed $750,000 in any Fiscal Year; and

(k) any transaction permitted under Section 9.02, 9.03, 9.05 and 9.21.

Section 9.10. Transactions with Affiliates. It will not, and will not permit any of its Subsidiaries to, sell, lease, license or otherwise transfer any assets to, or purchase, lease, license or otherwise acquire any assets from, or otherwise engage in any other transactions with, any of its Affiliates, except:

(a) transactions between or among Borrower or any of its Subsidiaries;

(b) any transaction permitted under Section 9.01, 9.05, 9.06 or 9.09;

(c) customary compensation and indemnification of, and other employment arrangements with, directors, officers and employees of Borrower or any Subsidiary in the Ordinary Course of Business;

(d) transactions upon fair and reasonable terms that are no less favorable to Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate; and

(e) the transactions set forth on Schedule 9.10.

Section 9.11. Restrictive Agreements. It will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any Restrictive Agreement other than (i) restrictions and conditions imposed by law or by the Loan Documents, (ii) Restrictive Agreements listed on Schedule 7.15; (iii) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or assets pending such sale, *provided* such restrictions and conditions apply only to the Subsidiary or assets that are to be sold and such sale is permitted hereunder, (iv) any stockholder agreement, charter, by laws or other organizational documents of Borrower or any Subsidiary as in effect on the date hereof, or (v) limitations associated with Permitted Liens.

Section 9.12. Organizational Documents, Material Agreements.

(a) It will not, and will not permit any of its Subsidiaries to, enter into any amendment to or modification of any Organizational Document that would be reasonably expected to adversely affect the Lenders in any material respect without the prior written consent of the Lenders, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) It (i) will not, and will not permit any of its Subsidiaries to, enter into any material waiver, amendment or modification of any Material Agreement (including, but not limited to, any amendments to provisions relating to pricing and term) that would be reasonably expected to adversely affect the Lenders in any material respect, (ii) will not, and will not permit any of its Subsidiaries to, terminate any Material Agreement and (iii) will use commercially reasonable efforts, and will ensure that each of its Subsidiaries will use commercially reasonable efforts, to ensure that no Material Agreement is terminated by any counterparty thereto prior to its stated date of expiration (unless such terminated Material Agreement is replaced with another agreement(s) that, viewed as a whole, is on the same or better terms for Borrower or such Subsidiary) without, in each case, the prior written consent of the Majority Lenders, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) It will not, and will not permit any of its Subsidiaries to enter into any material waiver, amendment or modification of any Collaboration Agreement (including, but not limited to, any amendments to provisions relating to pricing and term) except, the Collaboration Agreements may be waived, amended, modified or terminated, so long as (i) no Default or Event of Default shall have occurred and is continuing, (ii) the result of such waiver amendment, modification or termination would not be reasonably expected to result in a Material Adverse Effect and (iii) the Borrower shall provide the Lenders with 30 days' prior written notice of any such waiver, amendment, modification or termination; *provided* that only one of the Specified Collaboration Agreement may be terminated during the term of this Agreement unless otherwise consented to by the Majority Lenders, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 9.13. Province of Quebec. No Obligor shall acquire or maintain any property in the Province of Quebec that is valued in an aggregate amount in excess of $1,000,000 unless such Obligor provides the Lenders with a first priority perfected security interest pursuant to the laws thereunder.

Section 9.14. Sales and Leasebacks. Except as permitted by Section 9.01(g), it will not, and will not permit any of its Subsidiaries to, become liable, directly or indirectly, with respect to any lease, whether an operating lease or a Capital Lease Obligation, of any Property (whether real, personal, or mixed), whether now owned or hereafter acquired, (i) which Borrower or such Subsidiary has sold or transferred or is to sell or transfer to any other Person and (ii) which Borrower or such Subsidiary intends to use for substantially the same purposes as Property which has been or is to be sold or transferred.

Section 9.15. Hazardous Material. It will not, and will not permit any of its Subsidiaries to, use, generate, manufacture, install, treat, release, store or dispose of any Hazardous Material, except in compliance with all applicable Environmental Laws or where the failure to comply would not reasonably be expected to result in a Material Adverse Change.

Section 9.16. Accounting Changes. Without at least 30 days' prior written notice to the Lenders, it will not, and will not permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP.

Section 9.17. Compliance with ERISA. No ERISA Affiliate shall cause or suffer to exist (a) any event that would result in the imposition of a Lien with respect to any Title IV Plan or Multiemployer Plan or (b) any other ERISA Event that would, in the aggregate, have a Material Adverse Effect. Neither Borrower nor any Subsidiary thereof shall cause or suffer to exist any event that could result in the imposition of a Lien with respect to any Benefit Plan that would have a Material Adverse Effect.

Section 9.18. [Intentionally Omitted.]

Section 9.19. Deposit Accounts. It will not, and will not permit any of its Subsidiaries to, establish or maintain any bank account that is not a Deposit Account over which the Lenders have a first priority perfected security interest and will not, and will not permit any of its Subsidiaries to, deposit proceeds in a bank account that is not a Deposit Account over which the Lenders have a first priority perfected security interest.

Section 9.20. Pensions and Other Plans. It shall not, without the prior written consent of the Lenders (which consent shall not be unreasonably withheld):

(a) establish or contribute to or otherwise participate in any Employee Plan which would be a defined benefit plan or multi-employer plan once created;

(b) acquire an interest in any Person if such Person sponsors, administers, participates in or has any liability in excess of $500,000 in respect of any defined-benefit pension plan or multiemployer plan; or

(c) terminate or cause to be terminated any defined-benefit pension plan if such defined-benefit plan would have a windup deficiency on termination.

Section 9.21. Outbound Licenses. It will not, and will ensure that its Subsidiaries will not, enter into or become bound by any outbound license or agreement unless such outbound license or agreement is a Permitted License.

Section 9.22. Inbound Licenses. It will not, and will ensure that its Subsidiaries will not, enter into or become bound by any inbound license or agreement (other than Permitted Licenses) unless (i) no Default or Event of Default has occurred and is continuing, (ii) such Obligor has provided written notice to the Lenders of the material terms of such license or agreement with a description of its anticipated and projected impact on such Obligor's business or financial condition, and (iii) such Obligor has taken such commercially reasonable actions as the Lenders may reasonably request to obtain the consent of, or waiver by, any Person whose consent or waiver is necessary for the Lenders to be granted a valid and perfected security interest in such license or agreement allowing the Lenders to fully exercise their rights under any of the Loan Documents in the event of a disposition or liquidation of the rights, assets or property that is the subject of such license or agreement; *provided* that prior to the occurrence of a Qualified IPO, the aggregate consideration paid for all such inbound licenses pursuant to this Section 9.22 shall not exceed an amount equal to $7,500,000 per fiscal year.

ARTICLE 10.

EVENTS OF DEFAULT

Section 10.01. Events of Default. Each of the following events shall constitute an *"Event of Default"*:

(a) Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise; or

(b) any Obligor shall fail to pay any Obligation (other than an amount referred to in Section 10.01(a)) when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days; or

(c) any representation or warranty made by or on behalf of Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall: (i) prove to have been incorrect when made or deemed made to the extent that such representation or warranty

contains any materiality or Material Adverse Effect qualifier; or (ii) prove to have been incorrect in any material respect when made or deemed made to the extent that such representation or warranty does not otherwise contain any materiality or Material Adverse Effect qualifier; or

(d) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in Section 8.02, 8.03(a) (with respect to Borrower's existence), 8.10, 8.11, 8.13, 8.14, 8.15, 8.18, 8.19 or 9; or

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 10.01(a), (b) or (d)) or any other Loan Document, and, in the case of any failure that is capable of cure, if such failure shall continue unremedied for a period of 30 or more days; or

(f) any Obligor shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any applicable grace or cure period as originally provided by the terms of such Indebtedness; or

(g) any material breach of, or "event of default" or similar event by any Obligor under, any Material Agreement shall occur, which would give the counterparty to such Material Agreement the right to terminate such Material Agreement pursuant to the terms thereof (after giving effect to any applicable grace or cure period and provided that such material breach, "event of default" or similar event is not being contested in good faith with reasonable basis by such Obligor), to the extent that the counterparty to such Material Agreement has not waived such material breach, "event of default" or similar event; or

(h) (i) any material breach of, or "event of default" or similar event under, the documentation governing any Material Indebtedness shall occur and such breach or "event of default" or similar event shall continue unremedied, uncured or unwaived after a period of five (5) Business Days after the expiration of any cure period thereunder, or (ii) any event or condition occurs (A) that results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of such Material Indebtedness or any trustee or agent on its or their behalf to cause such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided* that this Section 10.01(h) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the Property securing such Material Indebtedness; or

(i) any Obligor:

(i) becomes insolvent, or generally does not or becomes unable to pay its debts or meet its liabilities as the same become due, or admits in writing its inability to pay its debts generally, or declares any general moratorium on its indebtedness, or proposes a compromise or arrangement or deed of company arrangement between it and any class of its creditors;

(ii) commits an act of bankruptcy or makes an assignment of its Property for the general benefit of its creditors or makes a proposal (or files a notice of its intention to do so);

(iii) institutes any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity, or files an answer admitting the material allegations of a petition filed against it in any such proceeding;

(iv) applies for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its Property; or

(v) takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this Section 10.01(i) or Section 10.01(j), or otherwise acts in furtherance thereof or fails to act in a timely and appropriate manner in defense thereof; or

(j) any petition is filed, application made or other proceeding instituted against or in respect of Borrower or any Subsidiary:

(i) seeking to adjudicate it as insolvent;

(ii) seeking a receiving order against it;

(iii) seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), deed of company arrangement or composition of it or its debts or any other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity; or

(iv) seeking the entry of an order for relief or the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its Property, and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 45 days after the institution thereof;

provided that if an order, decree or judgment is granted or entered (whether or not entered or subject to appeal) against Borrower or such Subsidiary thereunder in the interim, such grace period will cease to apply; *provided, further,* that if Borrower or such Subsidiary files an answer admitting the material allegations of a petition filed against it in any such proceeding, such grace period will cease to apply; or

(k) any other event occurs which, under the laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of Section 10.01(i) or (j); or

(l) one or more judgments for the payment of money in an aggregate amount in excess of $250,000 (or the Equivalent Amount in other currencies) (excluding any amounts covered by insurance as to which the applicable carrier has accepted coverage) shall be rendered against any Obligor or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Obligor to enforce any such judgment; or

(m) an ERISA Event shall have occurred that, in the opinion of the Lenders, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in liability of Borrower and its Subsidiaries in an aggregate amount exceeding (i) $250,000 in any year or (ii) $750,000 for all periods until repayment of all Obligations (other than Warrant Obligations); or

(n) a Change of Control shall have occurred; or

(o) any event or circumstance occurs that results in a Material Adverse Change; or

(p) (i) any Lien created by any of the Security Documents shall at any time not constitute a valid and perfected Lien on the applicable Collateral in favor of the Lenders, free and clear of all other Liens (other than Permitted Liens) except due to the action or inaction of the Lenders, (ii) except for expiration in accordance with its terms, the Security Documents or any Guarantee of any of the Obligations shall for whatever reason cease to be in full force and effect, or (iii) any of the Security Documents or any Guarantee of any of the Obligations, or the enforceability thereof, shall be repudiated or contested by any Obligor; or

(q) any injunction, whether temporary or permanent, shall be rendered against any Obligor that prevents the Obligors from selling or manufacturing the Product or its commercially available successors, or any of their other material and commercially available products in the United States for more than 45 consecutive calendar days; or

(r) (i) the FDA or any other Governmental Authority (A) issues a letter or other communication asserting that any Product lacks a required Product Authorization, including in respect of CE marks or 510(k)s, or (B) initiates enforcement action against, or issues a warning letter with respect to, any Obligor, or any of their Products or the manufacturing facilities therefor, that causes any Obligor or Subsidiary thereof to discontinue marketing or withdraw any of its material Products, or causes a delay in the manufacture of any of its material

Products, which discontinuance, withdrawal or delay would reasonably be expected to last for more than 60 days, (ii) there is a recall of any Product that has generated or is expected to generate an aggregate amount of revenue equal to at least $500,000 over any consecutive twelve (12) month period, or (iii) any Obligor or Subsidiary thereof enters into a settlement agreement with the FDA or any other Governmental Authority that results in aggregate liability as to any single or related series of transactions, incidents or conditions, in excess of $500,000; or

(s) Any material Permit relating to any Product (including all Product Authorizations), or any of the Obligors' or their Subsidiaries' material rights or interests thereunder, is terminated, adversely amended or otherwise determined to be ineffective in any manner adverse to any of the Products or Obligors or Subsidiaries.

Section 10.02. Remedies.

(a) Upon the occurrence of any Event of Default, then, and in every such event (other than an Event of Default described in Section 10.01(i), (j) or (k)), and at any time thereafter during the continuance of such event, the Majority Lenders may, by notice to Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations, shall become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

(b) Upon the occurrence of any Event of Default described in Section 10.01(i), (j) or (k), the Commitments shall automatically terminate and the principal amount of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations, shall automatically become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

(c) If any Lender collects any money or property pursuant to this Article 10, they shall pay out the money or property in the order set forth in Section 4.01(b)(ii).

Section 10.03. Prepayment Premium and Redemption Price. For the avoidance of doubt, the Prepayment Premium (as a component of the Redemption Price) shall be due and payable at any time the Loans become due and payable prior to the Stated Maturity Date for any reason, whether due to acceleration pursuant to the terms of this Agreement (in which case it shall be due immediately, upon the giving of notice to Borrower in accordance with Section 10.02(a), or automatically, in accordance with Section 10.02(b)), by operation of law or otherwise (including, without limitation, on account of any bankruptcy filing). In view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the

Lenders or profits lost by the Lenders as a result of such acceleration, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Lenders, the Prepayment Premium shall be due and payable upon such date. Each Obligor hereby waives any defense to payment, whether such defense may be based in public policy, ambiguity, or otherwise. The Obligors and the Lenders acknowledge and agree that any Prepayment Premium due and payable in accordance with this Agreement shall not constitute unmatured interest, whether under Section 5.02(b)(3) of the Bankruptcy Code or otherwise. Each Obligor further acknowledges and agrees, and waives any argument to the contrary, that payment of such amount does not constitute a penalty or an otherwise unenforceable or invalid obligation.

ARTICLE 11.

GUARANTEE

Section 11.01. The Guarantee. The Guarantors hereby jointly and severally guarantee to each Lender, and its successors and assigns, the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans, all fees and other amounts and Obligations from time to time owing to any Lender by Borrower under this Agreement or under any other Loan Document and by any other Obligor under any of the Loan Documents, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the *"Guaranteed Obligations"*). The Guarantors hereby further jointly and severally agree that if Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 11.02. Obligations Unconditional. The obligations of the Guarantors under Section 11.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of Borrower under this Agreement or any other agreement or instrument referred to herein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or Guarantor, it being the intent of this Section 11.02 that the obligations of the Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(d) any lien or security interest granted to, or in favor of, any Lender as security for any of the Guaranteed Obligations shall fail to be perfected.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Lender exhaust any right, power or remedy or proceed against Borrower under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

Section 11.03. Reinstatement. The obligations of the Guarantors under this Section 11 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantors jointly and severally agree that they will indemnify each Lender on demand for all reasonable costs and expenses (including fees of counsel) incurred by such Persons in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

Section 11.04. Subrogation. The Guarantors hereby jointly and severally agree that, until the payment and satisfaction in full of all Guaranteed Obligations (other than Warrant Obligations) and the expiration and termination of the Commitments, they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in Section 11.01, whether by subrogation or otherwise, against Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

Section 11.05. Remedies. The Guarantors jointly and severally agree that, as between the Guarantors, on one hand, and the Lenders, on the other hand, the obligations of Borrower under this Agreement and under the other Loan Documents may be declared to be forthwith due and payable as provided in Section 10 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 10) for purposes of Section 11.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 11.01.

Section 11.06. Instrument for the Payment of Money. Each Guarantor hereby acknowledges that the guarantee in this Section 11 constitutes an instrument for the payment of money, and consents and agrees that each Lender, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to proceed by motion for summary judgment in lieu of complaint pursuant to N.Y. Civ. Prac. L&R § 3213.

Section 11.07. Continuing Guarantee. The guarantee in this Section 11 is a continuing guarantee, and shall apply to all Guaranteed Obligations (other than Warrant Obligations) whenever arising.

Section 11.08. Rights of Contribution. The Guarantors hereby agree, as between themselves, that if any Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, each other Guarantor shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section 11.08 shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor under the other provisions of this Section 11 and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section 11.08, (i) *"Excess Funding Guarantor"* means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) *"Excess Payment"* means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) *"Pro Rata Share"* means, for any Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Guarantor (excluding any shares of stock of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of Borrower and the Guarantors hereunder and under the other Loan Documents) of all of the Guarantors, determined (A) with respect to any Guarantor that is a party hereto on the Closing Date, as of such date, and (B) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

Section 11.09. General Limitation on Guarantee Obligations. In any action or proceeding involving any provincial, territorial or state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 11.01 would otherwise, taking into account

the provisions of Section 11.08, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 11.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, the Lenders or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

ARTICLE 12.

ADDITIONAL AGREEMENTS

Section 12.01. Board Observer Rights. Upon the occurrence of an Event of Default and at all times thereafter until the Obligations (other than the Warrant Obligations and contingent indemnification obligations for which no claim has been made) have been paid in full in cash, Borrower and its Subsidiaries shall permit one individual selected by the Lenders to represent all of the Lenders (the *"Observer"*) to attend and observe (but not vote) at all meetings of Borrower's (or any Subsidiary's, as applicable) board of directors or similar governing body (the *"Board"*) or any committee thereof (each a *"Committee"*), whether in person, by telephone or otherwise as requested by the Observer. Borrower and such Subsidiaries shall notify the Observer in writing at the same time as furnished to members of the applicable Board or Committee of (i) the date and time for each general or special meeting of any such Board or Committee and (ii) the adoption of any resolutions or actions by any such Board or any such Committee by written consent (describing, in reasonable detail, the nature and substance of such action). Borrower and each of its Subsidiaries shall concurrently deliver to the Observer all notices and any materials delivered to the official members of such Board or Committee in connection with a meeting or action to be taken by written consent, including a draft of any material resolutions or actions proposed to be adopted by written consent. The Observer shall be free prior to such meeting or adoption by written consent to contact members of any applicable Board or Committee and discuss the pending actions to be taken. Notwithstanding the foregoing, the Observer shall not be entitled to receive materials relating to, or be in attendance for any discussions relating to topics which (x) are subject to attorney client privilege, or (y) present a conflict of interest for the Observer. With respect to the Observer's attendance at any such board meeting, or obtaining any materials of such meetings, the Observer shall execute a confidentiality agreement, in form and substance reasonably satisfactory to Borrower, and agree to be bound by the same duties of confidentiality as if the Observer were a member of the Board or Committee of Borrower or the applicable Guarantor.

ARTICLE 13.

MISCELLANEOUS

Section 13.01. No Waiver. No failure on the part of the Lenders to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any

right, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 13.02. Notices. All notices, requests, instructions, directions and other communications provided for herein (including any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing (including by telecopy or electronic mail) delivered, if to Borrower, another Obligor or the Lenders, to its address specified on the signature pages hereto or its Guarantee Assumption Agreement, as the case may be, or at such other address as shall be designated by such party in a notice to the other parties. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given upon receipt of a legible copy thereof, in each case given or addressed as aforesaid. All such communications provided for herein by telecopy or electronic mail shall be confirmed in writing promptly after the delivery of such communication (it being understood that non-receipt of written confirmation of such communication shall not invalidate such communication).

Section 13.03. Expenses, Indemnification, Etc.

(a) *Expenses.* Borrower agrees to pay or reimburse (i) the Lenders for all of their reasonable and documented out of pocket costs and expenses (including the reasonable fees and expenses of Chapman and Cutler LLP and Miller Thomson LLP, special counsel to the Lenders, and any sales, goods and services or other similar Taxes applicable thereto, and printing, reproduction, document delivery, communication and travel costs) in connection with (x) the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the making of the Loans (exclusive of post-closing costs), (y) post-closing costs and (z) the negotiation or preparation of any modification, supplement or waiver of any of the terms of this Agreement or any of the other Loan Documents (whether or not consummated) and (ii) the Lenders for all of their documented out of pocket costs and expenses (including the fees and expenses of legal counsel) in connection with any enforcement or collection proceedings resulting from the occurrence of an Event of Default; *provided, however,* that, so long as the first Borrowing is made, then such fees shall be credited from the fees paid by Borrower pursuant to the Proposal Letter.

(b) *Indemnification.* Borrower hereby indemnifies the Lenders, their Affiliates, and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties (each, an *"Indemnified Party"*) from and against, and agrees to hold them harmless against, any and all Claims and Losses of any kind (including reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with or relating to this Agreement or any of the other Loan Documents or the transactions contemplated hereby or thereby or any use made or proposed to be made with the proceeds of the Loans, whether or not such investigation, litigation or proceeding is brought by Borrower, any of its shareholders or creditors, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto,

and whether or not any of the conditions precedent set forth in Section 6 are satisfied or the other transactions contemplated by this Agreement are consummated, except to the extent such Claim or Loss is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. No Obligor shall assert any claim against any Indemnified Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans. Borrower, Borrower's Subsidiaries and all Affiliates of the foregoing and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties are each sometimes referred to in this Agreement as a *"Borrower Party."* No Lender shall assert any claim against any Borrower Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans. This Section shall not apply to Taxes other than Taxes relating to a non-Tax Claim or Loss governed by this Section 13.03(b).

Section 13.04. Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement or any other Loan Document (except for the Warrant Certificates, which may be amended, modified, waived or supplemented in accordance with the terms of thereof) may be amended, modified, waived or supplemented only by an instrument in writing signed by Borrower and the Majority Lenders; *provided* that any such amendment, modification, waiver or supplement that is disproportionally adverse to any Lender as compared to the other Lenders or subjects any Lender to any additional obligation, shall not be effective without the consent of such affected Lender; *provided, further,* that the consent of all the Lenders shall be required to:

(a) amend, modify, discharge, terminate or waive any of the terms of this Agreement if such amendment, modification, discharge, termination or waiver would increase the amount of the Loans, reduce the fees payable hereunder, reduce interest rates or other amounts payable with respect to the Loans, extend any date fixed for payment of principal, interest or other amounts payable relating to the Loans or extend the repayment dates of the Loans;

(b) increase or extend the term of the Commitments;

(c) amend the provisions of Section 6;

(d) amend, modify, discharge, terminate or waive any Security Document if the effect is to release a material part of the Collateral subject thereto otherwise than pursuant to the terms hereof or thereof;

(e) release any Guarantor under this Agreement; or

(f) amend the definition of "Majority Lender" or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision of this Section 13.04.

Section 13.05. Successors and Assigns.

(a) *General.* This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no Obligor may assign or transfer its rights or obligations hereunder or under any other Loan Document to which it is a party without the consent of the Lenders. So long as no Event of Default has occurred and is continuing, no Lender may assign, in whole or in part, its rights or obligations hereunder to any direct competitor of Borrower.

(b) *Amendments to Loan Documents; Majority Lender Vote.* Each of the Lenders and the Obligors agrees to enter into such amendments to the Loan Documents, and such additional Security Documents and other instruments and agreements, in each case in form and substance reasonably acceptable to the Lenders and the Obligors, as shall reasonably be necessary to implement and give effect to any assignment made by any Lender (or any direct or indirect assignee thereof) from time to time under this Section 13.05.

(c) *Register.* In the event of any assignment pursuant to this Section 13.05, each Lender, acting solely for this purpose as an agent of Borrower, shall maintain at one of its offices a register for the recordation of the name and address of any assignee of any Lender and the Commitment and outstanding principal amount (and stated interest) of the Loans owing thereto (the "*Register*"). The entries in the Register shall be conclusive, absent manifest error, and Borrower shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as the "Lender" hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower, at any reasonable time and from time to time upon reasonable prior notice. Notwithstanding anything herein to the contrary, any assignment of the Loans shall be effective only upon appropriate entries with respect thereto being made in the Register.

(d) *Participations and Other Exposure Transfers.* Any of Lenders may at any time, without the consent of, or notice to, Borrower, sell participations or to otherwise transfer its Loan Exposure to any Person (other than a natural person or Borrower or any of Borrower's Affiliates or Subsidiaries) (each, a "*Participant*") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Borrower shall continue to deal solely and directly with Lenders in connection therewith.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the

consent of the Participant, agree to any amendment, modification or waiver that would (i) increase or extend the term of such Lender's Commitment, (ii) extend the date fixed for the payment of principal of or interest on the Loans or any portion of any fee hereunder payable to the Participant, (iii) reduce the amount of any such payment of principal, or (iv) reduce the rate at which interest is payable thereon to a level below the rate at which the Participant is entitled to receive such interest. Borrower agrees that each Participant shall be entitled to the benefits of Section 5.03 (subject to the requirements and limitations therein, including the requirements under Section 5.03(e) (it being understood that the documentation required under Section 5.03(e) shall be delivered to Borrower and the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.05(a), *provided* that such Participant (A) agrees to be subject to the provisions of Section 5.03(g) as if it were an assignee under Section 13.05(a); and (B) shall not be entitled to receive any greater payment under Section 5.03, with respect to any participation, than its participating Lender would have been entitled to receive, unless the sale of the participation to such Participant is made with Borrower's prior written consent. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 4.04(a) as though it were a Lender.

(f) *Limitations on Rights of Participants.* A Participant shall not be entitled to receive any greater payment under Section 5.01 or 5.03 than a Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrower's prior written consent.

(g) *Certain Pledges.* Subject to Section 13.05(d), the Lenders may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement and any other Loan Document to secure obligations of the Lenders, including any pledge or assignment to secure obligations to a Federal Reserve Bank or another central bank; *provided* that no such pledge or assignment shall release the Lenders from any of their obligations hereunder or substitute any such pledgee or assignee for the Lenders as a party hereto.

Section 13.06. Survival. The obligations of Borrower under Sections 5.01, 5.02, 5.03, 13.03, 13.05, 13.09, 13.10, 13.11, 13.12, 13.13, 13.14 and Section 11 (solely to the extent guaranteeing any of the obligations under the foregoing Sections) shall survive the repayment of the Obligations and the termination of the Commitment and, in the case of any Lender's assignment of any interest in the Commitment or the Loans hereunder, shall survive, in the case of any event or circumstance that occurred prior to the effective date of such assignment, the making of such assignment, notwithstanding that such Lenders may cease to be a "Lender" hereunder. In addition, each representation and warranty made, or deemed to be made by a notice of the Loans, herein or pursuant hereto shall survive the making of such representation and warranty.

Section 13.07. Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 13.08. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 13.09. Governing Law. This Agreement and the other Loan Documents, the rights and obligations of the parties hereunder and thereunder, and all claims, disputes and matters arising hereunder or thereunder or related hereto or thereto, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed entirely within that state, without reference to conflicts of laws provisions.

Section 13.10. Jurisdiction, Service of Process and Venue.

(a) *Submission to Jurisdiction.* Each Obligor agrees that any suit, action or proceeding with respect to this Agreement or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought in the Supreme Court of the State of New York sitting in New York County or in the United States District Court for the Southern District of New York and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment.

(b) *Alternative Process.* Nothing herein shall in any way be deemed to limit the ability of the Lenders to serve any such process or summonses in any other manner permitted by applicable law.

(c) *Waiver of Venue, Etc.* Each Obligor irrevocably waives to the fullest extent permitted by law any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document and hereby further irrevocably waives to the fullest extent permitted by law any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. A final judgment (in respect of which time for all appeals has elapsed) in any such suit, action or proceeding shall be conclusive and may be enforced in any court to the jurisdiction of which such Obligor is or may be subject, by suit upon judgment.

Section 13.11. Waiver of Jury Trial. Each Obligor and each Lender hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any suit, action or proceeding arising out of or relating to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby.

Section 13.12. Waiver of Immunity. To the extent that any Obligor may be or become entitled to claim for itself or its Property or revenues any immunity on the ground of sovereignty or the like from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment or execution of a judgment, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), such Obligor hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity with respect to its obligations under this Agreement and the other Loan Documents.

Section 13.13. Entire Agreement. This Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Each Obligor acknowledges, represents and warrants that in deciding to enter into this Agreement and the other Loan Documents or in taking or not taking any action hereunder or thereunder, it has not relied, and will not rely, on any statement, representation, warranty, covenant, Agreement or understanding, whether written or oral, of or with the Lenders other than those expressly set forth in this Agreement and the other Loan Documents.

Section 13.14. Severability. If any provision hereof is found by a court to be invalid or unenforceable, to the fullest extent permitted by applicable law the parties agree that such invalidity or unenforceability shall not impair the validity or enforceability of any other provision hereof.

Section 13.15. No Fiduciary Relationship. Borrower acknowledges that the Lenders have no fiduciary relationship with, or fiduciary duty to, Borrower arising out of or in connection with this Agreement or the other Loan Documents, and the relationship between the Lenders and Borrower is solely that of creditor and debtor. This Agreement and the other Loan Documents do not create a joint venture among the parties.

Section 13.16. USA PATRIOT Act. The Lenders hereby notify Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the *"Act"*), they are required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Act.

Section 13.17. Conversion of Currencies. If, for the purpose of obtaining a judgment in any court, it is necessary to convert a sum owing hereunder or under any other Loan Document in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be the Exchange Rate on the Business Day immediately preceding the day on which final judgment is given. The obligations of each Obligor in respect of any sum due to any party hereto or any holder of any Obligation owing hereunder or any other Loan Document (such party or holder being the *"Applicable Creditor"*) shall, notwithstanding any judgment in a currency (the *"Judgment Currency"*) other than the currency in which such sum is stated to be due hereunder (the *"Agreement Currency"*), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in New York, NY purchase the Agreement Currency with the Judgment Currency; *provided* that, if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the applicable Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of each Obligor under this Section shall survive the termination of this Agreement, the other Loan Documents and the payment of all other amounts owing hereunder or thereunder, as applicable.

Section 13.18. Treatment of Certain Information; Confidentiality. The Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed to (a) its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives (collectively, "*Representatives*") (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as FINRA or the National Association of Insurance Commissioners) or any exchange, (c) to the extent required by the applicable Laws or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those in this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrower or any Guarantor and its obligation, (g) with the consent of Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Lender, or any of its respective Representatives on a nonconfidential basis from a source other than Borrower. For purposes of this Section, "*Information*" means all information received from Borrower or its Subsidiary relating to Borrower or its Subsidiary or any of their respective businesses, except that the term "Information" shall not include, and the Lenders shall not be subject to any confidentiality obligation with respect to any information that (i) is or becomes available to the Lender or any of its Representatives on a nonconfidential basis prior to disclosure by Borrower or its Subsidiary, (ii) becomes available to a Lender or any of its Representatives after disclosure by Borrower from a source that, to the knowledge of such Lender, is not subject to a confidentiality obligation to Borrower (iii) is or becomes publicly available other than as a result of a breach by such Lender, or (iv) is developed by a Lender or any of its Representatives. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

In the case of any Lender that has elected to receive material non-public information pursuant to Section 8.01, such Lender acknowledges that (a) the Information may include material non-public information concerning Borrower or its Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States federal and state securities Laws.

Section 13.19. Releases of Guarantees and Liens.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, each Lender agrees, and the Control Agent is hereby irrevocably authorized by each Lender and given a limited power of attorney by each lender to perform the actions

described hereafter in this Section 13.19 (without requirement of notice to or consent of any Lender except as expressly required by Section 13.04) to take any action reasonably requested by Borrower having the effect of releasing any Collateral or Obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to by the Lenders or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans and the other Obligations (other than the inchoate indemnity obligations) under the Loan Documents shall have been indefeasibly paid in full and the Commitments have been terminated, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Control Agent and each Obligor under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

BORROWER:

ZYMEWORKS INC.

By: /s/ Neil Klompas
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By: /s/ Ali Tehrani
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Address for Notices:
Zymeworks Inc.
1385 West 8th Avenue, Suite 540
Vancouver, BC, Canada V6H3V9
Attn: Neil Klompas
Tel.: 604-678-1388 ext. 122
Email: nklompas@zymeworks.com

SUBSIDIARY GUARANTORS:

ZYMEWORKS BIOPHARMACEUTICALS INC.

By: /s/ Neil Klompas
Name: Neil Klompas, CPA, CA
Title: Secretary and Vice President of Finance

By: /s/ Ali Tehrani
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Address for Notices:
Zymeworks Biopharmaceuticals Inc.
18 W. Mercer Street, Suite 370
Seattle, WA 98119
Attn: Neil Klompas
Tel.: 604-678-1388 ext. 122
Email: nklompas@zymeworks.com

ZYMEWORKS BIOCHEMISTRY INC.

By: /s/ Neil Klompas
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By: /s/ Ali Tehrani
Name: Dr. Ali Tehrani, PhD
Title: President

Address for Notices:
Zymeworks Biochemistry Inc.
Pharmaceutical Sciences Building
2405 Wesbrook Mall, Fourth Floor
Vancouver, BC, V6T 1Z3
Attn: Neil Klompas
Tel.: 604-678-1388 ext. 122
Email: nklompas@zymeworks.com

LENDERS:

PERCEPTIVE CREDIT OPPORTUNITIES FUNDS, L.P.
by PERCEPTIVE CREDIT OPPORTUNITIES GP, LLC, its general partner

By /s/ Sandeep Dixit

By /s/ James Mannix

Address for Notices:

Perceptive Credit Opportunities Fund, L.P.
c/o Perceptive Advisors LLC
51 Astor Place
10th Floor
New York, New York 10003
Attention: Sandeep Dixit
E-mail: Sandeep@perceptivelife.com

with a copy to:

Chapman and Cutler LLP
1270 Avenue of the Americas
30th Floor
New York, New York 10020-1708
Attention: Nicholas Whitney
E-mail: Whitney@chapman.com

PCOF PHOENIX II FUND, LP

By /s/ Sandeep Dixit

By /s/ James Mannix

Address for Notices:

Perceptive Credit Opportunities Fund, L.P.
c/o Perceptive Advisors LLC
51 Astor Place
10th Floor
New York, New York 10003
Attention: Sandeep Dixit
E-mail: Sandeep@perceptivelife.com

with a copy to:

Chapman and Cutler LLP
1270 Avenue of the Americas
30th Floor
New York, New York 10020-1708
Attention: Nicholas Whitney
E-mail: Whitney@chapman.com

SCHEDULE 1
TO
CREDIT AGREEMENT

TRANCHE A TERM LOAN COMMITMENTS

LENDER	COMMITMENT
PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P.	$ 5,558,433
PCOF PHOENIX II FUND, L.P.	$ 1,941,567
TOTAL	$ 7,500,000

TRANCHE B TERM LOAN COMMITMENTS

LENDER	COMMITMENT
PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P.	[TBD]
PCOF PHOENIX II FUND, L.P.	[TBD]
TOTAL	$ 7,500,000

WARRANT SHARES

LENDER	NUMBER OF WARRANT SHARES
Perceptive Credit Opportunities Fund, L.P.	704,000
TOTAL	704,000

SCHEDULE 6.02(A)
TO
CREDIT AGREEMENT

Platform Technology Transfer and License Agreement between GlaxoSmithKline Intellectual Property Development Limited and Borrower, effective April 21, 2016.

SCHEDULE 7.05(b)
TO
CREDIT AGREEMENT

MATERIAL INTELLECTUAL PROPERTY

Patent families ZYME002-AZYMETRIC, ZYME013-T350, ZYME017-BIP HER2 and ZYME039-BIP HER2 MMT in the Zymeworks Patent List below cover the ZW25 and/or ZW33 products.

OBLIGOR INTELLECTUAL PROPERTY

7.05(b)(i) With the following exceptions in the Zymeworks Patent List below, the Borrower is the owner of all of the Obligor Intellectual Property listed: patent families ZYME012-LCCA and ZYME025-OAA-trojan listed below are co-owned by the Borrower and the National Research Council Canada; patent families KAIR005-VAR2CSA DC and KAIR006-VAR ANTIBODIES are co-owned by the Borrower and VAR2 Pharmaceuticals ApS.)

7.05(b)(vi) The Borrower received a letter dated July 31st, 2014 from LFB Biotechnologies ("**LFB**") offering to license a group of patents US 7,931,895; US 8,357,370; US 8,409,572 and US 8,685,725 relating to afucosylated antibodies. The Borrower has a sublicense to these patents under the Cell Line Development Services and License Agreement between ProBioGen Ag and Borrower, effective as of July 6, 2015. The Borrower is not currently using the patented technology in any development program, including ZW25 and ZW33.

Zymeworks Domain List

Zymeworks.ca

Zymeworks.com

Zymeworks Inc. Trademark List

As at May 26, 2016

Country	Filing Date (dd/mm/yyyy)	Priority Date (dd/mm/yyyy)	IP Right Status
	Brand: ZYMECAD		
CA	02/03/2005	—	In Force
	Brand: ZYMEWORKS		
CA	29/04/2009	—	In Force
CH	25/11/2013	24/09/2009	Pending
CN	03/12/2013	24/09/2009	In Force
DE	26/11/2013	24/09/2009	In Force
EP	25/11/2013	24/09/2009	In Force

Country	Filing Date (dd/mm/yyyy)	Priority Date (dd/mm/yyyy)	IP Right Status
GB	28/11/2013	24/09/2009	In Force
IN	03/12/2013	24/09/2009	Pending
JP	04/12/2013	24/09/2009	In Force
US	08/10/2009	—	In Force
Brand: BUILDING BETTER BIOLOGICS			
CA	01/05/2009	—	In Force
Brand: RESIDUENETWORKS			
CA	29/04/2009	—	In Force
Brand: AZYMAB			
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
Brand: AZYMETRIC			
CA	12/06/2013	—	Pending
CH	22/11/2013	12/06/2013	In Force
CN-C42	09/12/2013	12/06/2013	In Force
CN-C44	09/12/2013	12/06/2013	In Force
CN-C45	09/12/2013	12/06/2013	In Force
CN-C5	09/12/2013	12/06/2013	In Force
DE	26/11/2013	12/06/2013	In Force
EP	22/11/2013	12/06/2013	In Force
GB	28/11/2013	12/06/2013	In Force
IN	05/12/2013	12/06/2013	In Force
JP	10/12/2013	12/06/2013	In Force
US	12/07/2013	12/06/2013	Pending
Brand: ALBUCORE			
CA	11/06/2013	—	Pending
US	21/07/2013	11/06/2013	Pending
Brand: EFECT			
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
Brand: ZYMEPACK			
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
Brand: ZYMEFLOW			
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
Brand: ZYMEPY			
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending

Country	Filing Date (dd/mm/yyyy)	Priority Date (dd/mm/yyyy)	IP Right Status
	Brand: ZYMEVIEW		
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
	Brand: ZYMEVAULT		
CA	11/06/2013	—	Pending
US	12/07/2013	11/06/2013	Pending
	Brand: A CATALYST IN DESIGN		
CA	02/03/2005	—	In Force

Zymeworks Inc. Patent List

Platform Patent Portfolio

As at May 26, 2016

	Application Stage	Filing Date (DD/MM/YYYY)	Priority Application No. (DD/MM/YYYY)	Country	Application/ Patent Number	IP Right Status
Invention ID: ZYME001-FCGR3X						
Title: Antibodies with enhanced or suppressed effector function						
PCT/CA2011/00321	National	28/03/2011	29/03/2010 (61/318,583)	AU	2011235569	Pending
(WO 2011/120134)			06/01/2011 (61/436,584)	BR	1120120244892	Pending
				CA	2794708	Pending
				CN	2011800266654	Pending
				EP	11761857	Pending
				HK	13103660.8	Pending
				IN	9182/DELNP/2012	Pending
				JP	2013501570	Pending
				MX	MX/a/2012/011256	Pending
				RU	2012145183	Pending
				US	20130089541	In Force
				US	15/046,379	Pending

Invention ID: ZYME002-AZYMETRIC
Title: STABLE HETERODIMERIC ANTIBODY DESIGN WITH MUTATIONS IN THE FC DOMAIN

PCT/CA2011/001238	National	04/11/2011	05/11/2010 (61/410,746)	AU	2011325833	Pending
(WO 2012/058768)			21/12/2010 (61/426,375)	BR	1120130118113	Pending
			03/02/2011 (61/439,341)	CA	2815266	Pending
			14/04/2011 (61/475,614)	CN	201180064119.X	Pending
			31/05/2011 (61/491,846)	EP	11837370.3	Pending
			16/06/2011 (61/497,861)	HK	13113463.6	Pending
				IN	4953/DELNP/2013	Pending
				JP	2013536966	Pending
				KR	10-2013-7014071	Pending
				MX	MX/a/2013/004997	Pending
				RU	2013124423	Pending
				US	13/289,934	Pending

Invention ID: ZYME003-FCGR2X
Title: ANTIBODIES WITH ENHANCED OR SUPPRESSED EFFECTOR FUNCTION (FCGR2X)

PCT/CA2011/00322	National	28/03/2011	29/03/2010 (61/318,583)	CA	2794745	Pending
(WO 2011/120135)			26/01/2011 (61/436,584)	US	13/638,558	Pending

Invention ID: ZYME004-ALBUCORE1
Title: MULTIVALENT HETEROMULTIMER SCAFFOLD DESIGN AND CONSTRUCTS

PCT/CA2012/050131	National	02/03/2012	03/03/2011 (61/449,016)	AU	2012222833	Pending
(WO 2012/116453)				CA	2828811	Pending
				CN	201280021368.5	Pending
				EP	12751893.4	Pending
				IN	7823/DELNP/2013	Pending
				JP	2013555717	Pending
				US	13/411,353	Pending

Invention ID: ZYME005-CAMELID
Title: HETEROMULTIMER CONSTRUCTS OF IMMUNOGLOBULIN HEAVY CHAINS WITH MUTATIONS IN THE FC DOMAIN

PCT/CA2013/00471	National	10/05/2013	10/05/2012 (61/645,555)	AU	2013258834	Pending
(WO 2013/166594)				CA	2872540	Pending
				EP	13788302.1	Pending
				JP	2015510588	Pending
				US	13/892,198	Pending
				US	14/989,648	Pending

Invention ID: ZYME006-COEXPRESS
Title: METHODS OF PRODUCING ASYMMETRIC ANTIBODIES IN A STABLE MAMMALIAN CELL LINE

	National	25/06/2013	25/06/2012 (61/664,102)	US	13/927,065	Pending

Invention ID: ZYME008-LCINSERT
Title: IMMUNOGLOBULIN CONSTRUCTS COMPRISING SELECTIVE PAIRING OF LIGHT AND HEAVY CHAINS

PCT/US2013/051747	National	23/07/2013	23/07/2012 (61/674,820)	AU	2013293092	Pending
(WO 2014/018572)			23/07/2013 (61/857,652)	CA	2878587	Pending
				CN	201380036538.1	Pending
				EP	13822129.6	Pending
				IN	1299/DELNP/2015	Pending
				JP	2015524403	Pending
				US	13/949,166	Pending

Invention ID: ZYME009-ALBUCORE2
Title: MULTIVALENT HETEROMULTIMER SCAFFOLD DESIGN AND CONSTRUCTS

PCT/US2013/050408	National	12/07/2013	13/07/2012 (61/671,640)	AU	2013289881	Pending
(WO 2014/012082)			05/09/2012 (61/697,245)	CA	2878640	Pending
			30/01/2013 (61/758,701)	CN	201380036536.2	Pending
			12/07/2013 (61/845,945)	EP	13816831.5	Pending
				IN	1115/DELNP/2015	Pending
				JP	2015521875	Pending
	National	13/07/2013	13/07/2012 (61/671,640)	US	13/941,450	Pending
			05/09/2012 (61/697,245)	US	15/001,078	Pending
			30/01/2013 (61/758,701)			
			12/07/2013 (61/845,945)			

Invention ID: ZYME010-EFECTKOASYM
Title: HETEROMULTIMERS WITH REDUCED OR SILENCED EFFECTOR FUNCTION

PCT/CA2014/050507	National	30/05/2014	13/05/2013 (61/829,973)	AU	2014273817	Pending
(WO 2014/190441)				BR	1120150297854	Pending
				CA	2913370	Pending
				CN	201480039387.X	Pending
				EP	14803370.7	Pending
				IN	Not yet available	Pending
				JP	2016515582	Pending
				KR	10-2015-7036704	Pending
				RU	2015152084	Pending
				US	14/893,503	Pending

Invention ID: ZYME011-HETFAB
Title: ENGINEERED IMMUNOGLOBULIN HEAVY CHAIN-LIGHT CHAIN PAIRS AND USES THEREOF

PCT/CA2013/050914	National	28/11/2013	28/11/2012 (61/730,906)	AU	2013341888	Pending
(WO 2014/082179)			06/02/2013 (61/761,641)	BR	1120150123856	Pending
			02/05/2013 (61/818,874)	CA	2893562	Pending
			23/08/2013 (61/869,200)	CN	2013800620065	Pending
				EP	13858496.6	Pending
				HK	161032235	Pending
				HK	Not yet available	Pending
				IN	3768/CHENP/2015	Pending
				JP	2015544282	Pending
				KR	10-2015-7017124	Pending
				MX	MX/a/2015/006758	Pending
				RU	2015125486	Pending
				US	14/648,222	Pending
	National	27/11/2013	28/11/2012 (61/730,906)	US	14/092,804	Pending
			06/02/2013 (61/761,641)			

Invention ID: ZYME012-LCCA
Title: METHOD OF DETERMINING ANTIBODY HETERODIMER FORMATION

PCT/US2013/063306	National	03/10/2013	03/10/2012 (61/744,911)	AU	2013326974	Pending
(WO 2014/055784)				CA	2886422	Pending
				CN	2013800630813	Pending
				EP	13843363.3	Pending
				JP	2015535788	Pending
				US	14/432,153	Pending

Invention ID: ZYME013-T350
Title: STABLE HETERODIMERIC ANTIBODY DESIGN WITH MUTATIONS IN THE Fc DOMAIN

PCT/CA2012/050780	National	02/11/2012	04/11/2011 (61/556,090)	AU	2012332021	Pending
(WO 2013/063702)			08/11/2011 (61/557,262)	BR	1120140105804	Pending
			10/05/2013 (61/645,547)	CA	2854233	Pending
				CN	201280057691.8	Pending
				EP	12845801.5	Pending
				HK	15100717.5	Pending
				IN	4385/DELNP/2014	Pending
				JP	2014539198	Pending
				KR	10-2014-7014531	Pending
				MX	MX/a/2014/005348	Pending
				RU	2014121832	Pending
				US	13/668,098	Pending

Invention ID: ZYME023-HET FAB II
Title: MODIFIED ANTIGEN BINDING POLYPEPTIDE CONSTRUCTS AND USES THEREOF

	PCT	29/05/2015	28/05/2014 (62/003,663) 28/04/2015 (62/154,055)	WO	PCT/IB2015/0541047 (WO 2015/181805)	Pending

Invention ID: ZYME038 HET FAB K-L
Title: ANTIGEN-BINDING POLYPEPTIDE CONSTRUCTS SOMPRISING KAPPA AND LAMBDA CHAINS AND USES THEREOF

	Provisional	08/10/2015	—	US	62/239,206	Pending
	Provisional	01/12/2015	—	US	62/261,769	Pending

Invention ID: 5012-Het Fc Xtal
Title: CRYSTAL STRUCTURES OF HETERODIMERIC FC DOMAINS

PCT/CA2013/050832 (WO 2014/067011)	National	31/10/2013	02/11/2012 (13/668,098) 17/04/2013 (61/813,084)	AU	2013337578	Pending
				CA	2889951	Pending
				EP	13851307.2	Pending
				US	14/439,532	Pending

Invention ID: 5014-PDCSCAF
Title: MODULAR PROTEIN DRUG CONJUGATE THERAPEUTIC

PCT/CA2014/050486 (WO 2014/186905)	National	23/05/2014	24/05/2013 (61/824,463)	CA	2913363	Pending
				US	14/893,706	Pending

Invention ID: KAIR007 Extended LC-ADC
Title: ANTIBODIES COMPRISING C-TERMINAL LIGHT CHAIN PLOYPEPTIDE EXTENSIONS AND CONJUGATES AND METHODS OF USE THEREOF

	PCT	23/12/2014	23/12/2013 (61/920,425)	WO	PCT/CA2014/051263 (WO 2015/095972)	Pending

Therapeutics Patent Portfolio

As at May 26, 2016

	Application Stage	Filing Date (DD/MM/YYYY)	Priority Application No. (DD/MM/YYYY)	Country	Application Number	IP Right Status
Invention ID: ZYME007-AZYMCD3						
Title: BISPECIFIC ASYMMETRIC HETERODIMERS COMPRISING ANTI-CD3 CONSTRUCTS						
PCT/US2013/050411	National	13/07/2013	13/07/2012 (61/671,640)	AU	2013289883	Pending
(WO 2014/012085)			12/07/2013 (61/845,948)	BR	1120150007988	Pending
				CA	2878843	Pending
				CN	2013200373693	Pending
				EP	13816697	Pending
				HK	15108247.7	Pending
				IN	808/CHENP/2015	Pending
				JP	2015521877	Pending
				KR	10-2015-7003872	Pending
				RU	2015102193	Pending
				US	13/941,449	Pending
Invention ID: ZYME014-OAAHER2						
Title: SINGLE-ARM MONOVALENT ANTIBODY CONSTRUCTS AND USES THEREOF						
PCT/CA2013/050358	National	08/05/2013	10/05/2012 (61/645,547)	AU	2013258844	Pending
(WO 2013/166604)			13/07/2012 (61/671,640)	BR	120140281068	Pending
			02/11/2012 (61/722,070)	CA	2873720	Pending
			08/02/2013 61/762,812)	CN	2013800367692	Pending
				EP	13788508.3	Pending
				IN	8772/CHENP/2014	Pending
				JP	2015510590	Pending
				KR	10-2014-7034415	Pending
				RU	2014148704	Pending
				US	14/399,789	Pending
Invention ID: ZYME015-BSPOA						
Title: BISPECIFIC ANTIBODY CONSTRUCTS WITH SUPERIOR EFFICACY AND USES THEREOF						
PCT/US2014/037401	National	08/05/2014	08/05/2013 (61/821,197)	AU	2014262566	Pending
(WO 2014/182970)				CA	2910945	Pending
				EP	14794897.0	Pending
				JP	2016513093	Pending
				US	14/888,580	Pending

Invention ID: ZYME017-BIP HER2
Title: BISPECIFIC ANTIGEN BINDING CONSTRUCTS TARGETING HER2

	PCT	27/11/2014	27/11/2013 (61/910,026) 20/05/2014 (62/000,908) 06/06/2014 (62/009,125)	WO	PCT/CA2014/051140 (WO 2015/077891)	Pending

Invention ID: ZYME018 OA-EGFR
Title: MONOVALENT ANTIGEN BINDING CONSTRUCTS TARGETING EGFR AND/OR HER2 AND USES THEREOF

	PCT	13/11/2014	13/11/2013 (61/903,825)	WO	PCT/2014/065546 (WO 2015/073721)	Pending

Invention ID: ZYME020 OAA COMBO
Title: METHODS USING MONOVALENT ANTIGEN BINDING CONSTRUCTS TARGETING HER2

	PCT	13/11/2014	13/11/2013 (61/903,839)	WO	PCT/US2014/066571 (WO 2015/073743)	Pending

Invention ID: ZYME021 CD3-HYBRID
Title: BISPECIFIC CD3 AND CD19 ANTIGEN BINDING CONSTRUCTS

PCT/US2014/046436 (WO 2015/006749)	National	11/07/2014	12/07/2013 (61/845,948) 15/01/2014 (61/927,877) 11/04/2014 (61/978,719)	AU	2014287011	Pending
				BR	1120160006666	Pending
				CA	2917886	Pending
				CN	201480044366.7	Pending
				EP	14822418.1	Pending
				IN	Not yet available	Pending
				JP	Not yet available	Pending
				KR	10-2016-7003567	Pending
				MX	MX/a/2016/000272	Pending
				RU	2016104130	Pending
				US	14/903,184	Pending

Invention ID: ZYME025 OASA Trojan
Title: ANTIGEN-BINDING CONSTRUCTS CAPABLE OF CROSSING THE BLOOD BRAIN BARRIER

	Provisional	02/09/2015	—	US	62/213,615	Pending
	Provisional	02/09/2015	—	US	62/213,614	Pending
	Provisional	09/09/2015	—	US	62/216,237	Pending
	Provisional	09/09/2015	—	US	62/216,240	Pending

Invention ID: ZYME027 DIABODY
Title: BI-SPECIFIC CD3 AND CD19 ANTIGEN BINDING CONSTRUCTS

PCT	15/01/2015	15/01/2014 (61/927,877) 11/04/2014 (61/978,719) 11/06/2014 (PCT/US2014/046436) 17/07/2014 (62/025,932)	WO	PCT/US2015/011664 (WO 2015/109131)	Pending

Invention ID: ZYME030 HI AFF PTZ
Title: ANTIGEN-BINDING CONSTRUCTS TARGETING HER2

Provisional	14/12/2015	—	US	62/267,247	Pending
PCT	13/05/2016	13/025/2015 (62/161,114) 14/12/2016 (62/267,247)	WO	Not yet available	Pending

Invention ID: ZYME039 BiP HER2 MMT
Title: METHODS OF USING BISPECIFIC ANTIGEN-BINDING CONSTRUCTS TARGETING HER2

Provisional	27/05/2015	—	US	62/166,844	Pending
PCT	26/11/2015	27/11/2014 (PCT/CA2014/051140) 27/05/2015 (62/166,844)	WO	PCT/CA2015/051238	Pending

Invention ID: ZYME040 CD3
Title: DRUG CONJUGATED BI-SPECIFIC ANTIGEN-BINDING CONSTRUCTS

Provisional	15/07/2015	—	US	62/193,056	Pending
Provisional	17/07/2015	—	US	62/193,569	Pending

Invention ID: ZYME042 CAR Engager
Title: ULTISPECIFIC ANTIGEN-BINDING CONSTRUCTS TARGETING IMMUNOTHERAPEUTICS

Provisional	15/04/2016	—	US	62/323,432	Pending

Invention ID: ZYME043 BiP HER2 MMT2
Title: METHODS OF USING BISPECIFIC ANTIGEN-BINDING CONSTRUCTS TARGETING HER2

Provisional	25/04/2016	—	US	62/327,304	Pending

Invention ID: KAIR005 VAR2-DC
Title: VAR2CSA-DRUG CONJUGATES

PCT	29/12/2014	27/12/2013 (61/921,242) 17/09/2014 (62/051,899) 17/09/2014 (62/051,886)	WO	PCT/CA2014/000919 (WO 2015/095952)	Pending

Invention ID: KAIR006 VAR Antibodies
Title: ANTI-CSA ANTIBODIES AND METHODS OF USING THE SAME

Provisional	09/10/2015	—	US	62/239,748	Pending

ADC Platform Patent Portfolio

As at May 26, 2016

	Application Stage	Filing Date (DD/MM/YYYY)	Priority Application No. (DD/MM/YYYY)	Country	Application/ Number	IP Right Status
Invention ID: KAIR001 HEMIASTERLINS						
Title: CYTOTOXIC AND ANTI-MITOTIC COMPOUNDS, AND METHODS OF USING THE SAME						
PCT/US2014/029463	National	14/03/2014	15/03/2013 (61/792,066)	AU	2014228489	Pending
(WO 2014/144871)			15/03/2013 (61/792,020)	BR	1120150234151	Pending
				CA	2906784	Pending
				CN	201480027374	Pending
				EA	201591632	Pending
				EP	14763699.7	Pending
				IL	241524	Pending
				IN	8633/DELNP/2015	Pending
				JP	2016503104	Pending
				KR	10-2015-7029402	Pending
				MX	MX/a/2015/012868	Pending
				MY	PI 2015002339	Pending
				NZ	711982	Pending
				SG	11201507619P	Pending
				US	14/213,504	Pending
				US	14/776,654	Pending
				ZA	2015/06918	Pending
Invention ID: KAIR002 LINKER-TOXINS						
Title: SULFONAMIDE-CONTAINING LINKAGE SYSTEMS FOR DRUG CONJUGATES						
	PCT	29/12/2014	27/12/2013 (61/921,242)	WO	PCT/CA2014/000920 (WO	Pending
			17/09/2014 (62/051,899)		2015/095953)	
Invention ID: KAIR003 TUBULYSINS						
Title: CYTOTOXIC AND ANTI-MITOTIC COMPOUNDS, AND METHODS OF USING SAME						
	Provisional	29/09/2015	—	US	62/234,452	Pending

Invention ID: KAIR004 AURISTATINS
Title: CYTOTOXIC AND ANTI-MITOTIC COMPOUNDS, AND METHODS OF USING SAME

	PCT	17/09/2015	17/09/2014 (62/051,883)	WO	PCT/CA2015/050910 (WO 2016/041082)	Pending
	National	17/09/2014	17/09/2014 (62/051,883)	US	14/857,733	Pending

Computational Chemistry Portfolio

As at May 26, 2016

	Application Stage	Filing Date (DD/MM/YYYY)	Priority Application No. (DD/MM/YYYY)	Country	Application/ Patent Number	IP Right Status
Invention ID: 5001-RESNET						
Title: METHODS FOR DETERMINING CORRELATED RESIDUES IN A PROTEIN OR OTHER BIOPOLYMER USING MOLECULAR DYNAMICS						
PCT/IB2009/005040	National	05/02/2009	05/02/2008 (61/026,435)	AU	2009211148	In Force
(WO 2009/098596)			19/11/2008 (61/116,267)	CA	2715043	Pending
				EP	9708274	Pending
				JP	5530367	In Force
				US	12/866,437	Pending
Invention ID: 5003-BINNING						
Title: SYSTEM AND METHOD FOR MODELING INTERACTIONS						
PCT/US2007/068707	National	10/05/2007	26/05/2006 (11/441,526)	AU	2007267715	In Force
(WO 2007/140099)				CA	2653349	Pending
				EP	07783614	Pending
	National	26/05/2006	26/05/2006 (11/441,526)	US	7769573	In Force
Invention ID: 5004-CONFORM						
Title: SYSTEM AND METHODS FOR SAMPLING AND ANALYSIS OF POLYMER CONFORMATIONAL DYNAMICS						
PCT/CA2013/050637	National	16/08/2013	17/08/2012 (61/684,236)	AU	2013302283	In Force
(WO 2014/026296)				CA	2881934	Pending
				EP	13829560.5	Pending
				US	14/421,490	Pending
Invention ID: 5005-DENSITY						
Title: DENSITY BASED CLUSTERING FOR MULTIDIMENSIONAL DATA						
PCT/CA2010/001873	National	23/11/2010	24/11/2009 (61/264,196)	AU	2010324501	Pending
(WO 2011/063518)				CA	2781650	Pending
				EP	10832469	Pending
				JP	5642190	In Force
				US	9165052	In Force

Invention ID: 5006-LATTICE
Title: COMBINED ON-LATTICE/OFF-LATTICE OPTIMIZATION METHOD FOR RIGID BODY DOCKING

PCT/CA2010/001923	National	02/12/2010	02/12/2009 (61/266,059)	AU	2010327292	Pending
(WO 2011/066655)				CA	2782465	Pending
				EP	10834129	Pending
				JP	5788897	In Force
				US	13/513,494	Pending

Invention ID: 5007-FASTPAIR
Title: SIMPLIFYING RESIDUE RELATIONSHIPS IN PROTEIN DESIGN

PCT/CA2011/001103	National	29/09/2011	30/09/2010 (61/388,208)	AU	2011308042	In Force
(WO 2012/040833)				CA	2812721	Pending
				EP	11827860.5	Pending
				US	13/822,231	Pending

Invention ID: 5008-CCSD
Title: SYSTEM FOR MOLECULAR PACKING CALCULATIONS

PCT/CA2011/001061	National	22/09/2011	24/09/2010 (61/386,406)	AU	2011305018	In Force
(WO 2012/037659)				CA	2811323	Pending
				EP	11826255.9	Pending
				JP	2013529517	Pending
				US	13/822,258	Pending

Invention ID: 5009-SAMMON
Title: SYSTEMS AND METHODS FOR MAKING TWO DIMENSIONAL GRAPHS OF COMPLEX MOLECULES

PCT/CA2013/050183	National	12/03/2013	21/03/2012 (61/613,711)	AU	2013234788	In Force
(WO 2013/138923)				CA	2866774	Pending
				EP	13763804.5	Pending
				US	14/386,711	Pending

Invention ID: 5010-ALTCONF
Title: SYSTEMS AND METHODS FOR IDENTIFYING THERMODYNAMICALLY RELEVANT POLYMER CONFORMATIONS

PCT/CA2013/050489	National	21/06/2013	21/06/2012 (61/662,549)	CA	2887256	Pending
(WO 2013/188984)				EP	13807096.6	Pending
				US	14/409,419	Pending

Invention ID: 5011-ENTROPY
Title: SYSTEMS AND METHODS FOR IDENTIFYING THERMODYNAMIC EFFECTS OF ATOMIC CHANGES TO POLYMERS

PCT/CA2014/050240	National	13/03/2014	15/03/2013 (61/793,203)	CA	2906233	Pending
(WO 2014/138994)			13/06/2013 (61/834,754)	EP	14762610.5	Pending
				US	14/775,956	Pending

Invention ID: 5013-WORKFLOW
Title: SYSTEMS AND METHODS FOR IN SILICO EVALUATION OF POLYMERS

PCT/CA2014/050664	National	14/07/2014	15/08/2013 (61/866,466)	CA	2921231	Pending
(WO 2015/021540)				US	14/911,505	Pending

Invention ID: 5015-THRESHOLD
Title: SYSTEMS AND METHODS FOR PHYSICAL PARAMETER FITTING ON THE BASIS OF MANUAL REVIEW

PCTCA2014/050577	National	19/06/2014	21/06/2013 (61/838,225)	CA	2915953	Pending
(WO 2014/201566)			01/08/2013 (61/861,207)	US	14/898,930	Pending

Invention ID: 5016-SAMMON2
Title: SYSTEMS AND METHODS FOR IN SILICO EVALUATION OF POLYMERS

PCT/CA2014/050855	National	17/09/2014	25/09/2013 (61/882,531)	CA	Not yet available	Pending
(WO 2015/042699)				US	15/023,532	Pending

7.05(b)(x)(a) Borrower has entered into the following agreements pursuant to which certain limited rights in Obligor Intellectual Property have been granted:

1. Out-licensing & Collaboration Agreement between Borrower and Merck & Co., effective August 22, 2011 and amended and restated December 3, 2014.
2. First Out-Licensing & Collaboration Agreement between Borrower and Eli Lilly & Co., effective December 17, 2013 and amended May 30, 2014.
3. Second Out-licensing & Collaboration Agreement between Borrower and Eli Lilly & Co., effective October 22, 2014 and amended June 4, 2015.
4. Out-licensing and Collaboration Agreement between Borrower and Celgene Corp., effective December 23, 2014.
5. Collaboration and Licensing Agreement between Borrower and GlaxoSmithKline Intellectual Property Development Limited, effective December 1, 2015.
6. Platform Technology Transfer and License Agreement between GlaxoSmithKline Intellectual Property Development Limited and Borrower, effective April 21, 2016.

7.05(b)(x)(b) Borrower is a party to agreements with the National Research Council Canada (Master License Agreement by and between National Research Council Canada and Borrower effective as of September 1, 2012), and Selexis SA (Commercial License Agreement by and between Selexis SA and Borrower effective as of February 4, 2015) under which certain Intellectual Property of those entities is licensed to Borrower.

SCHEDULE 7.06
TO
CREDIT AGREEMENT

CERTAIN LITIGATION

None.

SCHEDULE 7.08
TO
CREDIT AGREEMENT

TAXES

Zymeworks Inc. currently has a Scientific Research and Experimental Development (“SRED) claim outstanding from the province of Quebec in the amount of $617,388. There is uncertainty over the collectability of this amount.

Tax Returns and Payments

Borrower may have been required to file Federal and State tax returns in the United States in connection with research and collaboration agreements entered into with United States domiciled partners. Borrower has not quantified any potential tax and/or related liabilities that may be applicable, but is of the view that such amounts, if any, are immaterial.

Borrower has identified potential withholding tax liabilities relating to periodic visits of US based scientific advisory members who may have performed services in Canada in conjunction with visits to the Borrower. Borrower has not quantified the balance but believes the liabilities to be immaterial.

SCHEDULE 7.13A
TO
CREDIT AGREEMENT

EXISTING INDEBTEDNESS

Zymeworks Inc.

Credit Card Holder	Credit Card Number	Currency	Amount Outstanding as of May 24, 2016
Ali Tehrani	4516-0760-0100-7367	CAD	$ 325.62
Neil Klompas -travel	4516-0700-0872-7952	CAD	$ 4,778.47
Neil Klompas – operating		CAD	—
Surjit Dixit	4516-0700-0872-7986	CAD	$ 1,629.37
Gordon Ng	4516-0700-0872-8109	CAD	$ 6,512.99
David Poon	4516-0760-0230-4763	CAD	$ 981.10
John Babcook	4516-0700-1109-8094	CAD	$ 3,049.82
Wajida Leclerc	4516-0700-1121-5456	CAD	$ 370.59
Total credit card debt outstanding, May 24, 2016			**$ 17,647.96**

Zymeworks Biopharmaceuticals, Inc.

Credit Card Holder	Credit Card Number	Currency	Amount Outstanding as of May 24, 2016
Neil Klompas	5478-5400-1050-5227	USD	$ 675.29
David Tucker	5478-5400-1083-1433	USD	$ 5,190.85*
Total credit card debt outstanding, May 24, 2016			**$ 5,866.14**

* Credit card has been cancelled and amount will be paid off June 25, 2016.

Zymeworks Biochemistry Inc.

None.

SCHEDULE 7.13B
TO
CREDIT AGREEMENT

EXISTING LIENS

None.

SCHEDULE 7.14
TO
CREDIT AGREEMENT

MATERIAL AGREEMENTS

- Master License Agreement by and between National Research Council Canada and Borrower effective as of September 1, 2012
- Services Agreement by and between Selexis SA and Borrower effective as of May 12, 2014
- Commercial License Agreement by and between Selexis SA and Borrower effective as of February 4, 2015
- First Amendment to Commercial License Agreement by and between Selexis SA and Borrower effective as of February 19, 2015
- Developing and Manufacturing Services Agreement by and between CMC Icos Biologics, Inc. effective as of August 28, 2014
- Master Services Agreement by and between MPI Research, Inc. and Borrower effective as of November 22, 2014
- Master Services Agreement by and between Charles River Laboratories, Inc. and Borrower effective as of March 22, 2012
- Master Services Agreement by and between Coldstream Laboratories Inc. and Borrower effective as of March 5, 2015
- Master Services Agreement by and between WuXi Biologics (Hong Kong) Limited and Borrower effective as of May 22, 2015
- Master Services Agreement by and between Eurofins Pharma Bioanalytics Services US Inc. and Borrower effective as of December 11, 2014
- Master Services Agreement by and between Imaging Endpoints II, LLC. and Borrower effective as of March 30, 2016
- Master Services Agreement by and between e-Clinical Solutions LLC and Borrower effective as of April 1, 2016
- Master Service Agreement by and between Almac Group Limited and Borrower effective as of May 10, 2016
- Initial Service Agreement by and between INC Research, LLC, together with INC Research UK Limited, and Borrower effective as of May 2, 2016
- The Collaboration Agreements listed on Schedule 9.12(c)(1).

SCHEDULE 7.15
TO
CREDIT AGREEMENT

RESTRICTIVE AGREEMENTS

- The Collaboration Agreements listed on Schedule 9.12(c)(1).

SCHEDULE 7.16
TO
CREDIT AGREEMENT

REAL PROPERTY

Leased/Owned	Address	Loan Party
Leased Property	Poplar Properties Ltd. 1385 West 8th Avenue Suite 540 Vancouver, BC, Canada V6H 3V9	Zymeworks Inc.
Leased Property	Low Tide Properties Inc. 1770 West 7th Avenue Vancouver, BC V6J 4Y6	Zymeworks Inc.
Leased Property	Selig Real Estate Holdings Eighteen LLC 18 E. Mercer Street, Ste. 370 Seattle, WA 98119 4035	Zymeworks Biopharmaceuticals Inc.

SCHEDULE 7.17
TO
CREDIT AGREEMENT

PENSION MATTERS

Pursuant to the Borrower's group Retirement Savings Plan and Non-Registered Savings Plan (administered by Great West Life) (the "**Plan**"), the Borrower matches employees' Plan contributions up to 3% of their gross salary, on a matching basis. Contributions beyond 3% of an employee's salary are not matched by the Borrower. The Borrower has placed certain restrictions on the withdrawal of Plan contributions by employees. Borrower has no ongoing funding liabilities beyond matching the employee contributions.

The Borrower provides all employees with an extended medical benefits program which provides various benefits coverage, including; dental, extended medical, prescription drug, allied medical (chiropractic, massage therapy, etc.), eyewear, and other related items. Employees are provided extended medical benefits, provided by Equitable Life of Canada, upon hire. Spousal and family benefits may be provided, if employees elect and cover 50% of the applicable plan costs.

The Borrower provides employees additional medical benefits through paying for 50% of the British Columbia Medical Services Plan premiums. Premiums are paid to the provincial government directly through payroll deductions and direct remittance.

Pursuant to Zymeworks Biopharmaceuticals Inc.'s group Retirement Plan (administered by Empower) (the "4**01K Plan**"). Zymeworks Biopharmaceuticals Inc. matches employees' 401K Plan contributions up to 3% of their gross salary, on a matching basis.

Employees of Zymeworks Biopharmaceuticals Inc. are eligible to be enrolled in Zymeworks Biopharmaceuticals Inc.'s extended benefits plan, provided through the Washington Biotechnology and Biomedical Health Trust. The plan provides employees with medical insurance underwritten by Premera Blue Cross, dental insurance underwritten by Delta Dental of Washington, vision insurance underwritten by Vision Service Plan, basic life and AD&D, disability, and voluntary life insurance underwritten by Unum, and enrolment in the employee assistance program administered by Wellspring Family Services. Employees are eligible for enrolment in the benefits program starting the first day of the month following employment. Zymeworks Biopharmaceuticals Inc. pays 100% of this coverage.

SCHEDULE 7.19(b)
TO
CREDIT AGREEMENT

REGULATORY APPROVALS

None.

SCHEDULE 7.19(e)
TO
CREDIT AGREEMENT

483 NOTICE

None.

SCHEDULE 7.20
TO
CREDIT AGREEMENT

CAPITALIZATION

Number Outstanding at May 31, 2016:	**Number of Shares**
Common Shares	30,606,116
Class A Preferred Shares	12,554,665
Stock Options	4,492,322
Warrants to Purchase Common Shares	280,000
Warrants to Purchase Class A Preferred Shares	704,000

SCHEDULE 8.19
TO
CREDIT AGREEMENT

POST-CLOSING OBLIGATIONS

Within 45 days after the Closing Date, Borrower shall obtain insurance endorsements naming the Lenders as additional insureds and loss payees, as applicable, in accordance with the requirements of Section 8.05.

SCHEDULE 9.03
TO
CREDIT AGREEMENT

PERMITTED TRANSACTIONS

None.

SCHEDULE 9.05
TO
CREDIT AGREEMENT

EXISTING INVESTMENTS

Zymeworks Inc.

Investment Type	Amount	Currency	Maturity
RBC GIC	$4,999,999.99	CAD	January 21, 2017
BMO GIC	$ 5,000,000	USD	June 28, 2016
BMO GIC	$ 15,000,000	USD	July 28, 2016

Zymeworks Biopharmaceuticals Inc.

None.

Zymeworks Biochemistry Inc.

None.

SCHEDULE 9.10
TO
CREDIT AGREEMENT

TRANSACTION WITH AFFILIATES

1. Zymeworks Inc. has entered into a Services Agreement with Zymeworks Biopharmaceuticals Inc. effective January 1, 2015.

2. Zymeworks Biochemistry Inc. assigned its interest in two patent families [KAIR005 VAR2-DC and KAIR006 VAR12 Antibodies, both noted on the Patent List in SCHEDULE 7.05(b)], to Zymeworks Inc. on May 26, 2016.

SCHEDULE 9.12(c)(1)
TO
CREDIT AGREEMENT

COLLABORATION AGREEMENTS

1. Out-licensing & Collaboration Agreement between Borrower and Merck & Co., effective August 22, 2011 and amended and restated December 3, 2014.

2. Collaboration and Licensing Agreement between Borrower and GlaxoSmithKline Intellectual Property Development Limited, effective December 1, 2015.

3. Platform Technology Transfer and License Agreement between GlaxoSmithKline Intellectual Property Development Limited and Borrower, effective April 21, 2016.

4. First Out-Licensing & Collaboration Agreement between Borrower and Eli Lilly & Co., effective December 17, 2013 and amended May 30, 2014.

5. The Specified Collaboration Agreements listed on Schedule 9.12(c)(2).

SCHEDULE 9.12(C)(2)
TO
CREDIT AGREEMENT

SPECIFIED COLLABORATION AGREEMENTS

1. Second Out-licensing & Collaboration Agreement between Borrower and Eli Lilly & Co., effective October 22, 2014 and amended June 4, 2015.
2. Out-licensing and Collaboration Agreement between Borrower and Celgene Corp., effective December 23, 2014.

Exhibit A
to Credit Agreement

FORM OF GUARANTEE ASSUMPTION AGREEMENT

GUARANTEE ASSUMPTION AGREEMENT dated as of [DATE] (this "***Agreement***") by [NAME OF ADDITIONAL GUARANTOR], a [corporation] (the "***Additional Guarantor***"), under that certain Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***").

Pursuant to **Section 8.11(a)** of the Credit Agreement, the Additional Guarantor hereby agrees to become a "Guarantor" for all purposes of the Credit Agreement, and a "Grantor" for all purposes of the Security Agreement. Without limiting the foregoing, the Additional Guarantor hereby, jointly and severally with the other Guarantors, guarantees to each Lender and its successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations (as defined in **Section 11.01** of the Credit Agreement) in the same manner and to the same extent as is provided in **Section 11** of the Credit Agreement. In addition, as of the date hereof, the Additional Guarantor hereby makes the representations and warranties set forth in **Section 7** of the Credit Agreement, and in **Section 2** of the Security Agreement, with respect to itself and its obligations under this Agreement and the other Loan Documents, as if each reference in such Sections to the Loan Documents included reference to this Agreement, such representations and warranties to be made as of the date hereof.

The Additional Guarantor hereby instructs its counsel to deliver the opinions referred to in **Section 8.11(a)** of the Credit Agreement to the Lenders.

THIS GUARANTEE AND ASSUMPTION AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; PROVIDED, THAT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

IN WITNESS WHEREOF, the Additional Guarantor has caused this Guarantee Assumption Agreement to be duly executed and delivered as of the day and year first above written.

[ADDITIONAL GUARANTOR]

By _____
Name:
Title:

Exhibit B
to Credit Agreement

FORM OF NOTICE OF BORROWING

Date: [ ]

To: [INSERT NAME OF LENDER], as Lender
[ ]
Attn: [ ]
Fax: [ ]
Email: [ ]

Re: Borrowing under Credit Agreement

Ladies and Gentlemen:

The undersigned, ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), refers to the Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"). The terms defined in the Credit Agreement are herein used as therein defined.

Borrower hereby gives you notice irrevocably, pursuant to **Section 2.01(b)** of the Credit Agreement, of the borrowing of the Loans specified herein:

1. The proposed Borrowing Date is [ ].

2. The amount of the proposed Borrowing is $[ ].

3. The payment instructions with respect to the funds to be made available to Borrower are as follows:

Bank name: [ ]
Bank Address: [ ]
Routing Number: [ ]
Account Number: [ ]
Swift Code: [ ]

Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed borrowing of the Loans, before and after giving effect thereto and to the application of the proceeds therefrom:

a) the representations and warranties made by Borrower in **Section 7** of the Credit Agreement shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that already is qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representation or warranty shall be true and correct in all respects subject to such qualification) on and as of the Borrowing Date and immediately after giving effect to the application of the proceeds of the Borrowing, with the same force and effect as if made on and as of such date except that to the extent that any such representation or warranty refers to a specific earlier date in which case such representation or warranty shall be true and correct on and as of such earlier date;

b) on and as of the Borrowing Date, there shall have occurred no Material Adverse Change since [INSERT DATE OF LAST AUDITED FINANCIAL STATEMENTS]; and

c) no Default exists or would result from such proposed borrowing.

IN WITNESS WHEREOF, Borrower has caused this Notice of Borrowing to be duly executed and delivered as of the day and year first above written.

BORROWER:

ZYMEWORKS INC.

By _____
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By _____
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Exhibit C
to Credit Agreement

FORM OF NOTE

U.S. $[ ] [DATE]

FOR VALUE RECEIVED, the undersigned, ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), hereby promises to pay to [INSERT NAME OF LENDER] or its assigns (the "***Lender***") at Lender's principal office in [ ], in immediately available funds, the aggregate principal sum set forth above, or, if less, the aggregate unpaid principal amount of the Loans made by Lender pursuant to **Section 2.01** of the Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"), on the date or dates specified in the Credit Agreement, together with interest on the principal amount of the Loans from time to time outstanding thereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

This Note is a Note issued pursuant to the terms of **Section 2.04** of the Credit Agreement, and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; PROVIDED THAT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, other than notices provided for in the Loan Documents. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in such particular or any subsequent instance.

THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE CREDIT AGREEMENT.

ZYMEWORKS INC.

By _____
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By _____
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Exhibit D
to Credit Agreement

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

Reference is made to the Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***").

[ ] (the "***Foreign Lender***") is providing this certificate pursuant to **Section 5.03(e)(ii)(B)** of the Credit Agreement. The Foreign Lender hereby represents and warrants that:

1. The Foreign Lender is the sole record owner of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

2. The Foreign Lender's direct or indirect partners/members are the sole beneficial owners of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "***Code***"). In this regard, the Foreign Lender further represents and warrants that:

(a) neither the Foreign Lender nor its direct or indirect partners/members is subject to regulatory or other legal requirements as a bank in any jurisdiction; and

(b) neither the Foreign Lender nor its direct or indirect partners/members has been treated as a bank for purposes of any Tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from Tax, securities law or other legal requirements;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a 10-percent shareholder of Borrower within the meaning of Section 881(c)(3)(B) of the Code; and

4. Neither the Foreign Lender nor its direct or indirect partners/members is a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code.

[Signature follows]

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered as of the date indicated below.

[NAME OF NON-U.S. LENDER]

By _____
Name:
Title:

Date: _____

Exhibit E
to Credit Agreement

FORM OF COMPLIANCE CERTIFICATE

[DATE]

This certificate is delivered pursuant to **Section 8.01(c)** of, and in connection with the consummation of the transactions contemplated in, the Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"). Capitalized terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned, a duly authorized Responsible Officer of Borrower having the name and title set forth below under his signature, hereby certifies solely in his capacity as an officer of Borrower and not in any individual capacity, on behalf of Borrower for the benefit of the Lenders and pursuant to **Section 8.01(c)** of the Credit Agreement that such Responsible Officer of Borrower is familiar with the Credit Agreement and that, in accordance with each of the following sections of the Credit Agreement, each of the following is true on the date hereof, both before and after giving effect to the Loans to be made on or before the date hereof:

[In accordance with Section **8.01**[**(a)/(b)**] of the Credit Agreement, attached hereto as **Annex A** are the financial statements for the [fiscal quarter/fiscal year] ended [ ] required to be delivered pursuant to **Section 8.01**[**(a)/(b)**] of the Credit Agreement. Such financial statements fairly present in all material respects the consolidated financial position, results of operations and cash flow of Borrower and its Subsidiaries as at the dates indicated therein and for the periods indicated therein substantially in accordance with GAAP [(subject to the absence of footnote disclosure and normal quarterly or year-end audit adjustments)][1][2]

Attached hereto as **Annex B** are the calculations used to determine compliance with each financial covenant contained in **Section 8** of the Credit Agreement.

No Default or Event of Default is continuing as of the date hereof and no event or circumstance has occurred that resulted in a Material Adverse Change[, except as provided for on **Annex C** attached hereto, with respect to each of which Borrower proposes to take the actions set forth on **Annex C**].

1 Insert applicable language in brackets.
2 Insert language in brackets only for certificates delivered under Section 8.01(a).

IN WITNESS WHEREOF, the undersigned has executed this certificate on the date first written above.

ZYMEWORKS INC.

By _____
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By _____
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

FINANCIAL STATEMENTS

[see attached]

Exhibit E-3

CALCULATIONS OF FINANCIAL COVENANT COMPLIANCE

I. Section 8.18: Minimum Liquidity

A.	Amount of unencumbered cash (other than cash encumbered by the Liens granted to the Lenders pursuant to the Loan Documents) and Permitted Cash Equivalent Investments (which for greater certainty shall not include any undrawn credit lines), in each case, to the extent held in an account over which the Lenders have a first priority perfected security interest:	$ [3]
	Is Line IA greater than $3,000,000?:	*Yes: In compliance;* *No: Not in compliance*

3 Each measurement of Liquidity under Section 8.18 of the Credit Agreement shall be in Dollars and shall be determined based on the Exchange Rate in effect on the last day of each calendar month to the extent Liquidity shall include any amounts denominated in Canadian Dollars.

FORM OF SOURCES AND USES CERTIFICATE

[see attached]

SOURCES AND USES CERTIFICATE

June 2, 2016

Reference is made to that certain Credit Agreement and Guaranty, dated as of June 2, 2016 (as from time to time amended, restated, supplemented or otherwise modified, the "***Credit Agreement***"), among ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Borrower***"), certain Guarantors from time to time parties hereto, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"). Capitalized terms used herein without being herein defined have the meanings ascribed to them in the Credit Agreement.

Borrower hereby instructs and authorizes the Lenders to deliver and distribute funds pursuant to the attached **Annex A**, in immediately available same-day funds on the date hereof upon the satisfaction or waiver in writing by the Lenders of the conditions precedent set forth in Section 6.01 of the Credit Agreement (which satisfaction or waiver may be made simultaneously with the making of the Loans hereunder). Borrower acknowledges that such funds represent full payment and consideration for the Tranche A Term Loan under the Credit Agreement.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this certificate on the date first written above.

ZYMEWORKS INC.

By /s/ Neil Klompas
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By /s/ Ali Tehrani
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

Annex A

FUNDS FLOW

The following transfers and allocations shall be made simultaneously on June 2, 2016:

(a) **Funding of the Loans**. Loans shall be advanced by the Lenders in the following amounts to total $7,500,000:

(i) Perceptive Credit Opportunities Fund, L.P. - $5,558,433.39

(ii) PCOF Phoenix II Fund, L.P. - $1,941,566.61

(b) **Funding of Upfront Fee**. The $337,500 financing fee payable to and distributed ratably amongst the Lenders pursuant to **Section 2.03** of the Credit Agreement shall be paid by Borrower in the following amounts, by netting the amount of such upfront fee out of the proceeds of the Loan advanced by such Lender pursuant to **clause (a) above**:

(i) Perceptive Credit Opportunities Fund, L.P. - $250,129.50

(ii) PCOF Phoenix II Fund, L.P. - $87,370.50

(c) **Funding of Closing Fees and Expenses**. The following fees, costs and expenses due and payable pursuant to **Section 13.03** of the Credit Agreement on the Closing Date shall be paid by Borrower in the following amounts, by netting the amount of such fees, costs and expenses out of the proceeds of the Loan advanced by Perceptive Credit Opportunities Fund, L.P. pursuant to **clause (a) above**:

(i) Perceptive Credit Opportunities Fund, L.P. - $155,221.26

(ii) PCOF Phoenix II Fund, L.P. - $54,218.94

NET FUNDING OF LOANS:

(i) Perceptive Credit Opportunities Fund, L.P. - $5,153,082.63

(ii) PCOF Phoenix II Fund, L.P. - $1,799,977.17

Exhibit H
to Credit Agreement

FORM OF WARRANT CERTIFICATE

[see attached]

Exhibit I
to Credit Agreement

FORM OF U.S. SECURITY AGREEMENT

[see attached]

Exhibit J
to Credit Agreement

FORM OF CANADIAN SECURITY AGREEMENT

[see attached]

Exhibit K-1
to Credit Agreement

FORM OF PATENT & TRADEMARK SECURITY AGREEMENT

[see attached]

Exhibit K-1 to the Credit Agreement

BORROWER PATENT AND TRADEMARK SECURITY AGREEMENT

, 2016

WHEREAS, ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Grantor***"), is party to that certain Security Agreement, dated as of June 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "***Security Agreement***"; capitalized terms used herein without definition shall have the meanings set forth in the Security Agreement), among certain Grantors party thereto from time to time, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"), and Perceptive, as control agent for the Secured Parties (in such capacity, the "***Control Agent***" and, together with the Lenders, the "***Secured Parties***" and each, a "***Secured Party***"), pursuant to which Grantor has granted in favor of Secured Parties a lien on all of its personal property, including without limitation the patents and patent applications listed on **Schedule A** hereto, and the trademarks and trademark applications listed on the **Schedule B** hereto; and

WHEREAS, it is a condition to the advance of the loans and other obligations secured by the Security Agreement, that Grantor execute and deliver, and cause to be filed in the U.S. Patent and Trademark Office, this Borrower Patent and Trademark Security Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

As collateral security for the prompt and complete payment in full and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, Grantor hereby pledges and grants to the Secured Parties a security interest in all of Grantor's right, title and interest in, to and under all of the following:

(i) all patents and patent applications, in each case whether now owned by Grantor or hereafter acquired and whether now existing or hereafter coming into existence, including without limitation those listed on **Schedule A** hereto, and all related patents and applications thereto, including all reissuances, continuations, continuations-in-part, revisions, extensions, re-examinations thereof, any patents and patent applications claiming priority to said patents and patent applications or from which said patents and patent applications claim priority, and pending applications associated therewith; and

(ii) all of the trademarks, whether now owned or at any time hereafter acquired, of Grantor that are registered with, or for which applications for registration have been filed with, the United States Patent and Trademark Office, including the trademarks listed on **Schedule B** hereto, and all registrations and pending applications associated therewith (excluding any application for registration of a trademark filed on an intent-to-use basis solely to the extent that the grant of a security interest in any such trademark application would materially adversely affect the validity or enforceability of the resulting trademark registration or result in cancellation of such trademark application).

Notwithstanding the foregoing, in the event of any conflict between this Borrower Patent and Trademark Security Agreement and the Security Agreement, the Security Agreement shall control.

This Borrower Patent and Trademark Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided, that Section 5-1401 of the New York General Obligations Law shall apply.

[signature to follow]

IN WITNESS WHEREOF, Grantor has caused this Borrower Patent and Trademark Security Agreement to be duly executed and delivered as of the day and year first above written.

ZYMEWORKS INC.,
as Grantor

By _____
Name: Neil Klompas, CPA, CA
Title: Chief Financial Officer

By _____
Name: Dr. Ali Tehrani, PhD
Title: President and Chief Executive Officer

SCHEDULE B TO BORROWER PATENT AND TRADEMARK SECURITY AGREEMENT

Schedule A
to Borrower Patent and Trademark Security Agreement

PATENTS AND PATENT APPLICATIONS

Patent Description/Title	Patent Number (if registered) or Serial Number (if applied for only)	Issuance Date (if Registered) or Filing Date (if applied for only)

SCHEDULE A TO BORROWER PATENT AND TRADEMARK SECURITY AGREEMENT

Schedule B
to Borrower Patent and Trademark Security Agreement

TRADEMARKS AND TRADEMARK APPLICATIONS

Trademark	Registration Number (if registered) or Serial Number (if applied for only)	Registration Date (if Registered) or Filing Date (if applied for only)

SCHEDULE B TO BORROWER PATENT AND TRADEMARK SECURITY AGREEMENT

Exhibit K-1 to the Credit Agreement

GUARANTOR PATENT AND TRADEMARK SECURITY AGREEMENT

, 2016

WHEREAS, [ ], a [corporation] organized under the laws of [ ] ("***Grantor***"), is party to that certain Security Agreement, dated as of June 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "***Security Agreement***"; capitalized terms used herein without definition shall have the meanings set forth in the Security Agreement), among certain Grantors party thereto from time to time, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"), and Perceptive, as control agent for the Secured Parties (in such capacity, the "***Control Agent***" and, together with the Lenders, the "***Secured Parties***" and each, a "***Secured Party***"), pursuant to which Grantor has granted in favor of Secured Parties a lien on all of its personal property, including without limitation the patents and patent applications listed on **Schedule A** hereto, and the trademarks and trademark applications listed on the **Schedule B** hereto; and

WHEREAS, it is a condition to the advance of the loans and other obligations secured by the Security Agreement, that Grantor execute and deliver, and cause to be filed in the U.S. Patent and Trademark Office, this Guarantor Patent and Trademark Security Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

As collateral security for the prompt and complete payment in full and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, Grantor hereby pledges and grants to the Secured Parties a security interest in all of Grantor's right, title and interest in, to and under all of the following:

(i) all patents and patent applications, in each case whether now owned by Grantor or hereafter acquired and whether now existing or hereafter coming into existence, including without limitation those listed on **Schedule A** hereto, and all related patents and applications thereto, including all reissuances, continuations, continuations-in-part, revisions, extensions, re-examinations thereof, any patents and patent applications claiming priority to said patents and patent applications or from which said patents and patent applications claim priority, and pending applications associated therewith; and

(ii) all of the trademarks, whether now owned or at any time hereafter acquired, of Grantor that are registered with, or for which applications for registration have been filed with, the United States Patent and Trademark Office, including the trademarks listed on **Schedule B** hereto, and all registrations and pending applications associated therewith (excluding any application for registration of a trademark filed on an intent-to-use basis solely to the extent that the grant of a security interest in any such trademark application would materially adversely affect the validity or enforceability of the resulting trademark registration or result in cancellation of such trademark application).

Notwithstanding the foregoing, in the event of any conflict between this Guarantor Patent and Trademark Security Agreement and the Security Agreement, the Security Agreement shall control.

This Guarantor Patent and Trademark Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided, that Section 5-1401 of the New York General Obligations Law shall apply.

[signature to follow]

IN WITNESS WHEREOF, Grantor has caused this Guarantor Patent and Trademark Security Agreement to be duly executed and delivered as of the day and year first above written.

[_____],
as Grantor

By _____
Name:
Title:

SIGNATURE PAGE TO GUARANTOR PATENT AND TRADEMARK SECURITY AGREEMENT

Schedule A
to Guarantor Patent and Trademark Security Agreement

PATENTS AND PATENT APPLICATIONS

Patent Description/Title	Patent Number (if registered) or Serial Number (if applied for only)	Issuance Date (if Registered) or Filing Date (if applied for only)

SCHEDULE A TO GUARANTOR PATENT AND TRADEMARK SECURITY AGREEMENT

Schedule B
to Guarantor Patent and Trademark Security Agreement

TRADEMARKS AND TRADEMARK APPLICATIONS

Trademark	Registration Number (if registered) or Serial Number (if applied for only)	Registration Date (if Registered) or Filing Date (if applied for only)

SCHEDULE B TO GUARANTOR PATENT AND TRADEMARK SECURITY AGREEMENT

Exhibit K-2
to Credit Agreement

FORM OF COPYRIGHT SECURITY AGREEMENT

[see attached]

Exhibit K-2 to the Credit Agreement

BORROWER COPYRIGHT SECURITY AGREEMENT

, 2016

WHEREAS, ZYMEWORKS INC., a corporation organized under the laws of Canada ("***Grantor***"), is party to that certain Security Agreement, dated as of June 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "***Security Agreement***"; capitalized terms used herein without definition shall have the meanings set forth in the Security Agreement), among certain Grantors party thereto from time to time, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"), and Perceptive, as control agent for the Secured Parties (in such capacity, the "***Control Agent***" and, together with the Lenders, the "***Secured Parties***" and each, a "***Secured Party***"), pursuant to which Grantor has granted in favor of Secured Parties a lien on all of its personal property, including without limitation the copyrights listed on **Schedule A** hereto; and

WHEREAS, it is a condition to the advance of the loans and other obligations secured by the Security Agreement, that Grantor execute and deliver, and cause to be filed in the U.S. Copyright Office, this Borrower Copyright Security Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

As collateral security for the prompt and complete payment in full and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, Grantor hereby pledges and grants to the Secured Parties a security interest in all of Grantor's right, title and interest in, to and under all of the following:

(i) all copyrights, whether now owned or at any time hereafter acquired, of the Grantor that are registered with, or for which applications for registration have been filed with, the United States Copyright Office, including the copyrights listed on **Schedule A** hereto, and all registrations and pending applications associated therewith (excluding any application for registration of a copyright filed on an intent-to-use basis solely to the extent that the grant of a security interest in any such copyright application would materially adversely affect the validity or enforceability of the resulting copyright registration or result in cancellation of such copyright application).

Notwithstanding the foregoing, in the event of any conflict between this Borrower Copyright Security Agreement and the Security Agreement, the Security Agreement shall control.

This Borrower Copyright Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided, that Section 5-1401 of the New York General Obligations Law shall apply.

[signature to follow]

IN WITNESS WHEREOF, Grantor has caused this Borrower Copyright Security Agreement to be duly executed and delivered as of the day and year first above written.

ZYMEWORKS INC.,
as Grantor

By _____
Name:
Title:
Date:

SIGNATURE PAGE TO BORROWER COPYRIGHT SECURITY AGREEMENT

Schedule A
to Borrower Copyright Security Agreement

COPYRIGHTS AND APPLICATIONS

Title of Work	Registration Number (if registered)	Date of Issuance (if Registered) or Application Date (if applied for only)

SCHEDULE A TO BORROWER COPYRIGHT SECURITY AGREEMENT

Exhibit K-2 to the Credit Agreement

GUARANTOR COPYRIGHT SECURITY AGREEMENT

, 2016

WHEREAS, [ ], a [corporation] organized under the laws of [ ] ("***Grantor***"), is party to that certain Security Agreement, dated as of June 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "***Security Agreement***"; capitalized terms used herein without definition shall have the meanings set forth in the Security Agreement), among certain Grantors party thereto from time to time, PERCEPTIVE CREDIT OPPORTUNITIES FUND, L.P., a Delaware limited partnership ("***Perceptive***"), as a lender, and PCOF PHOENIX II FUND, LP, a Delaware limited partnership ("***PCOF***"), as a lender (together with Perceptive and each of their respective successors and assigns party thereto, the "***Lenders***" and each a "***Lender***"), and Perceptive, as control agent for the Secured Parties (in such capacity, the "***Control Agent***" and, together with the Lenders, the "***Secured Parties***" and each, a "***Secured Party***"), pursuant to which Grantor has granted in favor of Secured Parties a lien on all of its personal property, including without limitation the copyrights listed on **Schedule A** hereto; and

WHEREAS, it is a condition to the advance of the loans and other obligations secured by the Security Agreement, that Grantor execute and deliver, and cause to be filed in the U.S. Copyright Office, this Guarantor Copyright Security Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

As collateral security for the prompt and complete payment in full and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, Grantor hereby pledges and grants to the Secured Parties a security interest in all of Grantor's right, title and interest in, to and under all of the following:

(i) all copyrights, whether now owned or at any time hereafter acquired, of the Grantor that are registered with, or for which applications for registration have been filed with, the United States Copyright Office, including the copyrights listed on **Schedule A** hereto, and all registrations and pending applications associated therewith (excluding any application for registration of a copyright filed on an intent-to-use basis solely to the extent that the grant of a security interest in any such copyright application would materially adversely affect the validity or enforceability of the resulting copyright registration or result in cancellation of such copyright application).

Notwithstanding the foregoing, in the event of any conflict between this Guarantor Copyright Security Agreement and the Security Agreement, the Security Agreement shall control.

This Guarantor Copyright Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided, that Section 5-1401 of the New York General Obligations Law shall apply.

[signature to follow]

IN WITNESS WHEREOF, Grantor has caused this Guarantor Copyright Security Agreement to be duly executed and delivered as of the day and year first above written.

[_____],
as Grantor

By _____
Name:
Title:
Date:

SIGNATURE PAGE TO GUARANTOR COPYRIGHT SECURITY AGREEMENT

Schedule A
to Guarantor Copyright Security Agreement

COPYRIGHTS AND APPLICATIONS

Title of Work	Registration Number (if registered)	Date of Issuance (if Registered) or Application Date (if applied for only)

SCHEDULE A TO GUARANTOR COPYRIGHT SECURITY AGREEMENT

Exhibit L
to Credit Agreement

FORM OF COLLATERAL QUESTIONNAIRE

[see attached]

ZYMEWORKS INC.

EMPLOYEE STOCK PURCHASE PLAN

Article 1—Purpose

This Employee Stock Purchase Plan (the "**Plan**") is intended to encourage share ownership by all eligible employees of Zymeworks Inc. (the "**Company**"), a corporation governed by the laws of British Columbia, and each of its Participating Subsidiaries (and, if applicable, any Parent), so that they may participate in any future growth of the Company by acquiring or increasing their interest in common shares of the Company. The Plan is designed to encourage eligible employees to remain in the employ of the Company and its Participating Subsidiaries. The Plan is intended to constitute an "**employee stock purchase plan**" within the meaning of Section 423(b) of the United States Internal Revenue Code of 1986, as amended (the "**Code**") and shall be construed and administered in accordance with such intention.

Article 2—Definitions

The term "**Affiliate**" means any entity, other than a Subsidiary, that (a) directly or indirectly, is controlled by, controls or is under common control with, the Company, or (b) any entity in which the Company has a significant equity interest, in either case as determined by the Committee, whether now or hereafter existing.

The term "**applicable law**" means any applicable law, domestic or foreign, including without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments thereunder and the rules of each securities exchange or quotation system on which securities of the Company are listed and posted for trading.

The term "**Average Market Price**" on any date means (i) the weighted average trading price of the Common Shares on the trading day immediately preceding such day on the securities exchange or quotation system on which the greatest volume of trading of the Common Shares in that period has occurred, if the Common Shares are then traded on such securities exchange or quotation system; or (ii) the average of the closing bid and asked prices last quoted on the trading day immediately preceding such day by an established quotation service for over-the-counter securities, if the Common Shares are not traded on a national securities exchange or quotation system; or (iii) if the Common Shares are not publicly traded, the fair market value of the Common Shares on such date as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Shares in private transactions negotiated at arm's length.

The term "**business day**" means a day on which there is trading on the TSX or, if the Common Shares do not trade on the TSX, the securities exchange on which the greatest volume of trading of the Common Shares in the respective period has occurred; and if neither is applicable, a day that is not a Saturday, Sunday or statutory holiday in the Province of British Columbia.

The term "**Code**" has the meaning set forth in Article 1.

The term "**Common Shares**" has the meaning set forth in Article 5.

The term "**eligible employee**" means an individual who is eligible as determined in accordance with Article 4.

The term "**Insider**" means an insider of the Company or an Affiliate or Subsidiary as defined in the rules of the TSX Company Manual for the purpose of security-based compensation arrangements.

The term "**Insider Trading Policy**" refers to the insider trading policy of the Company, pursuant to which directors and certain officers and employees of the Company and participating Subsidiaries are prohibited from trading in securities of the Company during regularly scheduled and additional periods referred to as "**trading black-outs periods**".

The term "**NYSE**" means the New York Stock Exchange.

The term "**Offering**" means an offer under the Plan of Purchase Rights which will automatically be exercised at the end of a Purchase Period, all as further described in Article 7 and Article 8. Unless otherwise specified by the Committee, each Offering under the Plan to the eligible employees of the Company or a Participating Subsidiary shall be deemed a separate Offering, even if the dates of the applicable Purchase Period of each such Offering are identical, and the provisions of the Plan will separately apply to each Offering. For clarity, there is only one Purchase Period per Offering.

The term "**Parent**" means a "**parent corporation**" with respect to the Company, as defined in Section 424(e) of the Code.

The term "**Participant**" means an individual who is eligible as determined in accordance with Article 4 to participate in the Plan and who has complied with the provisions of Article 9.

The term "**Participating Subsidiary**" shall mean any present or future Subsidiary that is designated from time to time by the Board to participate in the Plan. The Board shall have the power to make such designation before or after the Plan is approved by the shareholders.

The term "**Purchase Date**" has the meaning set forth in Article 7.

The term "**Purchase Period**" has the meaning set forth in Article 6.

The term "**Purchase Price**" has the meaning set forth in Article 7.

The term "**Purchase Right**" means a right to purchase Common Shares in accordance with the provisions of this Plan.

The term "**securities exchange**" means the NYSE or the TSX or, if the Common Shares are not then listed and posted for trading on the NYSE or the TSX, such other securities exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the Committee.

The term "**Subsidiary**" means a "**subsidiary corporation**" with respect to the Company, as defined in Section 424(f) of the Code.

The term "**TSX**" means the Toronto Stock Exchange.

Article 3—Administration of the Plan

The Plan will be administered by the Compensation Committee (the "**Committee**") of the Company's board of directors (the "**Board**"). Acts by a majority of the Committee, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee. For any period during which no such committee is in existence, "**Committee**" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board, and the term "**Committee**" wherever used herein shall be deemed to mean the Board.

The Committee has the full discretionary authority (consistent with and subject to the provisions of Section 423 of the Code and related regulations) at any time to: (i) adopt, alter and repeal such rules, guidelines and practices for the administration of the Plan and for its own acts and proceedings as it shall deem advisable (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are not subject to tax under the Code); (ii) interpret the terms and provisions of the Plan; (iii) make all determinations it deems advisable for the administration of the Plan; (iv) designate separate Offerings under the Plan; (v) decide all disputes arising in connection with the Plan; and (vi) otherwise supervise the administration of the Plan. All interpretations and decisions of the Committee shall be binding on all persons, including the Company and the Participants, unless otherwise determined by the Board. No member of the Board, the Committee or individual exercising administrative authority with respect to the Plan shall be liable for any action or determination made in good faith with respect to the Plan or any Purchase Right granted hereunder.

Article 4—Eligible Employees

All individuals classified as employees on the payroll records of the Company and each Participating Subsidiary are eligible to participate in any one or more of the Purchase Periods under the Plan, provided that as of the first business day of the applicable Purchase Period they are customarily employed by the Company or a Participating Subsidiary for more than twenty (20) hours a week, or any lesser number of hours per week established by the Committee for purposes of any separate Offering. Notwithstanding any other provision herein, individuals who are not classified as employees of the Company or a Participating Subsidiary for purposes of the Company's or applicable Participating Subsidiary's payroll system are not considered to be eligible employees of the Company or any Participating Subsidiary and shall not be eligible to participate in the Plan. Eligible employees who are Participants on the first business day of any Purchase Period shall receive their Purchase Rights as of such day. Individuals who become Participants after the first business day of any Purchase Period shall be granted Purchase Rights on the first day of the next succeeding Purchase Period on which Purchase Rights are granted to eligible employees under the Plan.

In any event, no employee may be granted a Purchase Right under the Plan if such employee, immediately after the Purchase Right was granted, would be treated as owning shares possessing five percent or more of the total combined voting power or value of all classes of shares of the Company or of any Parent or Subsidiary. For purposes of determining ownership under this paragraph, the rules of Section 424(d) of the Code shall apply, and shares of the Company or any Parent or Subsidiary which the employee may purchase under outstanding Purchase Rights and options shall be treated as shares owned by the employee.

Article 5—Shares Subject to the Plan

The shares issuable under the Plan shall be made available from either authorized but unissued common shares in the capital of the Company (the "**Common Shares**"). Subject to the provisions of Article 14 relating to capitalization adjustments, the maximum number of Common Shares that may be issued under the Plan will not exceed 650,000 Common Shares, plus the number of Common Shares that are automatically added on January 1st of each year, commencing on (and including) January 1, 2018 and ending on (and including) January 1, 2027, in an amount equal to the *lesser* of (i) 1% of the total number of Common Shares issued and outstanding on December 31st of the preceding calendar year, and (ii) 1,000,000 Common Shares. Notwithstanding the foregoing, the Board may act prior to the first day of any calendar year to provide that there will be no January 1 increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year will be a lesser number of Common Shares than would otherwise occur pursuant to the preceding sentence. If any Purchase Right granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased Common Shares subject thereto shall again be available under the Plan.

In accordance with the section 607(g) of the TSX Company Manual, the maximum number of Common Shares of the Company issued to Insiders within any six month period, or issuable to Insiders at any time, under all private placements, shall not exceed ten percent of the number of the then issued and outstanding Common Shares of the Company. In accordance with Section 432(b)(5) of the Code, in the event that the number of Common Shares which a Participant may purchase during a Purchase Period is reduced pursuant to the operation of this paragraph, such reduced number shall constitute the maximum number of Common Shares purchasable hereunder during the Purchase Period for each Participant in the Plan (and shall otherwise be effected in a manner which complies with the requirements of Sections 423 and 424 of the Code).

Article 6—Purchase Period

Purchase periods during which payroll deductions will be accumulated under the Plan shall consist of the six month periods commencing on January 1 and July 1, and ending on June 30 and December 31 of each calendar year, provided that the Committee may establish different purchase periods, from time to time, in advance of their commencement having a duration of three months to twenty-four months (each, a "**Purchase Period**" and collectively, the "**Purchase Periods**"). Contributions under the Plan shall be made by way of payroll deductions in accordance with Article 10.

Article 7—Grant of Purchase Rights

On the first business day of a Purchase Period, the Company will grant to each eligible employee who is then a Participant in the Plan a Purchase Right exercisable on the last day of such Purchase Period (the "**Purchase Date**") to purchase, at the Purchase Price hereinafter provided for, the number of Common Shares determined by dividing such Participant's accumulated payroll deductions during the Purchase Period by the applicable Purchase Price, all in accordance with this Plan and on the condition that such employee remains eligible to participate in the Plan throughout the remainder of such Purchase Period; provided, however, that such Purchase Right shall be subject to the limitations set forth below.

The purchase price will be 85 percent of the Average Market Price (as defined in Article 2) of the Common Shares on the Purchase Date, rounded up to the nearest cent (the "**Purchase Price**"). The foregoing limitation on the Purchase Price shall be subject to adjustments as provided in Article 14.

Only whole Common Shares may be purchased under the Plan. Unused payroll deductions remaining in a Participant's account at the end of a Purchase Period by reason of the inability to purchase a fractional share shall be carried forward to the next Purchase Period.

No Participant under the Plan may be granted a Purchase Right that permits the Participant's rights to purchase Common Shares under the Plan, and any other Section 423(b) employee stock purchase plans of the Company and its Parent and Subsidiaries, to accrue at a rate which exceeds $25,000 of the fair market value of such shares (determined on the Purchase Right grant date or dates) for each calendar year in which the Purchase Right is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code. If the Participant's accumulated payroll deductions on the Purchase Date would otherwise enable the Participant to purchase Common Shares in excess of the Section 423(b)(8) limitation described in this paragraph, the excess of the amount of the accumulated payroll deductions over the aggregate Purchase Price of the Common Shares actually purchased shall be promptly refunded to the Participant by the Company, without interest.

Article 8 -Exercise of Purchase Right

Each eligible employee who continues to be a Participant in the Plan on the Purchase Date shall be deemed to have exercised his or her Purchase Right on such date and shall be deemed to have purchased from the Company such number of whole Common Shares reserved for the purpose of the Plan as the Participant's accumulated payroll deductions on such date will pay for at the Purchase Price, subject to the limitations described in Article 7. If the individual is not a Participant on the Purchase Date, then he or she shall not be entitled to exercise his or her Purchase Right.

Article 9—Plan Enrollment

An eligible employee may elect to enter the Plan, at the election of the Committee, (i) through an electronic enrollment that provides required enrollment information requested by the Company, or (ii) by filling out, signing and delivering to the Company an authorization in a form specified by the Committee, in either case:

A. stating the percentage to be deducted regularly from the employee's Compensation (as defined in Article 10 below) (or contributed by other means to the extent permitted by the Committee);

B. authorizing the purchase of Common Shares for the employee in each Purchase Period in accordance with the terms of the Plan; and

C. specifying the exact name or names in which Common Shares purchased for the employee are to be issued as provided under Article 13 hereof.

Such enrollment or authorization must be received by the Company at least ten days before the first day of the next succeeding Purchase Period and shall take effect only if the employee is an eligible employee on the first business day of such Purchase Period, unless otherwise required by applicable law.

Unless a Participant completes a new election under Article 11 or withdraws from the Plan or no longer meets the eligibility requirements in Article 4, the deductions and purchases under the enrollment or authorization on file for the Participant under the Plan will continue automatically from one Purchase Period to succeeding Purchase Periods as long as the Plan remains in effect.

The Company will accumulate and hold for each Participant's account the amounts deducted from his or her pay. No interest will be paid on these amounts.

Notwithstanding the foregoing, participation in the Plan will neither be permitted nor be denied contrary to the requirements of Section 423 of the Code or other applicable law.

Article 10—Maximum Amount of Payroll Deductions

Each eligible employee may authorize payroll deductions in an amount (expressed as a whole percentage) not less than one percent and not more than fifteen percent of such employee's Compensation for each pay period. An amount equal to the elected percentage of the Participant's base salary, paid on a gross basis before any deduction for tax or other amounts ("**Compensation**"), shall be deducted on each regular payday falling within the Purchase Period. All amounts will be calculated on the Participant's gross Compensation, and deducted from a Participant's net pay on an after-tax basis. The Company will maintain book accounts showing the amount of payroll deductions made on behalf of each Participant for each Purchase Period.

Article 11—Change in Payroll Deductions

A Participant may elect to decrease his or her rate of payroll deduction by submitting an election (which may be in electronic form), at any time during a Purchase Period, in accordance with, and if and to the extent permitted by, procedures established by the Company from time to time, which may, if permitted by the Company, include a decrease to zero percent; provided, however, that unless determined otherwise by the Committee, a decrease to zero percent shall be a deemed withdrawal from the Plan. Any such election is subject to compliance with the Company's Insider Trading Policy and applicable trading black-out periods.

A Participant that stops payroll deductions in any Purchase Period in accordance with the foregoing or that withdraws from the Plan may not elect to participate further in the Plan until the next Purchase Period.

Article 12—Withdrawal from the Plan

A Participant may withdraw from participation in the Plan (in whole but not in part) at any time, except, with respect to withdrawal from a Purchase Period, on or after the last business day immediately preceding the last day of the Purchase Period, in accordance with the procedures prescribed by the Committee by delivering a notice of withdrawal (which may be in electronic form) to the Company or a person designated by the Company. The Participant's withdrawal will be effective as of the next business day. Following a Participant's withdrawal, the Company will promptly refund the amount of the Participant's aggregate payroll deductions for that Purchase Period to him or her (after payment for any Common Shares purchased before the effective date of withdrawal), without interest. Partial withdrawals are not permitted. Any such withdrawal is subject to compliance with the Company's Insider Trading Policy and applicable trading black-out periods.

Such an employee may not begin participation again during the remainder of the Purchase Period during which the withdrawal took place, but may enroll in a subsequent Purchase Period in accordance with Article 9. The employee's re-entry into the Plan becomes effective at the beginning of such Purchase Period, provided that he or she is an eligible employee on the first business day of the Purchase Period.

Article 13—Issuance of Common Shares

The Common Shares purchased by Participants will be issued to the Participant as soon as practicable after each Purchase Date.

Article 14—Adjustments

Upon the happening of any of the following described events, a Participant's Purchase Rights granted under the Plan shall be adjusted as hereinafter provided.

In the event that the Common Shares shall be subdivided or consolidated into a greater or smaller number of shares or if, upon a reorganization, split-up, liquidation, recapitalization or the like of the Company, the Common Shares shall be exchanged for other securities of the Company, each Participant shall be entitled, subject to the conditions herein stated, to purchase such number of Common Shares or amount of other securities of the Company as were exchangeable for the number of Common Shares that such Participant would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, consolidated or exchange (consistent with the provisions of Section 424 of the Code).

Upon the happening of any of the foregoing events, the class and aggregate number of Common Shares set forth in Article 5 hereof which are subject to Purchase Rights which have been or may be granted under the Plan and the limitations set forth in Articles 7 and 8 shall also be appropriately adjusted to reflect the events specified in the above paragraph (consistent with the provisions of Section 424 of the Code).

If the Company is to be consolidated with or acquired by another entity in a merger, a sale of all or substantially all of the Company's assets or otherwise (an "**Acquisition**"), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the "**Successor Board**") shall, with respect to Purchase Rights then outstanding under the Plan, either (i) make appropriate provision for the continuation of such Purchase Rights by arranging for the substitution on an equitable basis for the shares then subject to such Purchase Rights of either (a) the consideration payable with respect to the outstanding Common

Shares in connection with the Acquisition, (b) shares of the successor corporation, or a parent or subsidiary of such corporation, or (c) such other securities as the Successor Board deems appropriate, the fair market value of which shall not exceed the fair market value of the Common Shares subject to such Purchase Rights immediately preceding the Acquisition; or (ii) terminate each Participant's Purchase Rights in exchange for a cash payment equal to (a) the fair market value on the date of the Acquisition, of the number of Common Shares that the Participant's accumulated payroll deductions as of the date of the Acquisition could purchase, at a purchase price determined with reference only to the first business day of the applicable Purchase Period and subject to Code Section 423(b)(8) and fractional-share limitations on the amount of shares a Participant would be entitled to purchase, less (b) the result of multiplying such number of shares by such purchase price. Any actions taken pursuant to this paragraph shall comply with the requirements of Section 424 of the Code. The Board may also determine to terminate the Plan in accordance with Article 20 prior to the completion of an Acquisition.

The Committee or Successor Board shall determine the adjustments to be made under this Article 14, and its determination shall be conclusive.

Article 15—No Transfer or Assignment of Employee's Rights

A Purchase Right granted under the Plan or a Participant's other rights under the Plan may not be pledged, assigned, encumbered or otherwise transferred for any reason, except by will or laws of descent and distribution, and are exercisable during the Participant's lifetime only by the Participant. Any attempt to pledge, assign, encumber or transfer a Purchase Right or any other rights hereunder will be deemed to be an election by the Participant to withdraw from the Plan in accordance with Article 12.

Article 16—Designation of Beneficiary

A Participant may file a written designation of a beneficiary who is to receive any Common Shares and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to a Purchase Date on which the Purchase Right is exercised but prior to delivery to him or her of such Common Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to the exercise of a Purchase Right.

Such designation of beneficiary may be changed by the Participant (and his or her spouse, if any) at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Common Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Common Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

Article 17—Termination of Employee's Rights

Whenever a Participant ceases to be an eligible employee because of retirement, voluntary or involuntary termination, resignation, layoff, discharge, death or for any other reason before the Purchase Date for any Purchase Period, the Purchase Right will automatically be terminated on the date that the Participant ceases to be an eligible employee except in the case of involuntary termination, in which case the Purchase Right will automatically be terminated on the date that notice of termination of employment is delivered to the eligible employee. In such event, the Company shall promptly refund the entire balance of the Participant's payroll deduction account, without interest, to such Participant or, in the case of such Participant's death, to his or her designated beneficiary, as if such Participant had withdrawn from the Plan in accordance with Article 12. Notwithstanding the foregoing, eligible employment shall be treated as continuing intact while a Participant is on sick leave or other bona fide leave of absence, for up to three months, or for so long as the Participant's right to re-employment is guaranteed either by statute or by contract, if longer than three months.

This Plan does not, directly or indirectly, create any right for the benefit of any employee or class of employees to preferentially purchase any Common Shares under the Plan, or create in any employee or class of employees any right with respect to continuation of employment by the Company, and it shall not be deemed to interfere in any way with the Company's right to terminate, or otherwise modify, an employee's employment at any time.

Article 18—Special Rules

Notwithstanding anything herein to the contrary, the Committee may adopt special rules applicable to the employees of a particular Participating Subsidiary, whenever the Committee determines that such rules are necessary or appropriate for the implementation of the Plan in a jurisdiction where such Participating Subsidiary has employees; provided that, in the event the Participating Subsidiary has employees in the United States, such rules are consistent with the requirements of Section 423(b) of the Code and the regulations promulgated thereunder. Any special rules established pursuant to this Article 18 shall, to the extent possible, result in the employees subject to such rules having substantially the same rights as other Participants in the Plan.

Article 19—Interest

No interest will accrue on the accumulated payroll deductions or other contributions permitted by the Committee of a Participant, except as may be required by applicable local law, as determined by the Company, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering under the Plan, except to the extent otherwise permitted by applicable law.

Article 20—Termination and Amendments to Plan

The Plan may be terminated at any time by the Board but such termination shall not affect Purchase Rights then outstanding under the Plan. It will terminate in any case when all of the unissued Common Shares reserved for the purposes of the Plan have been purchased. If at any time Common Shares reserved for the purpose of the Plan remain available for purchase but not in sufficient number to satisfy all then unfilled purchase rights, the available Common Shares

shall be allocated *pro rata* among Participants in proportion to the amount of payroll deductions accumulated on behalf of each Participant that would otherwise be used to purchase Common Shares, and the Plan shall terminate. Upon any termination of the Plan, all payroll deductions not used to purchase Common Shares will be refunded, without interest.

The Committee or the Board may from time to time adopt amendments to the Plan provided that, without the approval of the shareholders of the Company, no amendment may (i) increase the number of Common Shares that may be issued under the Plan (other than pursuant to an equitable adjustment under Article 14); (ii) change the entities which may participate in the Plan; (iii) increase the maximum percentage of base salary during any pay period or the maximum dollar amount in any one calendar year that any eligible Participant may direct be contributed, pursuant to the Plan, towards the purchase of Common Shares on his or her behalf through payroll deductions; (iv) increase the Purchase Price discount as further described in Article 7; or (v) change the entity which grants shares under the Plan or the securities available under the Plan (other than pursuant to an equitable adjustment under Article 14). Subject to the qualifications set out in the immediately following paragraph, all other amendments to the Plan, including but not limited to any reasonable amendment to the mechanism for determining the Average Market Price, may be made without the approval of shareholders.

Notwithstanding any other provision in the Plan, any modification or amendment to the Plan shall be completed in a manner that is compliant with all applicable laws and requirements of any stock exchange or governmental or regulatory body, including the requirements of Section 423 of the Code and the listing standards of the NYSE. In addition, any modification or amendment to the Plan will be subject to the prior approval of the TSX to the extent that the Common Shares are listed on the TSX at the time of such proposed termination, modification or amendment.

No Purchase Rights may be issued under the Plan from and after the tenth anniversary of the date upon which the Effective Time occurs or such later date as is approved by shareholders of the Company following the Effective Time.

Article 21—Limits on Sale of Shares Purchased under the Plan

The Plan is intended to provide Common Shares for investment and not for resale. The Company does not, however, intend to restrict or influence any employee in the conduct of his or her own affairs. An employee may, therefore, sell Common Shares purchased under the Plan at any time the employee chooses, subject to compliance with any applicable federal, state and provincial securities laws and regulations; subject to any restrictions imposed under Article 25 to ensure that tax withholding obligations are satisfied; subject to compliance with the terms of the Company's Insider Trading Policy; and subject to compliance with any conditions imposed by the Committee or the Board under the Plan with respect to any subsequent purchases made by Participants under the Plan. **THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE COMMON SHARES**.

Article 22—Participants as Holders of Rights, Not Shareholders

Neither the granting of a Purchase Right to a Participant nor the deductions from his or her pay shall constitute such Participant a shareholder of the shares covered by a Purchase Right under the Plan until such shares have been purchased by and issued to him or her.

Article 23—Application of Funds

All funds received or held by the Company under the Plan may be combined with other corporate funds, and may be used for general corporate purposes.

Article 24—Notice to Company of Disqualifying Disposition

By electing to participate in the Plan, each United States of America resident agrees to notify the Company in writing immediately after the Participant transfers Common Shares acquired under the Plan, if such transfer occurs within two years after the first business day of the Purchase Period in which such Common Shares were acquired or within one year of the acquisition of such Common Shares. Each Participant further agrees to provide any information about such a transfer as may be requested by the Company or any Subsidiary in order to assist it in complying with the tax laws.

Article 25—Withholding of Additional Taxes

By electing to participate in the Plan, each Participant acknowledges that the Company and its Participating Subsidiaries are required to withhold taxes with respect to the amounts deducted from the Participant's Compensation and accumulated for the benefit of the Participant under the Plan, and each Participant agrees that the Company and its Participating Subsidiaries may deduct additional amounts from the Participant's Compensation, when amounts are added to the Participant's account, used to purchase Common Shares or refunded, in order to satisfy such withholding obligations. Each Participant further acknowledges that when Common Shares are purchased under the Plan the Company and its Participating Subsidiaries may be required to withhold taxes with respect to all or a portion of the difference between the fair market value of the Common Shares purchased and their purchase price and any other taxable benefit arising from participation in the Plan, and each Participant agrees that such taxes may be withheld from Compensation otherwise payable to such Participant. It is intended that tax withholding will be accomplished in such a manner that the full amount of payroll deductions elected by the Participant under Article 9 will be used to purchase the Common Shares. However, if amounts sufficient to satisfy applicable tax withholding obligations have not been withheld from Compensation otherwise payable to any Participant, then, notwithstanding any other provision of the Plan, the Company may: (a) withhold such taxes from the Participant's accumulated payroll deductions and apply the net amount to the purchase of Common Shares, unless the Participant pays to the Company, prior to the Purchase Date, an amount sufficient to satisfy such withholding obligations, or (b) with the authorization of and on behalf of the Participant, sell in the market on such terms and at such time or times as the Company determines, a portion of the Common Shares issued to the Participant under the Plan to realize cash proceeds to be used to satisfy the required tax remittance. Each Participant further acknowledges that the Company and its Participating Subsidiaries may be required to withhold taxes in connection with the disposition of Common Shares acquired under the Plan and agrees that the Company or any Participating Subsidiary may take whatever action it considers appropriate to satisfy such

withholding requirements, including deducting from Compensation otherwise payable to such Participant an amount sufficient to satisfy such withholding requirements or conditioning any disposition of Common Shares by the Participant upon the payment to the Company or such Participating Subsidiary of an amount sufficient to satisfy such withholding requirements. For purposes of this Article 25, "taxes" include all remuneration-related deductions, withholdings and contributions required by any governmental authority.

Article 26—Governmental Regulations

The Company's obligation to sell and deliver Common Shares under the Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such shares. Common Shares shall not be issued with respect to a Purchase Right granted under the Plan unless the exercise of such Purchase Right and the issuance and delivery of the shares of Common Shares pursuant thereto shall comply with all applicable laws and regulations and the requirements of any stock exchange upon which the shares may then be listed.

Article 27—Governing Law

The validity and construction of the Plan shall be governed by the laws of British Columbia, without giving effect to the principles of conflicts of law thereof.

Article 28--Effective Time

This Plan shall be effective at the time (the "**Effective Time**") immediately preceding the closing of the initial public offering of the Common Shares, provided that it has been approved by the holders of a majority of the Common Shares of the Company present or represented by proxy at the annual meeting of the shareholders of the Company, held after the date on which the Plan is adopted by the Board, and in a manner that complies with Section 423(b)(2) of the Code and applicable Canadian law. Notwithstanding the foregoing, the terms of this Plan shall not apply until Purchase Periods commencing on or after July 1, 2017, unless otherwise determined by the Committee.

Article 29—Miscellaneous

All references to currency herein are to U.S. funds unless otherwise indicated.

Exhibit 16.1

March 31, 2017

Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by Zymeworks Inc. (copy attached), which we understand will be filed with the Securities and Exchange Commission and the British Columbia Securities Commission as part of the Form F-1 of Zymeworks Inc. dated March 31, 2017. We agree with the statements concerning our Firm in such Form F-1.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, BC

EXPENSES RELATED TO THIS OFFERING

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the offer and sale of our common shares in this offering. All amounts listed below are estimates except the SEC registration fee and FINRA filing fee.

Itemized expense	Amount
SEC registration fee	$
Canadian securities regulatory filing fees	
NYSE listing fee	
TSX listing fee	
FINRA filing fee	
Printing and engraving expenses	
Transfer agent and registrar fees	
Legal fees and expenses	
Accounting fees and expenses	
Public Relations fees	$
Total	

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

1. Zymeworks Biopharmaceuticals Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Zymeworks Inc.

We consent to the use in this registration statement on Form F-1 of Zymeworks Inc. of our report dated March 17, 2017, with respect to the consolidated balance sheets of Zymeworks Inc. as of December 31, 2015 and December 31, 2016, and the related consolidated statements of changes in redeemable convertible preferred shares, special shares and shareholders' equity, loss and comprehensive loss, and cash flows for each of the years in the three year period ended December 31, 2016, which report appears in such registration statement. We also consent to the reference to our firm under the heading "Experts" in such registration statement.

We also consent to the use in this registration statement on Form F-1 of Zymeworks Inc. of our report dated October 11, 2016, with respect to the balance sheets of Kairos Therapeutics Inc. as at December 31, 2015 and March 31, 2015, and the related statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the nine months ended December 31, 2015 and the year ended March 31, 2015, which report appears in such registration statement. We also consent to the reference to our firm under the heading "Experts" in such registration statement. Our report dated October 11, 2016 contains an explanatory paragraph that states that Kairos Therapeutics Inc. has suffered recurring losses from operations which raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

/s/ KPMG LLP

Chartered Professional Accountants
March 31, 2017
Vancouver, Canada