As confidentially submitted to the Securities and Exchange Commission on December 12, 2016
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)

CT Corporation System
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:

Riccardo Leofanti	Joseph Garcia	Charles S. Kim	David Frost
Skadden, Arps, Slate, Meagher & Flom LLP	Blake, Cassels & Graydon LLP	David Peinsipp	McCarthy Tétrault LLP
222 Bay Street, Suite 1750	595 Burrard Street,	Andrew S. Williamson	745 Thurlow Street,
Toronto, ON, M5K 1J5	Suite 2600	Cooley LLP	Suite 2400
(416) 777-4700	Vancouver, BC, V7X 1L3	4401 Eastgate Mall	Vancouver, BC, V6E 0C5
	(604) 631-3307	San Diego, CA, 92121	(604) 643-7113
		(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	$	$

(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.

Table of Contents

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 DECEMBER 12, 2016

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

TABLE OF CONTENTS

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 conversion rate from Canadian dollars as of September 30, 2016. 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, 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 that demonstrate enhanced safety and efficacy with the potential to drive superior outcomes in large underserved and unaddressed patient populations.

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 human epidermal growth factor receptor 2, or HER2. This unique design enables ZW25 to address patient populations with all levels of HER2 expression, including low to intermediate HER2-expressing tumors. 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 $8.3 billion in 2015. 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 payload. We designed ZW33 to be a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression and it is expected to enter Phase 1 clinical trials in the first quarter 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, 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 safety, efficacy and patient outcomes. Our core platforms include:

- ***Azymetric***, our bispecific platform, which enables the targeting of two distinct epitopes, or antigenic domains, with a single antibody through multiple tailored configurations of the antigen binding, or Fab, regions;

- ***ZymeLink,*** which comprises both linker and ADC payload technology and 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;
- ***EFECT,*** which enables finely-tuned modulation (both up and down) of immune cell recruitment and function; and
- ***AlbuCORE,*** which augments the structure of endogenous human serum albumin, or HSA, with a proprietary series of multivalent scaffolds to address targets 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 of 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 internalization compared to existing HER2-targeted therapies. Our second product candidate, ZW33, is expected to enter Phase 1 clinical trials in the first quarter 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. Both ZW25 and ZW33 have been granted Orphan Drug Designation for the treatment of ovarian cancer by the U.S. Food and Drug Administration, or FDA. 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 validated through strategic partnerships with Merck and Lilly. We subsequently entered into broader strategic partnerships with Celgene and GSK followed by a collaboration and cross-licensing agreement with Daiichi. Following completion of the initial agreements 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 therapeutic platform technologies to develop 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.

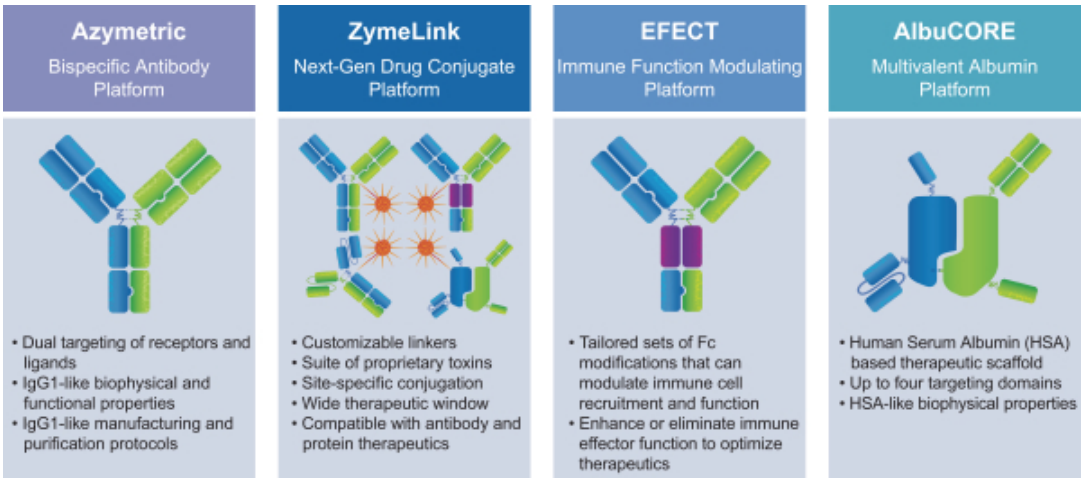
Overview of our Proprietary Therapeutic Platforms

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 drug conjugation (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 (ADCs) to the candidates in any of our other platforms. These capabilities allow us to finely-tune characteristics such as tumor-killing potential, target specificity and bio-compartmental access, 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 formatted with dual Fab antigen-targeting arms, common light chains and alternate single chain, heavy chain or hybrid antibody 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 (IgG or HSA) Formats***. Our antibody platforms are differentiated from our competitors and have been engineered to retain the desirable biophysical characteristics of native immunoglobulin, or IgG, such as lower immunogenicity, superior pharmacokinetics, an ability to mediate effector function and ease of manufacturing and purification. Likewise, our AlbuCORE platform builds on native HSA and exploits a tumor's natural accumulation of albumin given its higher permeability, vascularity and metabolic demands.
- ***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 titers 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, or antigens. 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. Additionally, the dual-targeting of Azymetric antibodies has demonstrated synergistic efficacy in preclinical studies through simultaneous binding 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 yields and purity, which accelerates manufacturing timelines and reduces costs.

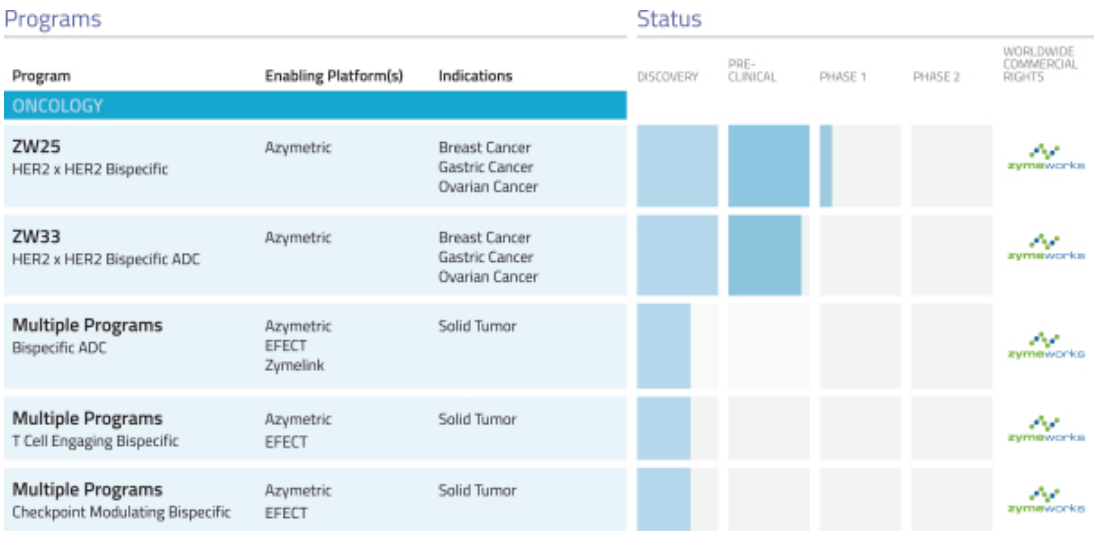
ZymeLink Conjugation Platform and Cytotoxins. The ZymeLink conjugation platform is a suite of novel site-specific protein conjugation technologies and customizable cleavable linkers that allow for the delivery of our proprietary cytotoxic payloads, which can be applied to all of our antibody and albumin-based therapeutic platforms. We believe that ZymeLink provides multiple competitive advantages over existing approaches, including optimized efficacy and safety 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. 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.

Our Pipeline of Product Candidates

Although existing approved targeted therapies are designed to treat tumors that express high levels of validated targets, there is a substantial population of patients whose tumors express lower levels of these targets and are not eligible for approved targeted therapies. 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 these areas of significant unmet medical need. The table below summarizes the status of the most advanced product candidates in our pipeline.



- *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 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 target therapies, such as Herceptin and Perjeta. 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 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, for which ZW25 has been granted Orphan Drug Designation by the FDA.
- *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, ovarian and gastric 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 anticipate filing an Investigational New Drug application, or IND, for ZW33 and entering Phase 1 clinical trials in the first quarter 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 high-value 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 may fail to obtain, or experience significant delays in obtaining, regulatory approval for one or more of our product candidates;

- our clinical trials may not be successful, and clinical results may not reflect results seen in previously conducted preclinical studies;
- we have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future;
- 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 be profitable;
- 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, 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). Immediately prior to the consummation of this offering, we will file a continuation application to continue the Company to British Columbia 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 of clinical development expenses for ZW25, $ million of clinical development expenses for ZW33, $ 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, in-licensing or the acquisition of other products or technologies. 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 43,882,226 of our common shares after giving effect to the conversion of all outstanding Class A convertible preferred shares as of September 30, 2016, which will occur immediately prior to the consummation of this offering, into an aggregate of 12,554,665 common shares and excludes:

- 2,003,574 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$3.46 per share (or $2.64 per share, as converted);
- 2,210,196 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$5.20 per share (or $3.96 per share, as converted);
- 2,051,742 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 $3.71 per share, as converted); and
- 704,081 common shares issuable upon the exercise of an outstanding Class A preferred share warrant, 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 aggregate of 12,554,665 common 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 704,081 common shares, which will occur immediately prior to the consummation of the 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 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 and 2015 have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary historical consolidated statements of operations data for the nine months ended September 30, 2015 and 2016 and the balance sheet data as of September 30, 2016 have been derived from our unaudited 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. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included all adjustments, consisting solely of normal recurring adjustments, which in our opinion are necessary to state fairly the financial information set forth in those statements. Our historical results are not necessarily indicative of the results we expect in the future, and our interim results should not necessarily be considered indicative of results we expect for the full year.

	Year Ended December 31,		Nine Months Ended September 30,	
	2014	2015	2015	2016
	(dollars in thousands except share and per share amounts)		(unaudited)	
Consolidated Statements of Operations Data:				
Revenue	$ 1,670	$ 9,660	$ 8,221	$ 8,777
Operating expenses:				
Research and development	13,818	26,000	17,475	29,372
Government grants and credits	(2,149)	(251)	—	—
	11,669	25,749	17,475	29,372
General and administrative	2,749	3,871	2,788	5,963
Total operating expenses	14,418	29,620	20,263	35,335
Loss from operations	(12,748)	(19,960)	(12,042)	(26,558)
Change in fair value of warrant liabilities	—	—	—	(747)
Other income (expense)	(194)	824	797	(307)
Loss before income taxes	(12,942)	(19,136)	(11,245)	(27,612)
Income tax expense	—	(34)	—	(327)
Deferred income tax benefit	—	—	—	5,407
Net loss	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Net loss per common share (basic and diluted)	$ (0.74)	$ (0.71)	$ (0.42)	$ (0.75)
Weighted-average number of common shares (basic and diluted)	17,479,680	26,888,906	26,863,879	30,085,263
Pro forma basic net loss per common share(1)		$ (0.71)		$ (0.53)
Pro forma diluted net loss per common share(1)		$ (0.71)		$ (0.53)
Pro forma basic weighted-average number of common shares(1)		26,888,906		42,365,008
Pro forma diluted weighted-average number of common shares(1)		26,888,906		42,365,008

(1) The pro forma basic and diluted net loss per share reflects the conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering, assuming 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 September 30, 2016		
	Actual	Pro Forma(2)	Pro Forma As Adjusted(2)(3)
		(dollars in thousands) (unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$27,944	$	$
Short-term investments	23,872		
Working capital (deficit)	45,207		
Total assets	98,489		
Total liabilities	20,104		
Total shareholders' equity	19,525		

(2) The pro forma consolidated balance sheet data reflect the conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering; the conversion of a warrant to purchase 704,081 of our Class A preferred shares into a warrant to purchase 704,081 of our common shares immediately prior to the consummation of this offering, 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, none of our product candidates have been tested on humans and we have not submitted an application, or received marketing approval, for any of our product candidates. 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 first quarter 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.

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 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.

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;
- 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. Two of our product candidates, ZW25 and ZW33, have been granted Orphan Drug Designation for ovarian cancer by the FDA 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 Perceptive Facility 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.

Further, there have been judicial and Congressional challenges to certain aspects of the PPCA and we expect that there will be additional challenges and amendments to the PPCA in the future in light of the change in administrations following the November 2016 presidential election.

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 nine months ended September, 30 2016 was $22.5 million and for the years ended December 31, 2014 and 2015 was $15.1 million and $19.2 million, respectively. As of September 30, 2016, our accumulated deficit was approximately $90.3 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 Perceptive Facility 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 Perceptive Facility 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 on the Perceptive Facility 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 anticipate that the net proceeds from this offering, together with our existing cash and cash equivalents and a significant portion of the $12.4 million in collaboration payments we anticipate receiving through 2017, will enable us to fund the clinical development of ZW25 and ZW33 product candidates based on our Azymetric platform technology, assuming all of our strategic partners' programs advance as currently contemplated. 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 Perceptive Facility 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 September 30, 2016, approximately 59% 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 Perceptive Facility, 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 governing the Perceptive Facility 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 Perceptive Facility, 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 Perceptive Facility 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, 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 September 30, 2016, we had 107 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, 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, 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, and (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, 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 or December 31, 2015, 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 Perceptive Facility 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.

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 September 30, 2016, we have issued 4,213,770 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."

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 Business Corporations Act (British Columbia), or 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 material corporate transactions (such as mergers and amalgamations, other extraordinary corporate transactions or amendments to our articles) the BCBCA generally requires the voting threshold to be set out in the articles, 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.

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, consolidation, 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, consolidation, 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 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 % 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;
- 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,		Nine Months Ended September 30,	
	2014	2015	2015	2016
Highest rate during the period	1.1643	1.3990	1.3413	1.4589
Lowest rate during the period	1.0614	1.1728	1.1728	1.2544
Average noon spot rate for the period(1)	1.1084	1.2907	1.2737	1.3168
Rate at the end of the period	1.1601	1.3840	1.3394	1.3117

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

On December 6, 2016, the Bank of Canada noon rate of exchange was $1.00 = C$1.3281

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 our pipeline of product candidates. We intend to use the net proceeds of this offering as follows:

- approximately $ to fund clinical development expenses for ZW25;
- approximately $ to fund clinical development expenses for ZW33;
- approximately $ 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.

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). 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 already 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. Furthermore, 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.

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.

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 Perceptive Facility 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 September 30, 2016:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of our outstanding Class A preferred shares into 12,554,665 common shares and to reflect the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase 704,081 of our common 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; 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 September 30, 2016		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(unaudited) (dollar in thousands, except share data)		
Cash and cash equivalents	$ 27, 944	$	$
Short-term investments	23, 872		
Long-term debt	$ 3,732	$ —	$ —
Common share purchase warrant liabilities	817	—	—
Preferred share purchase warrant liabilities	3,968	—	—
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; 43,882,226 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	106,595		
Additional paid-in capital	6,102		
Accumulated other comprehensive loss	(6,659)		
Accumulated deficit	(86,513)		
Total shareholders' equity	$ 19,525	$	$
Consolidated capitalization	$ 86, 902	$	$

(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 to be outstanding after this offering is based on 43,882,226 of our common shares after giving effect to the conversion of all outstanding Class A convertible preferred shares as of September 30, 2016, which will occur immediately prior to the consummation of this offering, into an aggregate of 12,554,665 common shares and excludes:

- 2,003,574 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$3.46 per share (or $2.64 per share, as converted);
- 2,210,196 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$5.20 per share (or $3.96 per share, as converted);
- 2,051,742 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 $3.71 per share, as converted); and
- 704,081 common shares issuable upon the exercise of an outstanding Class A preferred share warrant, 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.

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 September 30, 2016 was $46.34 million, or $1.48 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 September 30, 2016.

Our pro forma net tangible book value as of September 30, 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 conversion of our outstanding Class A preferred shares into 12,554,665 common shares; and to reflect the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase 704,081 common 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 conversion of the outstanding Class A preferred shares into common shares immediately prior to the 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); (2) the conversion of a warrant to purchase 704,081 Class A preferred shares into a warrant to purchase 704,081 common 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 September 30, 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 September 30, 2016	$ 1.48
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 September 30, 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 to be outstanding after this offering is based on 43,882,226 of our common shares after giving effect to the automatic conversion of all outstanding Class A convertible preferred shares as of September 30, 2016, which will occur immediately prior to the consummation of this offering, into an aggregate of 12,554,665 common shares and excludes:

- 2,003,574 common shares issuable upon the exercise of fully-vested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$3.46 per share (or $2.64 per share, as converted);
- 2,210,196 common shares issuable upon the exercise of unvested outstanding options to issue common shares, as of September 30, 2016, at a weighted-average exercise price of C$5.20 per share (or $3.96 per share, as converted);
- 2,051,742 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 $3.71 per share, as converted); and
- 704,081 common shares issuable upon the exercise of an outstanding Class A preferred share warrant, 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.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 included in this prospectus have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. The following selected historical consolidated statements of operations data for the nine months ended September 30, 2015 and 2016 and the balance sheet data as of September 30, 2016 have been derived from our unaudited consolidated financial statements and notes included 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. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included all adjustments, consisting only of normal recurring adjustments, which in our opinion are necessary to state fairly the financial information set forth in those statements. Our historical results are not necessarily indicative of the results we expect in the future, and our interim results should not necessarily be considered indicative of results we expect for the full year. 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,		Nine Months Ended September 30,	
	2014	2015	2015	2016
	(dollars in thousands except share and per share amounts)		(unaudited)	
Consolidated Statements of Operations Data:				
Revenue	$ 1,670	$ 9,660	$ 8,221	$ 8,777
Operating expenses:				
Research and development	13,818	26,000	17,475	29,372
Government grants and credits	(2,149)	(251)	—	—
	11,669	25,749	17,475	29,372
General and administrative	2,749	3,871	2,788	5,963
Total operating expenses	14,418	29,620	20,263	35,335
Loss from operations	(12,748)	(19,960)	(12,042)	(26,558)
Change in fair value of warrant liabilities	—	—	—	(747)
Other income (expense)	(194)	824	797	(307)
Loss before income taxes	(12,942)	(19,136)	(11,245)	(27,612)
Income tax expense	—	(34)	—	(327)
Deferred income tax benefit	—	—	—	5,407
Net loss	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Net loss per common share (basic and diluted)	$ (0.74)	$ (0.71)	$ (0.42)	$ (0.75)
Weighted-average number of common shares (basic and diluted)	17,479,680	26,888,906	26,863,879	30,085,263
Pro forma basic net loss per common share(1)		$ (0.71)		$ (0.53)
Pro forma diluted net loss per common share(1)		$ (0.71)		$ (0.53)
Pro forma basic weighted-average number of common shares(1)		26,888,906		42,365,008
Pro forma diluted weighted-average number of common shares(1)		26,888,906		42,365,008

(1) The pro forma basic and diluted net loss per share reflects the conversion of all outstanding Class A preferred shares immediately prior to the consummation of this offering, assuming 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,		As of September 30,
	2014	2015	2016
	(dollars in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$46,835	$11,519	$ 27,944
Short-term investments	—	3,641	23,872
Working capital (deficit)	39,141	12,828	45,207
Total assets	50,681	23,149	98,489
Deferred revenue	8,002	—	—
Total liabilities	10,918	4,910	20,104
Total shareholders' equity and preferred shares	39,763	18,239	78,385

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 nine months ended September 30, 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 three and nine months ended September 30, 2016 and for the years ended December 31, 2015 and 2014 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 that demonstrate enhanced safety and efficacy with the potential to drive superior outcomes in large underserved and unaddressed patient populations.

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 low to intermediate HER2-expressing tumors. 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. 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 and it is expected to enter Phase 1 clinical trials in the first quarter 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, our therapeutic platforms have been further validated 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 safety, efficacy and 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 September 30, 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 September 30, 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 September 30, 2016, we had an accumulated deficit of $86.5 million. We reported a net loss of $19.2 million for the year ended December 31, 2015 and $22.5 million for the nine months ended September 30, 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 $3.9 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. Prior to the closing of this offering, we intend to complete 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 unaudited interim consolidated financial statements for the nine months ended September 30, 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 nine months ended September 30, 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 validated through strategic partnerships with Merck and Lilly. 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 platform. 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 $190.8 million, including an upfront payment ($1.3 million received in 2011), research milestone payments ($1.5 million received in 2012 and $2.0 million received in 2013), and development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales.

  Under the agreement, we are sharing certain research and development responsibilities with Merck to generate bispecific antibodies with the Azymetric platform. 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), research milestone payments ($1.0 million received in 2015) and development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales.

  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 potentially

$375.0 million, including research, development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales. 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 and we have agreed to maintain a minimum cash balance, which decreases as programs advance in research and development, to ensure we can fulfill our research responsibilities. 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. 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, Zymeworks is eligible to receive up to $164.0 million per therapeutic candidate (up to $1.3 billion for all eight programs), including a licensing payment and development, regulatory and commercial milestone payments, as well as tiered royalties in the low to mid-single digits on product sales. 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 as well as tiered royalties in the low-single digits on net sales of products. 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 ($6.0 million received in 2016) and research, development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales. 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 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 ($2.0 million received in 2016) and research, development and commercial milestone payments as well as tiered royalties in the low single to low double digits on product sales. We also gained non-exclusive rights to develop and commercialize up to three products using Daiichi's proprietary immune-oncology antibodies, with low single digit royalties 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;
- amounts paid to vendors and suppliers for laboratory supplies; and
- costs incurred in filing, prosecuting and maintaining intellectual property directly related to our product candidates and therapeutic platforms.

The following table shows a summary of our research and development expenses for the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2015 and 2016.

	Year Ended December 31,		Nine Months Ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(dollars in millions)			
Research and development expense				
ZW25	$ 2.9	$ 5.4	$ 3.4	$ 5.3
ZW33	1.6	5.4	3.4	8.1
Therapeutic platforms	4.5	6.6	4.3	6.3
Other research activities	4.8	8.6	6.4	9.7
Total research and development expense	$ 13.8	$ 26.0	$ 17.5	$ 29.4
Less: Government credits	2.1	0.3	—	—
	$ 11.7	$ 25.7	$ 17.5	$ 29.4

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 nine months ended September 30, 2016, our research and development expenditures increased by $11.9 million, compared to the same period in 2015. This was primarily due to increased clinical manufacturing activities and IND-enabling studies associated with ZW25 and ZW33, as well as increased activities associated with our Azymetric platform and early-stage research and discovery programs recorded in other research activities. 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) consists of interest and accretion expenses, change in fair value of warrant liabilities, foreign exchange gain (loss) and income (expense) from investments.

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 nine months ended September 30, 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. 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 enter into collaboration and license agreements with strategic partners for the development of antibody-based therapeutics for cancer, autoimmune and inflammatory indications. The terms of the agreements may

include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from strategic partnerships. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. License fees are recognized as revenue when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has substantially completed and collection is reasonably assured.

We recognize upfront license payments as revenue upon delivery of the license only if the license has stand-alone value to the customer and if the agreement includes a general right of return, the delivery or performance of undelivered items is considered probable and within our control. The payment is generally allocated to the separate units of accounting based on their relative selling prices. 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. The payment allocated is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions.

Whenever we determine that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations 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 are expected to complete its performance obligations.

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

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 (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement and (ii) the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with the milestone event. Any amounts received under agreements in advance of performance, if deemed substantive, are recorded as deferred revenue and recognized as revenue as we complete our performance obligations. 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 our 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.

Milestone payments are not bifurcated into substantive and non-substantive components. Payments related to the achievement of non-substantive milestones are deferred and recognized over our remaining performance period.

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

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 CROs for services performed on preclinical studies; and
- fees paid for professional services.

Income Taxes

We account for income taxes using ASC 740 Income Taxes, which is 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 our financial statements or tax returns. In estimating future tax consequences, ASC 740 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. ASC 740 clarifies the criteria that must be met prior to recognition of the financial statement benefit of a position taken in a tax return. ASC 740 provides a benefit recognition model with a two-step approach 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. ASC 740 also requires the recognition of liabilities created by differences between tax positions taken in a tax return and amounts recognized in the financial statements.

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 operations 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.

Stock options granted to individual service providers who are not employees or directors are accounted for at estimated fair value using the Black-Scholes option-pricing model. We recognize share-based compensation expense, net of estimated forfeitures, in the consolidated statements of operations at the measurement date.

We engaged an independent third-party valuation firm to assist our board of directors in determining the fair value of the common shares underlying our equity awards. All options to purchase our common shares have been granted with an exercise price per share no less than the 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.

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 based in part on input from the independent third-party valuation firm. We determined the fair value of our common shares using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants, or AICPA, Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation, or the AICPA Practice Guide. In addition, our board of directors considered various objective and subjective factors, along with input from management and the independent third-party valuation firm, to determine the fair value of our common shares, including external market conditions affecting the pharmaceutical industry, trends within the pharmaceutical industry, the prices at which we sold our common

shares and our Class A preferred shares, the superior rights and preferences of our Class A preferred shares relative to our common shares at the time of each grant, our results of operations and financial position, the status of our research and development efforts, our stage of development and business strategy, the lack of an active public market for our common and our Class A preferred shares, and the likelihood of achieving a liquidity event such as an initial public offering or sale of our company in light of prevailing market conditions.

The per share estimated fair value of common shares in the table below represents the determination by our board of directors of the fair value of our common shares as of the date of grant, taking into consideration the various objective and subjective factors described above, including the conclusions, if applicable, of contemporaneous valuations of our common shares as discussed below.

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$(1)	Estimated Fair Value of Common Shares in C$
January 1, 2014	284,000	4.86	4.86
April 1, 2014	30,000	4.86	4.86
July 1, 2014	20,000	4.86	4.86
October 1, 2014	60,000	4.86	4.86
January 1, 2015	742,000	6.05	6.05
April 1, 2015	75,000	6.05	6.05
July 1, 2015	42,500	6.05	6.05
October 1, 2015	50,000	6.05	6.05
January 1, 2016	45,000	5.07	5.07
January 29, 2016	1,540,000	5.07	5.07
February 29, 2016	165,000	5.07	5.07
November 9, 2016	595,855	8.69	8.69

(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.

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 September 30, 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 November 9, 2016, 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	Volatility	Dividend Yield	Risk Free Rate	Discount for lack of marketability
31-Dec-13	$ 4.86	55%	0%	0.78%	35%
31-Dec-14	$ 6.05	55%	0%	1.10%	35%
31-Mar-15	$ 6.05	55%	0%	0.89%	35%
30-Jun-15	$ 6.05	55%	0%	1.10%	35%
30-Sep-15	$ 6.05	55%	0%	0.92%	35%
31-Dec-15	$ 5.07	55%	0%	1.22%	15% - 30%
31-Mar-16	$ 6.89	65%	0%	1.00%	15% - 30%
30-Jun-16	$ 7.37	65%	0%	0.71%	15% - 30%
08-Nov-16	$ 8.69	65%	0%	0.99%	15% - 30%

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 $3.71 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 $3.71 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 $4.61 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 $4.61 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 $3.87 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 $3.87 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 $6.63 per share, as converted). In establishing this exercise price, our board of directors relied in part of 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 $6.63 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 Nine Months Ended September 30, 2015 and 2016

Research and Development Revenue

The following represents a comparison of our research and development revenue for the nine months ended September 30, 2015 and 2016:

	Nine Months Ended September 30,			
	2015	2016	Increase/(Decrease)	
	(unaudited)			
	(dollars in millions)			
Revenue from research and collaborations	$ 8.2	$ 8.8	$ 0.6	(7%)

The increase in collaboration revenue of $0.6 million for the nine months ended September 30, 2016 compared to the same period in 2015 is primarily due to the $2.0 million and $6.0 million technology access fees received from Daiichi and GSK, respectively in 2016 compared to the $7.5 million upfront payment from Celgene, which was amortized into revenue in 2015.

Research and Development Expense

The following represents a comparison of our research and development expense for the nine months ended September 30, 2015 and 2016:

	Nine Months Ended September 30,		Increase/(Decrease)	
	2015	2016		
	(unaudited)		(dollars in millions)	
Research and development expense				
ZW25	$ 3.4	$ 5.3	$ 1.9	56%
ZW33	3.4	8.1	4.7	138%
Therapeutic platforms	4.7	6.3	1.6	34%
Other research activities	6.0	9.7	3.7	62%
Total research and development expense	$ 17.5	$ 29.4	$ 11.9	68%

During the nine months ended September 30, 2016, our research and development expenditures increased by $11.9 million, compared to the same period in 2015. This was primarily due to increased clinical manufacturing activities and IND-enabling studies associated with ZW25 and ZW33, as well as increased activities associated with our Azymetric platform 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 nine months ended September 30, 2015 and 2016:

	Nine Months Ended September 30,		Increase/(Decrease)	
	2015	2016		
	(unaudited)		(dollars in millions)	
General and administrative expense	$ 2.8	$ 6.0	$ 3.2	114%

General and administrative expense increased for the nine months ended September 30, 2016 by $3.2 million, compared to the same period in 2015, primarily due to an increase in salaries expense and professional fees. The salaries increase was the result of new hires and higher share-based compensation expense. The increase in professional fees over the same period in 2015 was associated with consulting services related to functional currency change, lab and office buildout, and legal and human resources advisory services.

Other Income (Expenses)

Other income for the nine months ended September 30, 2016 decreased by $1.9 million primarily due to $1.1 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 $0.7 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 amortization of deferred revenue related to the Celgene upfront payment recognized into revenue from January 1, 2015 to June 30, 2015. In addition, the increase relates to the milestone payment 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	$ 2.9	$ 5.4	$ 2.5	86%
ZW33	1.6	5.4	3.8	238%
Therapeutic platforms	4.5	6.6	2.1	47%
Other research activities	4.8	8.6	3.8	79%
Total research and development expense	$ 13.8	$ 26.0	$ 12.2	88%
Less: Government credits	2.1	0.3	(1.8)	(86%)
Total research and development expense, net	$ 11.7	$ 25.7	$ 14.0	120%

During the year ended December 31, 2015, our research and development increased by $12.2 million, compared to the same period in 2014. This was primarily due to increased clinical manufacturing activities and IND-enabling studies associated with ZW25 and ZW33, increased activities associated with our Azymetric platform, 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	$ 2.7	$ 3.9	$ 1.2	44%

General and administrative expense increased for the year ended December 31, 2015 by $1.2 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 Science 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, 2014 to September 30, 2016 have been derived from our unaudited consolidated financial statements and footnotes. The unaudited consolidated statements of loss and comprehensive loss for the nine month periods ended September 30, 2015 and 2016 are included elsewhere in this prospectus. 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
	(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
Operating expenses:											
Research and development	2,628	3,470	3,096	4,624	4,480	7,431	5,563	8,526	8,181	10,889	10,302
Government grants and credits	—	—	—	(2,149)	—	—	—	(251)	—	—	—
	2,628	3,470	3,096	2,475	4,480	7,431	5,563	8,275	8,181	10,889	10,302
General and administrative	496	640	615	998	1,017	983	788	1,083	1,820	1,990	2,153
Total operating expenses	3,124	4,110	3,711	3,473	5,497	8,414	6,351	9,358	10,001	12,879	12,455
Loss from operations	(2,642)	(3,332)	(3,530)	(3,244)	(1,572)	(4,458)	(6,011)	(7,919)	(9,739)	(6,536)	(10,283)
Other income (expense)	(112)	(119)	16	21	682	(61)	199	4	1,620	(815)	(1,859)
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)
Income tax expense								(34)		(72)	(255)
Deferred income tax benefit	—	—	—	—	—	—	—	—	5,407	—	—
Net loss	$ (2,754)	$ (3,451)	$ (3,514)	$ (3,223)	$ (890)	$ (4,519)	$ (5,812)	$ (7,949)	$ (2,712)	$ (7,423)	$ (12,397)
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)
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

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 Perceptive Facility, 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 achieved specific milestones relating to our clinical trials and future collaboration agreements. 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 September 30, 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 connection in the credit agreement in connection with the Perceptive Facility. 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. Pursuant to the terms of the Perceptive Facility, 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 September 30, 2016, we had $51.8 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 and 2015 and the nine months ended September 30, 2015 and 2016:

	Year Ended December 31,		Nine Months Ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(dollars in millions)			
Net cash provided by (used in):				
Operating activities	$ (7.0)	$ (22.2)	$ (16.4)	$ (26.6)
Investing activities	(0.3)	(9.2)	(5.0)	(22.7)
Financing activities	46.4	1.5	1.7	66.1
Effect of exchange rate changes on cash and cash equivalents	(1.3)	(5.4)	(4.3)	(0.4)
Net increase (decrease) in cash and cash equivalents	$ 37.8	$ (35.3)	$ (24.0)	$ 16.4

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 a $20.0 million increase in short-term investments and $2.7 million in purchases of lab equipment, computer hardware, and increases in leaseholds, whereas in 2015, short-term investments increased $4.3 million and purchases of office equipment and software amounted to $0.7 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 nine months ended September 30, 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. For the nine months ended September 30, 2015, net proceeds from private financing was $1.8 million. 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 September 30, 2016, combined with the collaboration payments we anticipate receiving, will enable us to fund the clinical development of ZW25 and ZW33 product candidates based on our Azymetric platform technology, assuming all of our strategic partners' programs advance as currently contemplated.

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 September 30, 2016 are as follows:

	Payments Due By Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
			(in thousands)		
Capital lease obligations	$ 16	$ 6	$ 8	$ 2	$ —
Operating lease obligations	8,669	1,585	3,596	3,314	174
Total contractual obligations	$8,685	$ 1,591	$3,604	$3,316	$ 174

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 prepaid 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.

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 $51.8 million and $15.2 million at September 30, 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 September 30, 2016, our net monetary assets denominated in Canadian dollars was $20.1 million (C$26.4 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 that demonstrate enhanced safety and efficacy with the potential to drive superior outcomes in large underserved and unaddressed patient populations.

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 low to intermediate HER2-expressing tumors. 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 $8.3 billion in 2015. 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 payload. We designed ZW33 to be a best-in-class HER2-targeting ADC for several indications characterized by HER2 expression and it is expected to enter Phase 1 clinical trials in the first quarter 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, 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 safety, efficacy and patient outcomes. Our core platforms include:

- ***Azymetric***, our bispecific platform, which enables the targeting of two distinct epitopes, or antigenic domains, with a single antibody through multiple tailored configurations of the antigen binding, or Fab, regions;
- ***ZymeLink,*** which comprises both linker and ADC payload technology and 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;
- ***EFECT,*** which enables finely-tuned modulation (both up and down) of immune cell recruitment and function; and
- ***AlbuCORE,*** which augments the structure of endogenous human serum albumin, or HSA, with a proprietary series of multivalent scaffolds to address targets 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 of 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 internalization compared to existing HER2-targeted therapies. Our second product candidate, ZW33, is expected to enter Phase 1 clinical trials in the first quarter 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. Both ZW25 and ZW33 have been granted Orphan Drug Designation for the treatment of ovarian cancer by the FDA. 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 validated through strategic partnerships with Merck and Lilly. We subsequently entered into broader strategic partnerships with Celgene and GSK followed by a collaboration and cross-licensing agreement with Daiichi. Following completion of the initial agreements 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 therapeutic platform technologies to develop 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.

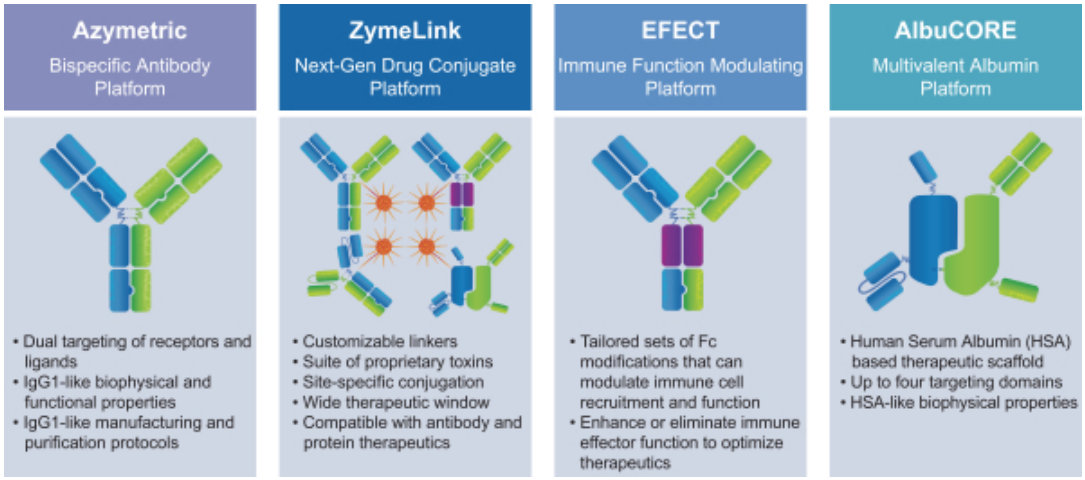
Overview of our Proprietary Therapeutic Platforms

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 drug conjugation (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 (ADCs) to the candidates in any of our other platforms. These capabilities allow us to finely-tune characteristics such as tumor-killing potential, target specificity and bio-compartmental access, 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 formatted with dual Fab antigen-targeting arms, common light chains, and alternate single chain, heavy chain, or hybrid antibody 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 (IgG or HSA) formats.*** Our antibody platforms are differentiated from our competitors and have been engineered to retain the desirable biophysical characteristics of native Immunoglobulin, or IgG, such as lower immunogenicity, superior pharmacokinetics, an ability to mediate effector function, and ease of manufacturing and purification. Likewise, our AlbuCORE platform builds on native HSA and exploits a tumor's natural accumulation of albumin given its higher permeability, vascularity and metabolic demands.
- ***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 titers 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 or antigens. 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. Additionally, the dual-targeting of Azymetric antibodies has demonstrated synergistic efficacy in preclinical studies through simultaneous binding 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 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 conjugation 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 efficacy and safety 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.

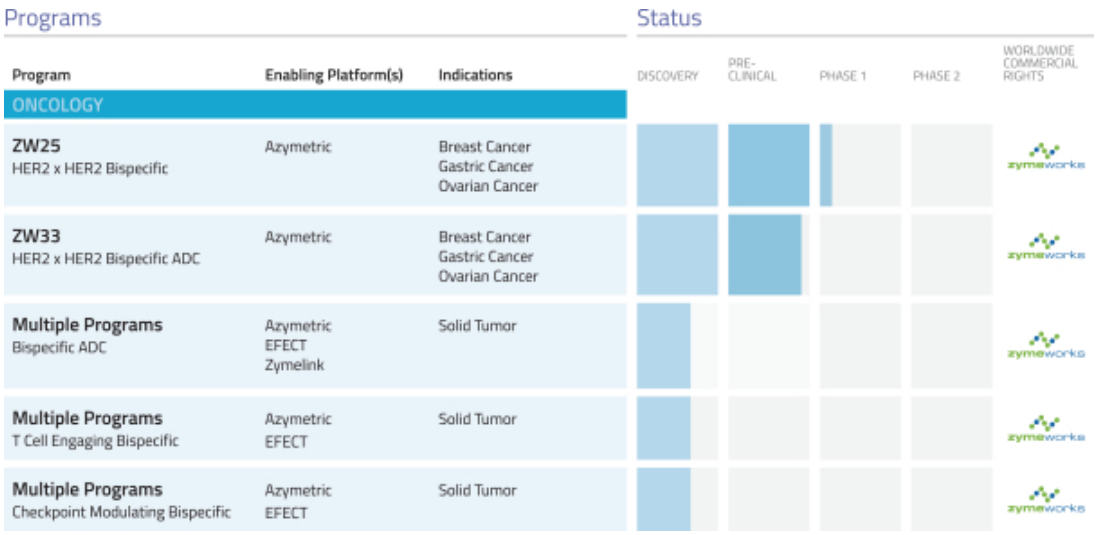
AlbuCORE Multispecific Antibody-Alternative Platform

The AlbuCORE platform is a novel and proprietary suite of multivalent scaffolds engineered from the HSA backbone. 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.

Our Pipeline of Product Candidates

Although existing approved targeted therapies are designed to treat tumors that express high levels of validated targets, there is a substantial population of patients whose tumors express lower levels of these targets and are not eligible for approved targeted therapies. 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 these areas of significant unmet medical need.

The table below summarizes the status of the most advanced product candidates in our pipeline.



- ***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 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 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 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, for which ZW25 has been granted Orphan Drug Designation by the FDA.
- ***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, ovarian and gastric 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 anticipate filing an IND for ZW33 and entering Phase 1 clinical trials in the first quarter 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. We believe ZW25 is best-positioned to initially treat patients with cancers having low to intermediate levels of HER2 expression that are ineligible for HER2-targeted therapies, such as Herceptin and Perjeta. A first-in-human Phase 1 clinical trial for ZW25 began in August 2016 and dosing commenced in September 2016. The trial will consist 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 high HER2-expressing refractory breast and gastric or gastroesophageal cancers and other HER2-expressing cancers including ovarian, bladder, colorectal and NSCLC. If the data obtained in our trials are highly compelling, we plan to discuss accelerated registration paths and other regulatory designations with regulatory agencies.
- ***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 plan to file an IND for ZW33 and enter into Phase 1 clinical trials in the first quarter of 2017, with toxicology studies and Current Good Manufacturing Practice, or cGMP, manufacturing ongoing in support of this effort. We are able to realize significant cost and time savings for ZW25 and ZW33 relative to other bispecifics by leveraging the same antibody manufacturing processes 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.
- ***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 high-value 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:

(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.

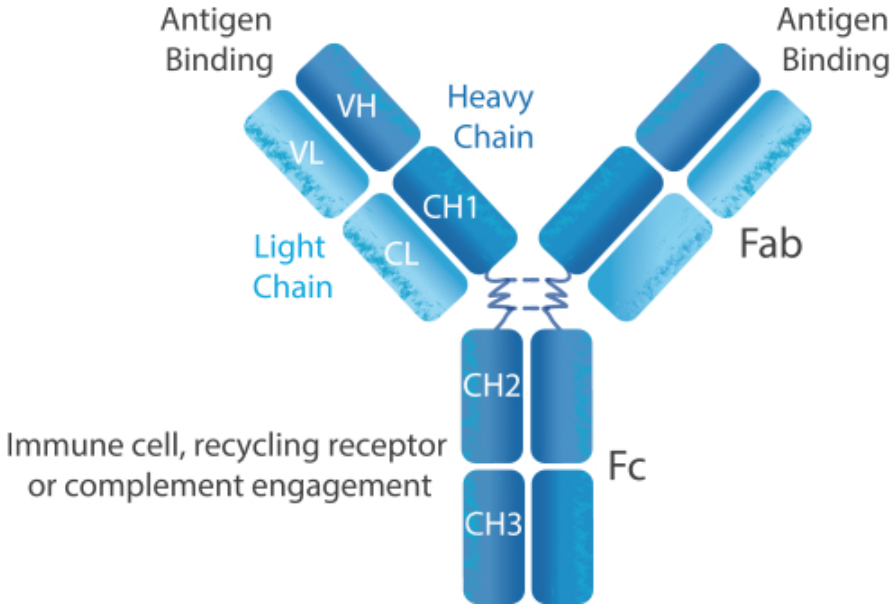
EU5 data excerpted from: Ferlay J, Soerjomataram I, Ervik M, Dikshit R, Eser S, Mathers C, Rebelo M, Parkin DM, Forman D, Bray, F. *GLOBOCAN 2012 v1.0, Cancer Incidence and Mortality Worldwide:* IARC CancerBase No. 11 (Internet). Lyon, France: International Agency for Research on Cancer; 2013. Head &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

- 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.

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.

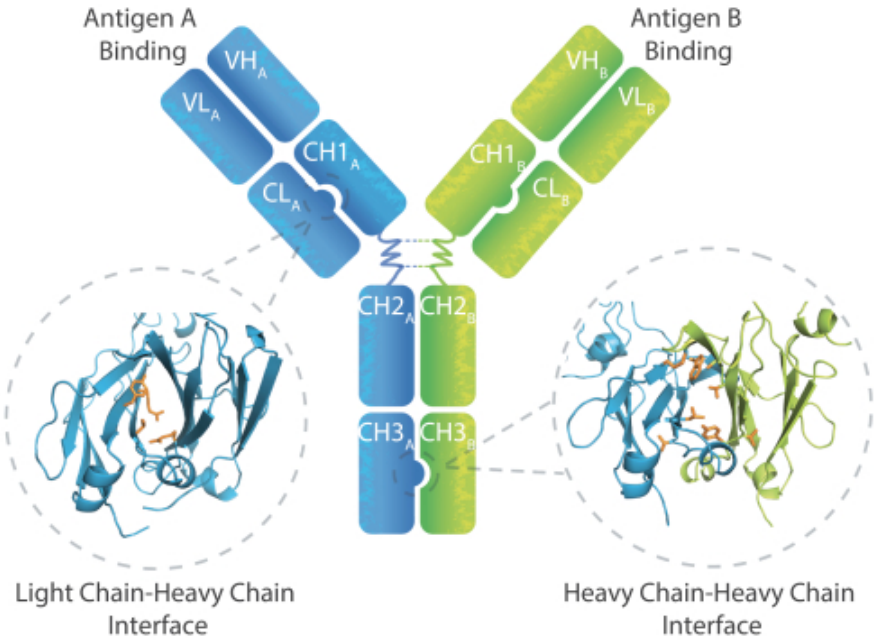
Zymeworks' Competitive Advantage: Proprietary Therapeutic Platforms

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 drug conjugate technologies (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

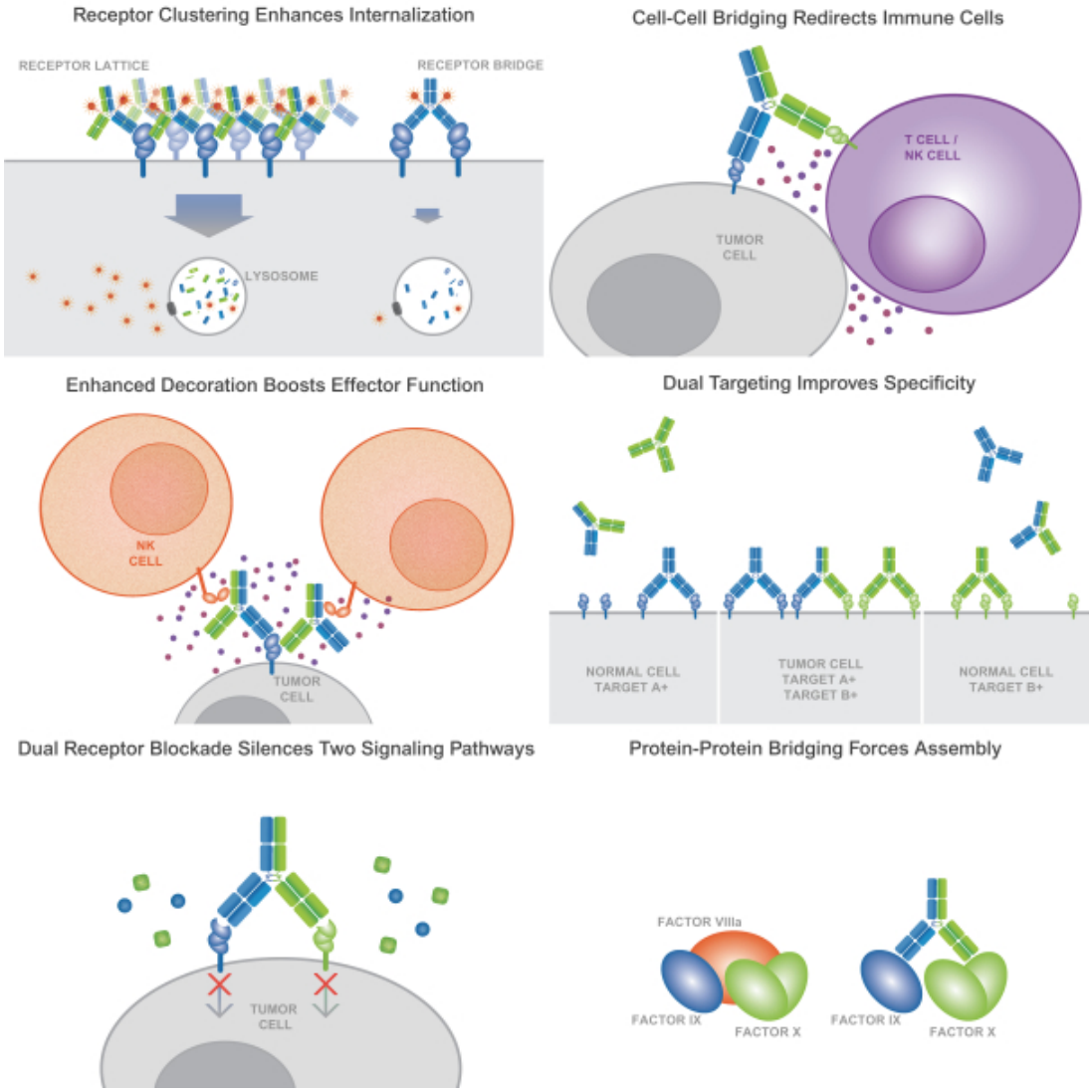
The Azymetric platform consists of a library of proprietary amino acid substitutions in the Fc and Fab regions that transform monospecific antibodies into bispecific antibodies, giving them the ability to simultaneously bind two non-overlapping epitopes, or antigens. The core technology consists of complementary 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.



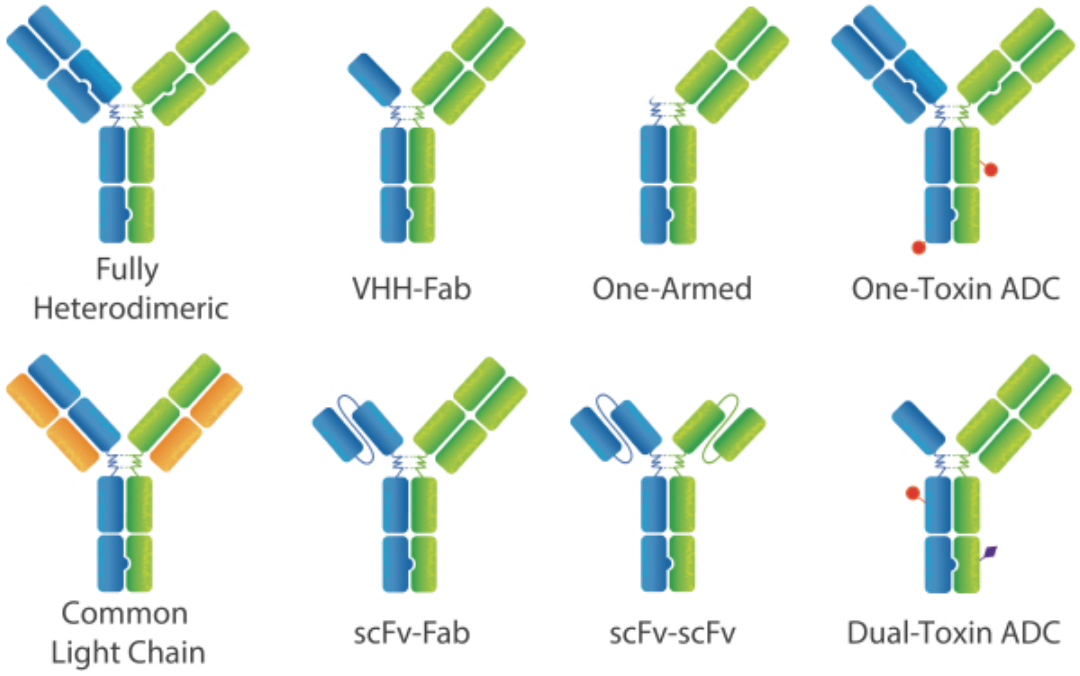
Azymetric Antibody Schematic. Azymetric antibodies consist of two different heavy chains and two different light chains which, when associated using proprietary, engineered Fc and Fab domain interfaces, can engage two distinct antigens through two different antigen-targeting arms.

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.

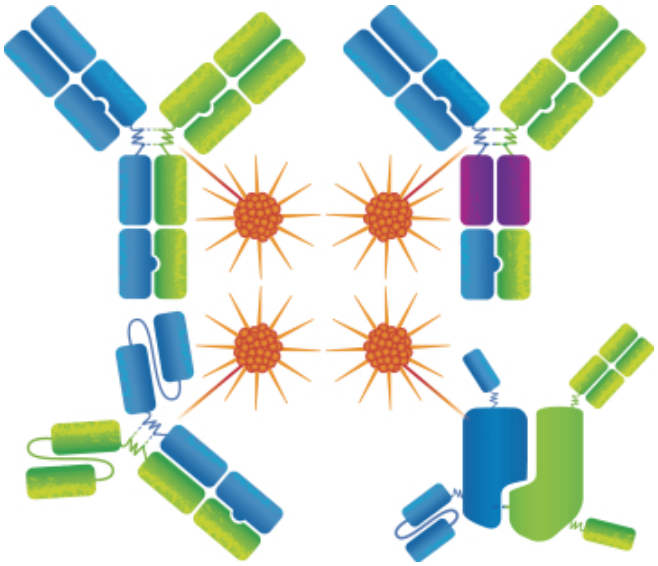
We have designed the Azymetric platform to provide us with the following competitive advantages:

- 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

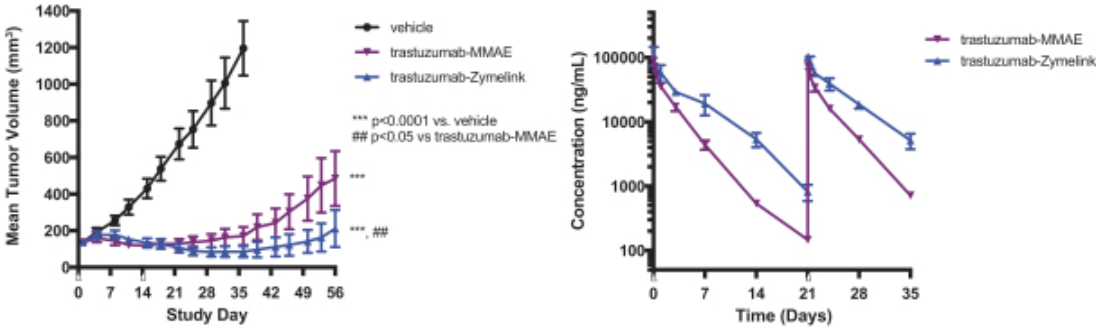
The ZymeLink conjugation platform represents a suite of novel site-specific protein conjugation technologies and customizable cleavable linkers that enable the delivery of cytotoxic payloads, and can be applied to all of our antibody and albumin-based therapeutic scaffolds. The ZymeLink platform enables 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 efficacy and tolerability *in vivo.* In fact, the ZymeLink cytotoxin-conjugates are tolerated by non-human primates at doses several-fold higher than currently approved ADC approaches, 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
Neutropenia	6 mg/kg	None
Hepatotoxicity (AST, ALT)	None	24 mg/kg
Dose-limiting Toxicity	Myelotoxicity	Hepatotoxicity
Maximum Tolerated Dose	3 mg/kg	18 mg/kg

ZymeLink Drug Conjugate Platform. At an equivalent drug-to-antibody ratio, ADCs generated using the ZymeLink platform are potent and at least as efficacious as ADCs generated using monomethyl auristatin E, or MMAE in a HER2-expressing patient-derived xenograft tumor model. ZymeLink ADCs also exhibit superior pharmacokinetic properties and are significantly better tolerated in non-human primates compared to ADCs generated using MMAE.

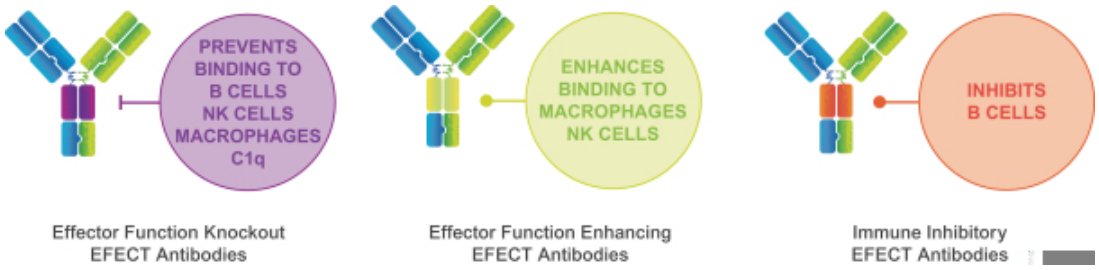
We have designed the ZymeLink platform to provide us with the following competitive advantages:

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

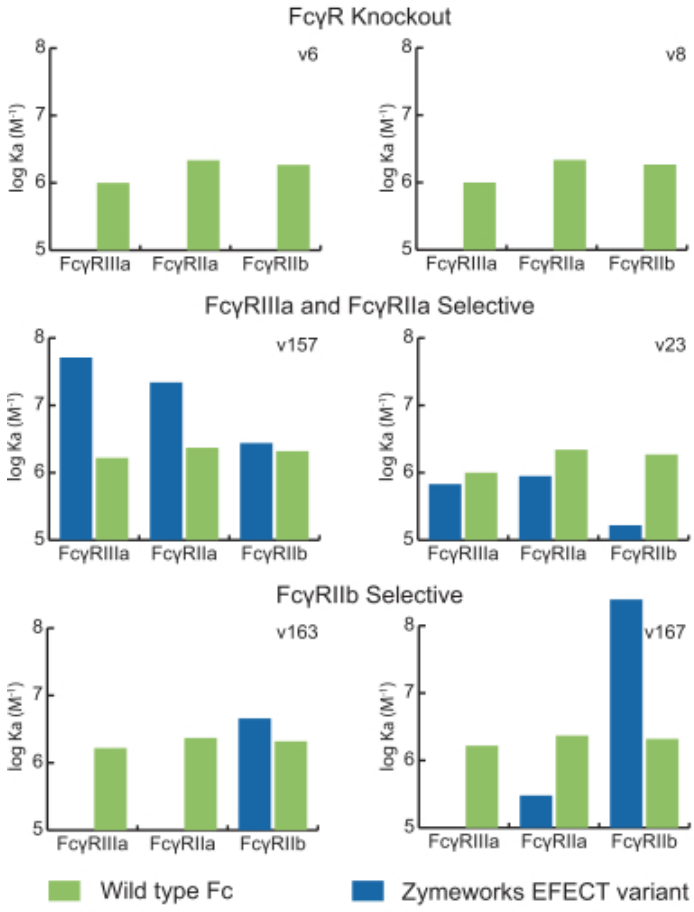
The EFECT platform is comprised of sets of proprietary modifications to the Fc region of antibodies that enable us to selectively modulate the activity of recruited immune cells, including up-regulation to enhance antibody-mediated effector cytotoxicity and down-regulation or elimination to suppress unwanted effector activity. Modulating immune cell engagement tailors antibody effector function to match a specific therapeutic purpose.



Modulation of Effector Function with the EFECT Platform. Tailored sets of amino acid modifications can be introduced in to the Fc region of antibodies to generate therapeutics with immune effector function eliminated (purple), with enhanced immune effector cell function (yellow) or the ability to inhibit B cell activity without depleting B cells (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.

EFECT variants that have selectively increased binding to the FcgRIIIa or FcgRIIa receptors display enhanced ADCC, ADCP and serum clearance of immune complexes. Conversely, EFECT variants with enhanced binding to FcgRIIb can inhibit antibody-mediated auto-immunity by down-regulating immune responses. In addition, the EFECT platform has also been used to eliminate binding to all FcgRs and C1q where effector cell-mediated cytotoxicity is undesirable for therapeutic antibodies. For example, elimination of Fc effector function is an important means of enhancing the safety of T cell re-directing bispecific antibodies and checkpoint inhibitors.



Modulation of FcgR Binding with the EFECT Platform. Zymeworks has engineered EFECT variants that can selectively engage different FcgR receptors. The binding affinities for a wild-type unmodified antibody Fc domain are shown in green while our EFECT variants are shown in blue.

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

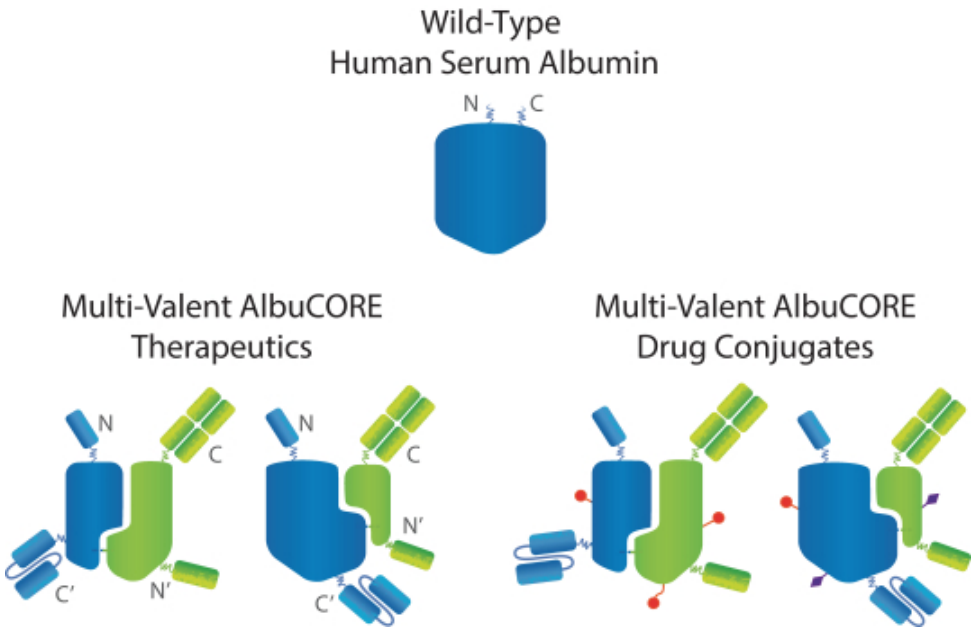
- selective enhancement or elimination of activating or inhibitory FcgR function
  - *enables precise modulation of immune effector function;*
- selective recruitment of adaptive and innate immune cells (e.g., macrophages and T-cells) and
- proprietary mutations for the IgG scaffold
  - *provides more complete elimination of FcgR engagement compared to IgG based therapeutics when effector function is undesirable.*

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 antibodies 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.

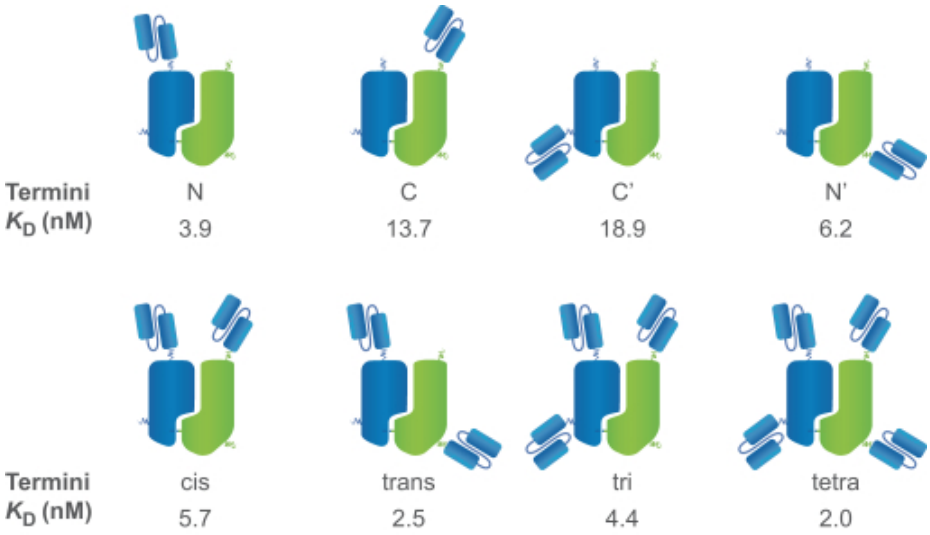


AlbuCORE Platform Schematic. Zymeworks has engineered a series of AlbuCORE scaffolds by genetically splitting the native HSA sequence at exposed loops. Different AlbuCORE scaffolds allow fusion of antigen-binding domains resulting in different target-engagement geometries. One or more cytotoxic drugs 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, Avastin, Herceptin and Rituxan, which had 2015 worldwide sales of approximately $6.7 billion, $6.5 billion and $5.6 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 $1.2 billion in sales for 2015. 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.

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 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, for which ZW25 has been granted Orphan Drug Designation 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.

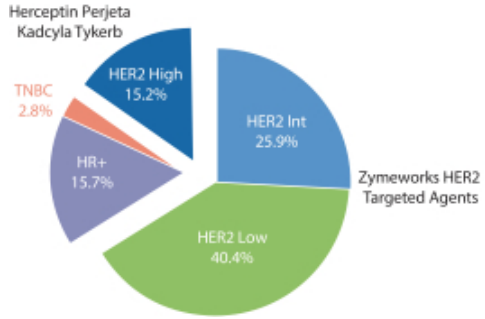
Breast cancer treatment is based on disease stage, grade, hormone and HER2 receptor status. Treatment options include surgery, radiotherapy and drug therapy. Early-stage tumors are typically removed by surgery and patients may be treated with drugs to prevent cancer recurrence, referred to as adjuvant 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), and Tykerb (lapatinib). Current standard of care for HER2-positive 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. 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 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.

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	91,617

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.

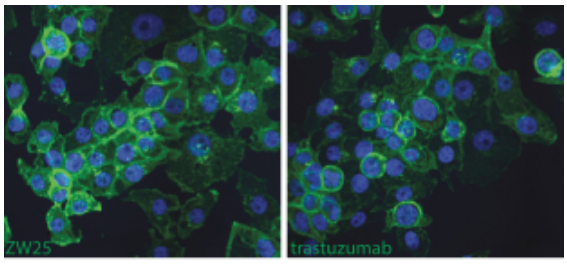
Many gastric/gastroesophageal junction cancers also have high levels of HER2 expression. Herceptin has been approved in combination with chemotherapy as first line treatment of HER2 High-expressing gastric and gastroesophageal junction cancers whereas other HER2-targeted agents including Kadcyla and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

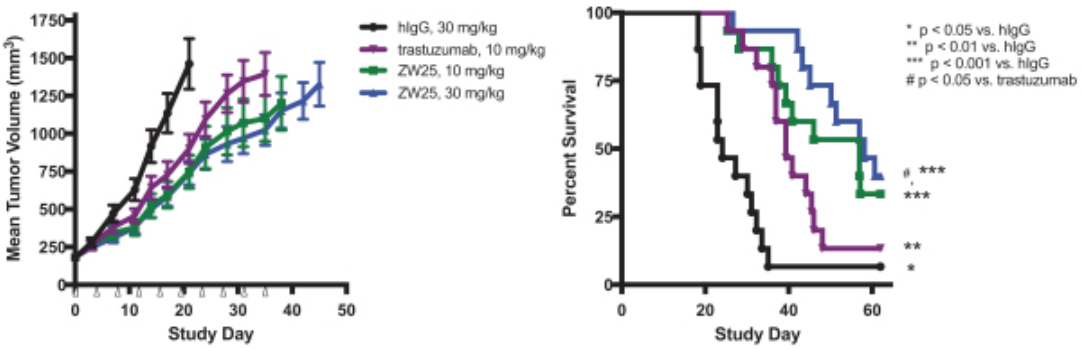
We believe that ZW25 will be an effective therapy for the treatment of HER2-expressing breast cancer patients that are either ineligible for Herceptin or Perjeta based on HER2 expression levels, or who have relapsed or refractory HER2 High breast cancers. We estimate that the annual patient population 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

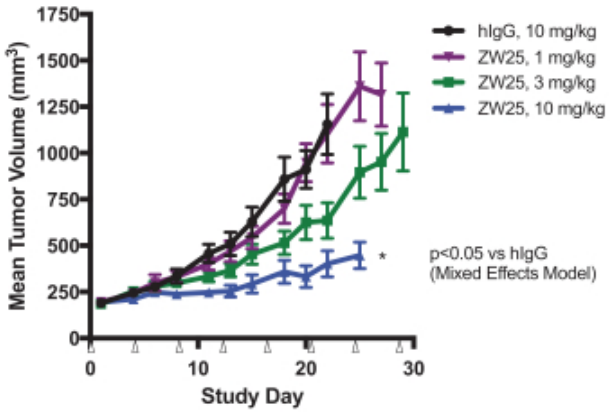
We have conducted *in vitro* and *in vivo* preclinical studies that demonstrate that ZW25 is efficacious against breast tumors expressing low to intermediate levels of HER2 as well as ovarian cancer. Neither Herceptin nor Perjeta have been approved for use in these settings. Our non-clinical data also 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 efficacy to the ADC, or T-DM1, in HER2 High models.

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



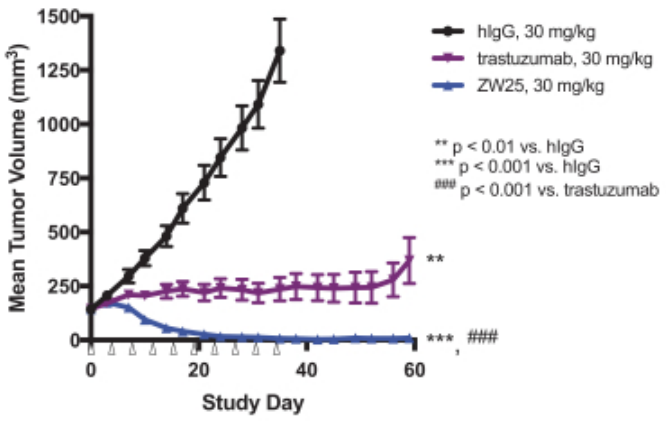
ZW25 is Effective in a HER2 Low Patient-Derived Breast Cancer Model. ZW25 inhibits tumor growth (left) and extends survival (right) in the HER2 Low breast cancer patient-derived xenograft model. Antibodies were dosed twice weekly for five weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=15/group) with established tumors. Survival was extended following treatment with ZW25, and the length of survival extension was statistically significant with a p-value of less than 0.001 when compared to hIgG indicated by "***." 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. A p-value of 0.05 or less typically represents a statistically significant result.

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. In the left panel, antibodies were dosed at the indicated concentrations twice weekly for four weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10-12/group) with established tumors. Treatment with ZW25 significantly inhibited the relative growth rate of tumors with a p-value of less than 0.05 when compared to hIgG indicated by "*." These results suggest that ZW25 may be an efficacious treatment for patients with ovarian cancers that express HER2 at a High level. 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 dosed at 30 mg/kg twice weekly for five weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10/group) with established tumors. Treatment with ZW25 significantly inhibited the relative growth rate of tumors with a p-value of less than 0.001 when compared to trastuzumab indicated by "###." Using modified 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 dosed 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 is evaluating ZW25 as a single agent and in combination with standard of care chemotherapy in patients with advanced, progressive solid tumors that express HER2 as confirmed by IHC or FISH. The primary objectives of the trial are to characterize the safety, tolerability, pharmacokinetic profile and maximum tolerated dose, or MTD, of once weekly ZW25. Secondary objectives include evaluation of preliminary anti-tumor activity, as well as identification of potential biomarkers of response.

As ZW25 mediates its therapeutic efficacy 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. In May 2016, the FDA awarded Orphan Drug Designation to ZW25 for the treatment of 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 anticipate filing an IND for ZW33 and then entering Phase 1 clinical trials in patients with HER2-expressing tumors in the first quarter 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 PFS of 18.7 months, and a median 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:

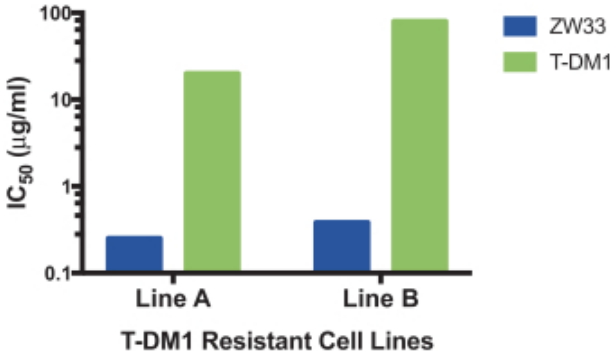
- enhanced toxin-mediated cytotoxicity due to increased HER2-mediated internalization and delivery of the cytotoxic payload;
- enhanced apoptosis due to increased HER2 internalization and rapid withdrawal of HER2 signaling from HER2 signaling-dependent tumors;
- enhanced blockade of ligand-dependent 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). The potential for increased efficacy should allow ZW33 to 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.

Preclinical Development of ZW33

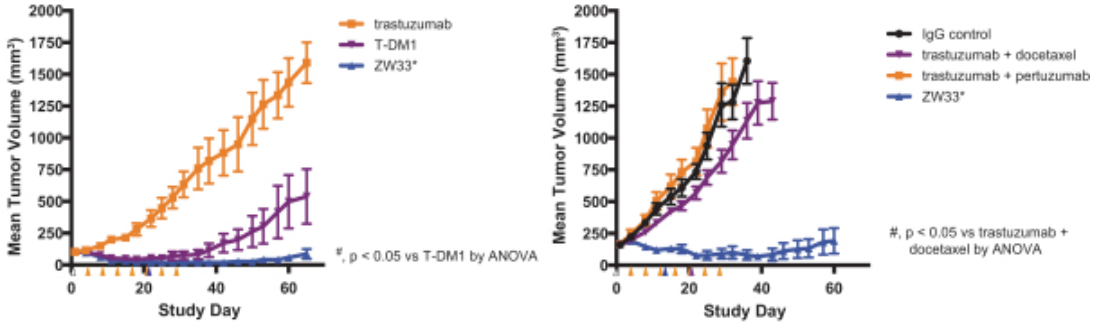
In vitro and *in vivo* preclinical studies demonstrate that ZW33 can inhibit tumor growth, including complete regressions, in multiple trastuzumab-resistant xenograft models. In addition, breast cancer cell lines with acquired resistance to trastuzumab or T-DM1 remained sensitive to growth inhibition 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



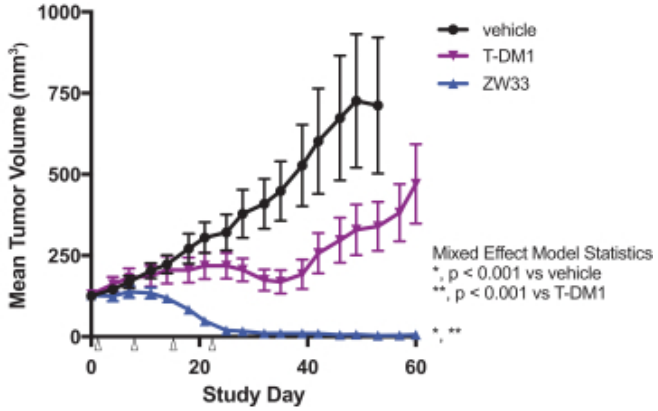
ZW33 Retains Potency Against T-DM1 Resistant Cell Lines. Breast cancer cell lines with defined HER2 gene copy number, HER2 protein expression, and HER2 receptor phosphorylation were developed *in vivo* to have acquired resistance to T-DM1. Cells were then treated with serial dilutions of ZW33 or T-DM1. 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 with a p-value of less than 0.05 indicated by "#." 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 dosed at 10 mg/kg on days 1 and 14 (indicated by the blue triangle), 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). 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 dosed at 5 mg/kg weekly for 4 weeks (indicated by open triangles) in a blinded, randomized, placebo controlled study (n=10/group) with established tumors. Treatment with ZW23 significantly inhibited the relative growth rate of tumors with a p-value of less than 0.001 when compared to T-DM1 indicated by "**." 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 is being evaluated in a repeat-dose GLP toxicology and pharmacokinetic study in non-human primates dosed weekly for eight weeks followed by an eight-week recovery period which will be complete by December 2016. Based on interim results, the highest non-severely toxic dose, or HNSTD, of ZW33 was determined to be 3 mg/kg. In general, adverse effects reported at doses greater than 3 mg/kg were similar those reported for corresponding doses of DM1 or T-DM1. cGMP manufacturing has been initiated and is expected to be complete by December 2016 to support 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 submit an IND to enable initiation of the Phase 1 clinical trial in the first quarter of 2017.

The primary objective of the trial will be to characterize the safety, tolerability, pharmacokinetics and MTD 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.

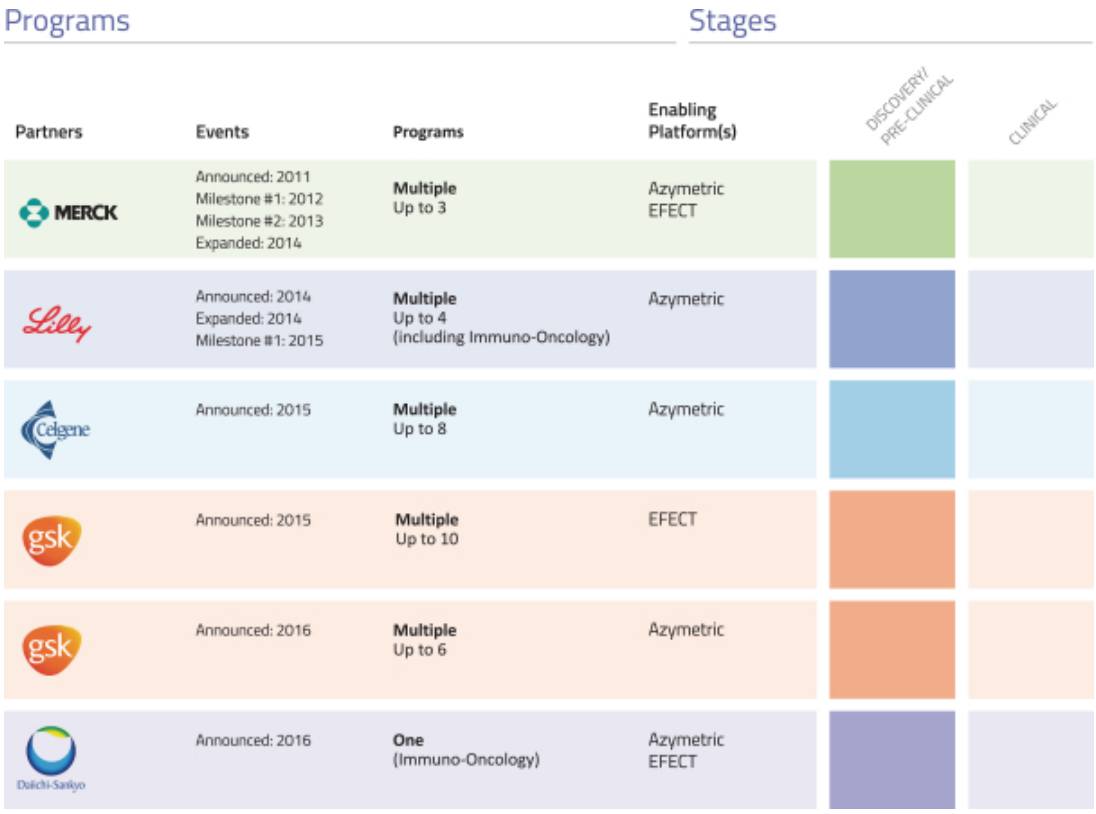
Other Azymetric Product Candidates

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 validated through strategic partnerships with Merck and Lilly. 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. To date, we have received over $22.8 million in the form of upfront payments and milestone payments and expect to receive up to an additional $178.0 million by 2019. We are also eligible to receive up to another $1.2 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. 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 platform. 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 $190.8 million, including an upfront payment ($1.3 million received in 2011), research milestone payments ($1.5 million received in 2012 and $2.0 million received in 2013), and development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales.

Under the agreement, we are sharing certain research and development responsibilities with Merck to generate bispecific antibodies with the Azymetric platform. 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), research milestone payments ($1.0 million received in 2015) and development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales.

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 potentially $375.0 million, including research, development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales. 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 and we have agreed to maintain a minimum cash balance, which decreases as programs advance in research and development, to ensure we can fulfill our research responsibilities. 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, Zymeworks is eligible to receive up to $164.0 million per therapeutic candidate (up to $1.3 billion for all eight programs), including a licensing payment and development, regulatory and commercial milestone payments, as well as tiered royalties in the low to mid-single digits on product sales. 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 as well as tiered royalties in the low-single digits on net sales of products. 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.

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 ($6.0 million received in 2016) and research, development and commercial milestone payments as well as tiered royalties in the low to mid-single digits on product sales. 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 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 ($2.0 million received in 2016) and research, development and commercial milestone payments as well as tiered royalties in the low single to low double digits on product sales. We also gained non-exclusive rights to develop and commercialize up to three products using Daiichi's proprietary immune-oncology antibodies, with low single digit royalties 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 November 30, 2016, our patent portfolio consists of 48 active patent families, 45 with filed Patent Cooperation Treaty, or PCT, applications, 38 of which are in the national phase, and five of which consist of filed U.S. provisional applications. Two patent families are co-owned with VAR2 Pharmaceuticals ApS. We have 16 issued patents, five 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. If issued, 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. An additional PCT application is directed to novel auristatin derivatives, auristatin-linker compositions and antibody-auristatin conjugates. 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 constructs 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. One patent has 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. Any patents that may 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. For our internal development and commercialization activities, we agreed to pay CVI certain clinical milestones and royalties on a per-product basis. Upon licensing of products, we agreed to share a portion of the licensing revenue with CVI.
- ***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.
- ***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 (2015):*** We have entered into a commercial agreement granting us the right to manufacture and commercialize one of our product candidates using ProBioGen's 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, 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 levels of HER2. Currently, these patients receive chemotherapies 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 low to intermediate HER2-expressing tumors including Merck's Keytruda and Bristol-Myer Squibb's Opdivo.

- ***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.

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:

Pre-Clinical 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 pre-clinical 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.

Some of the provisions of the PPACA have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges, which we expect to continue in light of the pending change in administrations following the presidential election. Thus, the full impact of 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 September 30, 2016, we had 108 employees, including 107 full-time employees, 69 of whom were primarily engaged in research and development activities and 48 of whom hold an M.D. or Ph.D. degree. 94 of our employees are based in Vancouver, British Columbia and 14 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

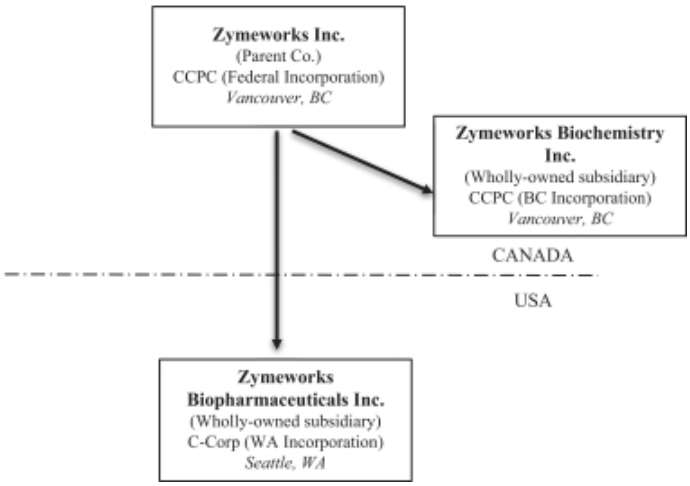
From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any material legal proceedings.

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. Our only two subsidiaries, Zymeworks Biopharmaceuticals, Inc. and Zymeworks Biochemistry Inc., are wholly-owned. Prior to the closing of this offering, we intend to complete a short-form amalgamation with Zymeworks Biochemistry Inc.

Corporate Org Chart:



Notes: CCPC refers to "Canadian Controlled Private Corporation." Immediately prior to the closing 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 November 30, 2016. 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.

Name	Residence	Age	Position(s)
Executive Officers			
Ali Tehrani, Ph.D.	British Columbia, Canada	44	President and Chief Executive Officer and Director
Neil Klompas, CPA, CA	British Columbia, Canada	44	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	43	Chief Technology Officer
John Babcook	British Columbia, Canada	53	Senior Vice President, Discovery Research
Directors			
Nick Bedford	British Columbia, Canada	57	Chairman of the Board and Governance & Nominating Committee
Kerry Blanchard, Ph.D., M.D.	Shanghai, China	61	Director
Donald Drakeman, Ph.D.	South Carolina, USA	63	Director
Noel Hall	British Columbia, Canada	54	Director
Dion Madsen, B. Comm, CFA	California, USA	49	Director
Ali Tehrani, Ph.D.	British Columbia, Canada	44	President and Chief Executive Officer and Director
Shermaine Tilley, Ph.D., MBA	Quebec, Canada	64	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 and Chief Executive Officer. Dr. Tehrani has served as a member of our board of directors since inception. 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 has served as our Chief Financial Officer since March 2007 and 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.

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 2012 to 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 of clinical development from 2009 to 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.

Surjit Dixit

Dr. Dixit has served as our Chief Technology Officer since July 2007 and 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, 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.

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 companies Sirius Genomics Inc. (from August 2007 to May 2012) and QLT Inc. (from July 1997 to July 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 has served as our Vice President, Human Resources since April 2015 and is responsible for managing all aspects of Human Resources, including our was 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 2010 to 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 two university degrees: a Bachelor of Science degree and a Bachelors of Arts from Simon Fraser University.

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. Mr. Babcook also established the Biologics Division at the Centre for Drug Research and Development where he served as Vice President, Biologics in addition to becoming the founding President and Chief Scientific Officer of Kairos. 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. 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 20, 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, up to the time of its acquisition by Sophos Group plc an international security software and hardware company. Additionally, he has held senior positions at UBS Warburg, 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 currently serves on the Board of Actenum Corporation. Mr. Bedford holds a B.Sc. in Civil Engineering from King's College, London University. He is also currently serving as a director of Acentum Corporation.

Donald Drakeman

Dr. Drakeman has served as a member of our board of directors since June 28, 2010. Dr. Drakeman is a Venture Partner at Advent Life Sciences LLP, and holds a Ph.D. in the humanities from Princeton University and a J.D. from Columbia University. Prior to joining Advent Venture Partners in 2007, Dr. Drakeman co-founded several biotech companies focused on monoclonal antibody therapeutics including Medarex, Inc. and Genmab

A/S. Under his leadership as Chief Executive Officer, Medarex, formed alliances with multiple pharmaceutical companies, developed numerous therapeutic products, including the pioneering checkpoint inhibitor products now commercialized as Yervoy and Opdivo. In 2009, Medarex was subsequently acquired by Bristol-Myers Squibb. Dr. Drakeman has overseen the progress of numerous new medical products for cancer, infectious disease and inflammation from research concepts into clinical trials. Dr. Drakeman currently serves as a director of Gem Pharmaceuticals.

Noel Hall

Mr. Hall has served as a member of our board of directors since October 28, 2008. Mr. Hall is a consultant to the life sciences industry with over 25 years of experience in the biotechnology sector. He was the Co-founder, President and Director of Aspreva Pharmaceuticals Corp., 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 and served as Head of Global Strategic Planning for the firm's worldwide pharmaceutical consulting practice. Mr. Hall was the Director of Corporate Affairs for the United Kingdom and Northern Europe for The Wellcome Foundation Ltd., which is now part of GSK. Additionally, Mr. Hall worked in market development with Abbott Laboratories Ltd. and was the regional sales manager with Leo Laboratories Ltd. Mr. Hall holds a B.Sc. degree in Medical Laboratory Science from London University. Mr. Hall is also currently serving as a director of Creatus Sciences Inc., Viteris Biopharma Inc., Arius Technologies Inc. and CRAiLAR Fibre Technologies, Inc.

Shermaine Tilley

Dr. Tilley has served as a member of our board of directors since June 19, 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 Xagenic Inc. and Zymeworks Inc. Prior to joining CTI LSF, Dr. Tilley was Senior Vice President at Drug Royalty Corporation (now DRI), the world's first private equity firm exclusively focused on royalty transactions in the biotech/pharma space. 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, and on the Public Health Research Institute, or PHRI, Board of Directors. 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. 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 Xagenic Inc., a biotechnology company, Immunovaccine Inc., PHEMI, Zymeworks Inc. and BIOTECanada, a national biotechnology industry association, and served as a board observer on Enobia Pharma Corp. prior to its acquisition by Alexion Pharmaceuticals, Inc. in 2012.

Kerry Blanchard

Dr. Blanchard has served as a member of our board of directors since June 24, 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 Health Sciences Center in Shreveport, Louisiana. He has played multiple roles in Lilly Research Laboratories including Senior Clinical Research Physician in Program Phase Oncology, Chief Scientific Officer Cancer Discovery, Executive Director of Cancer Discovery & Lilly Systems Biology-Singapore and Chief Operating Officer/Vice-President of Discovery Research and Vice-President of Integrative Biology. He has served on the Board of Directors of the Lilly Singapore Centre for Drug Discovery

and Systems Biology. 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.

Dion Madsen

Mr. Madsen has served as a member of our board of directors since January 8, 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 2012, Mr. Madsen was the Founder and Managing Director of Physic Ventures, and Managing Director of Unilever Technology Ventures, Unilever's North American corporate venture fund. Prior to Unilever, Mr. Madsen led Chiron Corporation's investor communications, as Director of Investor Relations, and before moving to San Francisco, he spent five years as Partner of RBC Capital Partners' Life Sciences Venture Fund. 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.

Lota Zoth

Ms. Zoth has served as a member of our board of directors since November 9, 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 Chief Financial Officer 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-May 2015) and Ikaria, Inc (January 2008-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 % 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 eight members. Under the BCBCA, a director may be removed with or without cause by a resolution passed by a majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. The directors are appointed at the annual general meeting of shareholders and the term of office for each of the directors will expire at the time of our next annual shareholders meeting. Following the continuance of our company under the BCBCA, the director residency requirements in the CBCA will cease to apply. Our articles in effect immediately prior to closing will provide that, between annual general meetings of our shareholders, the directors may appoint one or more additional directors, but the number of additional directors may not at any time exceed one-third of the number of directors who held office at the expiration of the last meeting of our shareholders.

Under the articles, the number of directors of Zymeworks will be set at a minimum of three and a maximum of 10 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 will be expected to 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, Don Drakeman, Noel Hall, Dion Madsen and Lota Zoth, representing 5 of 8 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.

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 supervising the management of our business and affairs, including providing guidance and strategic oversight to management. Our board will adopt a formal mandate that will 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, and , and will be chaired by . 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;
- 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, which includes the ability to adopt, amend and terminate such plans;
- authority to administer Zymeworks' non-executive incentive compensation plans and equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan; 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 will establish a written charter 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, and . 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 three public companies: 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 discharging 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 will establish a written charter 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, 2015 were approximately C$76,560. Subsequent to KPMG LLP's appointment as our independent auditors, we engaged KPMG LLP to audit our consolidated financial statements as at and for the year ended December 31, 2014.

	Fiscal 2015 (C$)	Fiscal 2014 (C$)
Audit Fees(1)	$ 76,560	$ 70,000
Audit-Related Fees(2)	—	—
Tax Fees(3)	—	—
All Other Fees(4)	—	—
Total Fees Paid	**$ 76,560**	**$ 70,000**

(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 the 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.

Before being dismissed as our independent registered accountant on June 24, 2015, PricewaterhouseCoopers LLP audited the financial statements for the year ended December 31, 2014. Aggregate fees billed by PricewaterhouseCoopers through the interim period ended March 31, 2015 and for the year ended December 31, 2014 were approximately C$124,897 and C$258,693, respectively, as detailed below.

	Fiscal 2015 (C$)	Fiscal 2014 (C$)
Audit Fees(1)	$ 10,500	$ 70,169
Audit-Related Fees(2)	—	78,051
Tax Fees(3)	114,397	110,473
All Other Fees(4)	—	—
Total Fees Paid	$ 124,897	$ 258,693

(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.

Total fees paid to date to KPMG LLP and PricewaterhouseCoopers LLP for all services relating to the fiscal 2015 and 2014 years were C$460,150. This excludes the expected fees to be paid to KPMG LLP for the audit of our consolidated financial statements as at and for the year ended December 31, 2014.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will be comprised , and , 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 will establish a written charter 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.

Our board of directors will establish a written charter setting forth the purpose, composition, authority and responsibility of our nominating and corporate governance committee.

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	7 of 7	100%
Donald Drakeman, Ph.D.	6 of 7	86%
Dion Madsen, B. Comm, CFA	6 of 7	86%
Noel Hall	6 of 7	86%
Ali Tehrani, Ph.D.	7 of 7	100%
Amos Michelson, MBA(1)	4 of 6	67%
Shermaine Tilley, Ph.D., MBA	6 of 7	86%
Kerry Blanchard, Ph.D., M.D.	1 of 7	14%
Lota Zoth, CPA(2)	2 of 2	100%

(1) Mr. Michelson stepped down from the board of directors at the November 9, 2016 board of directors meeting. His departure was on good terms. The purpose of Mr. Michelson's departure was to maintain the number of board members at eight. Mr. Michelson's attendance as at November 9, 2016 was 67%.

(2) Ms. Zoth joined the board of directors on November 9, 2016. Therefore, her attendance to date is 100%.

Code of Business Conduct and Ethics

We will adopt a Code of Conduct and Ethics, or Code of Conduct, 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 and employees with respect to all aspects of our business. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, reputation and honesty at all times.

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 will adopt a written position description for the Chairman of the board of directors, 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 communicating with shareholders and regulators.

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 the strategic direction of the Company and the annual corporate plan and budget, and supervising the day-to-day management of the Company and communicating with shareholders.

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 coordinating orientation and continuing director development programs relating to the committee's mandate. The Chairman of our board of directors will be responsible for overseeing director continuing education designed to maintain or enhance the skills and abilities of our directors and to ensure that their knowledge and understanding of our business remains current.

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, 2015 include our principal executive officer and our two other most highly-compensated executive officers in accordance with SEC rules. Three additional named executive officers for the year ended December 31, 2016 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., Chief Technology Officer;
- 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		49,000–
	$ 71,583	$ $54,000

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 2015, 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 year ended 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. President and Chief Executive Officer	2015	223,663	55,916	125,717	12,119(4)	417,415
Neil Klompas, CPA, CA Chief Financial Officer	2015	183,779	36,756	125,717	10,899(5)	357,151
Surjit Dixit, Ph.D. Chief Technology Officer	2015	173,612	34,722	125,717	10,502(6)	344,553
Diana Hausman, M.D. Chief Medical Officer(7)	2015	—	—	—	—	—
John Babcook Senior Vice President Discovery Research(7)	2015	—	—	—	—	—
Gordon Ng, Ph.D. former Chief Scientific Officer	2015	191,599	38,320	125,717	12,504(8)	368,140

(1) Cash compensation amounts were paid in Canadian dollars and have been converted to U.S. dollars for the purposes of the table. For 2015, the U.S. dollar per Canadian dollar exchange rate used for such conversion was 0.7820, which was the average Bank of Canada exchange rate for the 2015 fiscal year.

(2) The amounts reflect the performance bonuses paid in 2016 for performance during 2015, 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 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.

(5) 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.

(6) 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.

(7) Dr. Hausman and Mr. Babcook joined the Company in 2016. Therefore, they have no compensation to report for the year ended 2015.

(8) 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. 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.

Outstanding Equity Awards at 2015 Fiscal Year End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2015.

Name	Grant Date(1)	Number of Securities Underlying Unexercised Options # Exercisable	Number of Securities Underlying Unexercised Options # Unexercisable	Option Exercise Price (C$)	Option Expiration Date	Value of Unexercised in the Money Options (C$)(2)
Ali Tehrani, Ph.D.	1/1/2012	140,000	—	2.25	12/31/2021	315,000
	1/1/2013	37,500	12,500	3.04	12/31/2022	114,000
	1/1/2014	23,000	25,000	4.86	12/31/2023	111,780
	1/1/2015	—	56,000	6.05	12/31/2024	—
Neil Klompas, CPA, CA	7/1/2007	16,000	—	1.5	6/30/2017	24,000
	1/1/2008	49,765	—	1.99	12/31/2017	99,032
	7/1/2009	20,000	—	1.99	6/30/2019	39,800
	1/1/2012	20,000	—	2.25	12/31/2021	45,000
	1/1/2013	37,500	12,500	3.04	12/31/2022	114,000
	1/1/2014	25,000	25,000	4.86	12/31/2023	121,500
	1/1/2015	—	56,000	6.05	12/31/2024	—
Surjit Dixit, Ph.D.	7/1/2007	16,000	—	1.5	6/30/2017	24,000
	1/1/2008	3,957	—	1.99	12/31/2017	7,874
	7/1/2009	65,000	—	1.99	6/30/2019	129,350
	1/1/2011	10,000	—	1.99	12/31/2020	19,900
	1/1/2012	10,000	—	2.25	12/31/2021	22,500
	1/1/2013	37,500	12,500	3.04	12/31/2022	114,000
	1/1/2014	25,000	25,000	4.86	12/31/2023	121,500
	1/1/2015	—	56,000	6.05	12/31/2024	—
Diana Hausman, M.D.(3)	—	—	—	—	—	—
John Babcook(3)	—	—	—	—	—	—
Gordon Ng, Ph.D.(4)	1/1/2012	39,000	—	2.25	12/31/2021	87,750
	1/1/2013	37,500	12,500	3.04	12/31/2022	114,000
	1/1/2014	25,000	25,000	4.86	12/31/2023	121,500
	1/1/2015	—	56,000	6.05	12/31/2024	—

(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) These figures represent the number of vested and exercisable options multiplied by the applicable option exercise price.
(3) Dr. Hausman and Mr. Babcook joined the Company in 2016. Therefore, they have no equity awards to report for the year ended 2015.
(4) 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 (assuming the continued employment of each named executive officer).

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 awards to report for the year ended 2015.
(2) Mr. Babcook joined the Company in 2016. Therefore, he has no awards to report for the year ended 2015.

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, we entered into an amending agreement which specifies, in the case of termination of employment other than for cause, Dr. Tehrani will be entitled to 12 months of written notice or payment in lieu of notice equal to his base salary and all other benefits that would be payable during such notice period.

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 specifies, in the case of termination of employment other than for cause, Mr. Klompas will be entitled to nine months of written notice or payment in lieu of notice equal to his base salary and all other benefits that would be payable during such notice period.

On July 1 2007, we entered into an employment agreement with Dr. Surjit Dixit, our current Chief Technology Officer, 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.

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 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. Mr. Babcook's employment agreement also specifies, in the case of termination of employment other than for cause, Mr. Babcook 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 November 9, 2016, the compensation committee of the board of directors approved amendments to the employment agreements of our named executive officers. We intend to execute new employment agreements with our named executive officers reflecting these amendments prior to the completion of this offering. The amendments modify the not-for-cause severance provisions for all named executive officers other than Dr. Diana Hausman. Under the new not-for cause-termination severance formula, 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 within twelve months following a change of control, he shall receive up to twenty four months of written notice or payment in lieu of notice equal to his base salary 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 written notice or payment in lieu of notice equal to his or her base salary 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 we intend to execute prior to the completion of this offering with our named executive officers.

Name and Principal Position	Event	Severance ($)(1)	Options ($)(2)	Other Payments ($)(3)	Total ($)
Dr. Ali Tehrani President and Chief Executive Officer	Termination other than for cause Termination following a change of control event (double trigger)	C$600,000 C$800,000		C$24,363 C$32,533	
Neil Klompas Chief Financial Officer	Termination other than for cause Termination following a change of control event (double trigger)	C$412,500 C$412,500		C$24,363 C$24,363	
Dr. Surjit Dixit Chief Technology Officer	Termination other than for cause Termination following a change of control event (double trigger)	C$397,500 C$397,500		C$24,363 C$24,363	
Dr. Diana Hausman Chief Medical Officer	Termination other than for cause Termination following a change of control event (double trigger)	US$400,000 US$600,000		US$30,184 US$45,276	
Mr. John Babcook Senior Vice President, Discovery Research	Termination other than for cause Termination following a change of control event (double trigger)	C$260,000 C$390,000		C$16,202 C$24,363	

(1) Severance payments are calculated based on the executive's base salary, which, for all executive officers with the exception of the Chief Medical officer, is paid in Canadian dollars. The severance amounts reported in the table have been converted to U.S. dollars using an exchange rate of C$1.00 = US$0.7624, which was the Bank of Canada noon rate on September 20, 2016.

(2) 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.

(3) 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.

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 2015, the following members of our board of directors received equity compensation:

- Don Drakeman (70,000 stock options);
- Noel Hall (70,000 stock options); and
- Nick Bedford (84,000 stock options).

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, 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, the 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 December 31, 2015, under our stock option plan, there were options to purchase an aggregate of 2,629,630 common shares outstanding at a weighted-average exercise price of C$3.95 per share, (or $3.01 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. 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.

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 our current articles of incorporation and, following our continuance to British Columbia, our articles. 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 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.

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 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 September 30, 2016 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 43,882,226 common shares after giving effect to the automatic conversion of all outstanding Class A convertible preferred shares as of September 30, 2016, which will occur immediately prior to the consummation of this offering, into an aggregate of 12,554,665 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 September 30, 2016, 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.

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	16.5%	%
CTI Life Sciences Fund, L.P.(2)	6,420,651	13.7	
Mr. Ian Ihnatowycz(3)	3,738,082	8.0	
Celgene Alpine Investment Co. LLP(4)	2,673,301	5.7	
Directors and Named Executive Officers:			
John Babcook(5)	1,555,566	3.3	
Nick Bedford(6)	400,503	*	
Kerry Blanchard, Ph.D., M.D.(7)	—	—	
Surjit Dixit, Ph.D.(8)	213,955	*	
Donald Drakeman, Ph.D.(9)	91,500	*	
Noel Hall(10)	275,093	*	
Diana Hausman, M.D.(11)	—	—	
Jennifer Kaufman-Shaw, Ph.D., LL.B.(12)	26,041	*	
Neil Klompas, CPA, CA(13)	214,763	*	
Dion Madsen, B.Comm, CFA(14)	—	—	
Amos Michelson, MBA(15)	2,106,647	4.5	
Gordon Ng, Ph.D.(16)	147,998	*	
Ali Tehrani, Ph.D.(17)	1,006,027	2.1	
Shermaine Tilley, Ph.D., MBA(18)	—	—	
Lota Zoth, CPA(19)	—	—	
All executive officers and directors as a group (16 persons)	6,046,012	12.9%	%

* 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.

(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.

(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.

(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 September 30, 2016.

(6) Consists of 294,628 common shares held jointly with Stania Bedford, and 105,875 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.

(7) Consists of nil common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016. 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 213,955 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.

(9) Consists of 91,500 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.

(10) Consists of 88,396 of common shares held by Noel Hall, 95,197 common shares held by Sandra MacPherson and 91,500 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(11) Consists of nil common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(12) Consists of 26,041 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(13) Consists of 214,763 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(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 September 30, 2016. 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 147,998 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(17) Consists of 611,000 common shares held personally and 146,029 common shares held by Charissa Tehrani, and 248,998 common shares issuable upon the exercise of options exercisable within 60 days after September 30, 2016.
(18) Dr. Tilley, a member of our board of directors, is a Partner at CTI Life Sciences Fund, L.P. Dr. Tilley has no voting or investment power over and disclaims beneficial ownership of the securities held by CTI Life Sciences Fund, L.P. 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) Ms. Zoth, a member of our board of directors, does not own or possess voting or investment power over any securities of our company.

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 12,554,665 common 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.

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 984,081 common 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 September 30, 2016, our authorized share capital will consist of an unlimited number of common shares, each without par value, of which 43,882,226 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 September 30, 2016, we had 2,003,574 common shares issuable pursuant to exercisable outstanding stock options, 2,210,196 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 142 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.

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. 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 our 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 translated 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 BCBCA, 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.

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 is 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 % 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) amending our articles; (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.

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(1)	Expiration Date
All Of Our Executive Officers And Past Executive Officers, And All Of Our Directors And Past Directors, As A Group (22 in total)	3,361,741	C$ 4.44	From July 1, 2017 to January 29, 2026
All Other Of Our Employees And Past Employees, As A Group (135 in total)	852,029	C$ 4.11	From February 4, 2017 to February 28, 2026

(1) Represents the weighted-average exercise price of all outstanding options to purchase our common shares, whether vested or unvested.

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	
November 9, 2016	Stock Options	595,855	C$	8.69
September 19, 2016	Common Shares	721,445	$	6.89
June 2, 2016	Warrants	704,081	$	4.90
April 11, 2016	Common Shares	10,000	$	1.99
March 22, 2016	Common Shares	833	$	3.04
March 18, 2016	Common Shares	3,628,572	$	6.89
February 29, 2016	Stock Options	165,000	C$	5.07
January 29, 2016	Stock Options	1,540,000	C$	5.07
January 7, 2016	Class A Preferred Shares	12,554,665	$	4.90
January 1, 2016	Stock Options	45,000	C$	5.07
November 16, 2015	Common Shares	6,790	C$	2.25

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, 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 daily noon rate (or, beginning on March 1, 2017, 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 $38\frac{1}{3}\%$ 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 and is a pro-ration of 10 2/3% and 6 2/3% for taxation years beginning before 2016 and ending 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 Internal Revenue Code of 1986, as amended, or 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 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 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, which, in the case of officers and directors, shall be with notices.

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 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 Citigroup Global Markets Inc. 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 Blakes, 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, 2014 and 2015 and for the years 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 , 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, 2014 and 2015, 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 the years then ended. 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, 2014 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Chartered Professional Accountants

December 12, 2016

Vancouver, Canada

ZYMEWORKS INC.
Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars except share and per share data)

	December 31,		September 30,	Pro-Forma September 30,
	2014	2015	2016 (unaudited)	2016 (unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 46,835	$ 11,519	$ 27,944	
Short-term investments	—	3,641	23,872	
SR&ED receivables	2,733	759	495	
Accounts receivables	302	1,506	2,227	
Prepaid expenses and other current assets	176	254	1,803	
Total current assets	50,046	17,679	56,341	
Deferred financing fees	—	360	284	
Acquired in-process research and development	—	—	19,932	
Goodwill	—	—	12,016	
Equity investment	—	4,185	—	
Long-term prepaid assets	—	—	1,495	
Property and equipment, net	503	781	3,198	
Intangible assets, net	132	144	96	
Deferred tax assets	—	—	5,127	
Total assets	$ 50,681	$ 23,149	$ 98,489	
Liabilities, redeemable convertible preferred shares, and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	$ 2,870	$ 4,791	$ 5,366	
Warrant liabilities	—	—	4,785	
Deferred revenue	8,002	—	—	
Other current liabilities	33	60	983	
Total current liabilities	10,905	4,851	11,134	
Long-term debt	—	—	3,732	
Deferred tax liability	—	16	5,143	
Other long term liabilities	13	43	95	
Total liabilities	10,918	4,910	20,104	
Research collaboration and licensing agreements (note 13)				
Commitments and Contingencies (note 16)				
Subsequent events (note 17)				
Redeemable convertible preferred shares, 15,306,123 authorized shares, no par value: 12,554,665 shares issued and outstanding at September 30, 2016 (December 31, 2014 and December 31, 2015 nil)	—	—	58,860	
Shareholders' equity:				
Common shares, unlimited authorized shares, no par value: 31,327,561, 26,966,711 and 26,518,175 shares issued and outstanding at September 30, 2016, December 31, 2015 and December 31, 2014, respectively	81,725	83,605	106,595	
Warrants	333	333	—	
Additional paid-in capital	3,529	4,882	6,102	
Accumulated other comprehensive loss	(1,072)	(6,659)	(6,659)	
Accumulated deficit	(44,752)	(63,922)	(86,513)	
Total shareholders' equity	39,763	18,239	19,525	
Total liabilities, redeemable convertible preferred shares and shareholders' equity	$ 50,681	$ 23,149	$ 98,489	

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				Accumulated other comprehen-sive income	Additional paid-in capital	Total shareholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Warrants	Accumulated deficit	(loss)		
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 (unaudited)	—	—	12,554,665	61,518	—	—	—	—	—	—	—
Share issue costs (unaudited)	—	—	—	(2,658)	—	—	—	—	—	—	—
Issuance of common shares for Kairos Acquisition (unaudited)	—	—	—	—	4,350,017	22,973	—	—	—	—	22,973
Issuance of common shares on exercise of options (unaudited)	—	—	—	—	10,833	17	—	—	—	—	17
Fair value adjustments upon reclassification of options to liabilities (unaudited)	—	—	—	—	—	—	—	(124)	—	(127)	(251)
Share-based compensation (unaudited)	—	—	—	—	—	—	—	—	—	1,347	1,347
Fair value adjustment upon reclassification of warrants to liabilities (unaudited)							(333)	65			(268)
Net loss (Unaudited)	—	—	—	—	—	—	—	(22,532)	—	—	(22,532)
Balance at September 30, 2016 (unaudited)	—	$ —	12,554,665	$ 58,860	31,327,561	$106,595	$ —	$ (86,513)	$ (6,659)	$ 6,102	$ 19,525

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,		Nine Months Ended September 30,	
	2014	2015	2015 (unaudited)	2016 (unaudited)
Revenue				
Research and developmental collaborations	$ 1,670	$ 9,660	$ 8,221	$ 8,777
Operating expenses:				
Research and development	13,818	26,000	17,475	29,372
Government grants and credits	(2,149)	(251)	—	—
	11,669	25,749	17,475	29,372
General and administrative	2,749	3,871	2,788	5,963
Total operating expenses	14,418	29,620	20,263	35,335
Loss from operations	(12,748)	(19,960)	(12,042)	(26,558)
Other income and expenses				
Interest and other expense	(9)	(18)	(16)	(749)
Change in fair value of warrant liabilities	—	—	—	(747)
Accretion on convertible debt and long-term debt	(293)	—	—	(380)
Interest and other income	116	324	267	238
Foreign exchange (loss) / gain	(8)	518	546	1,273
Equity loss on investment	—	—	—	(98)
Gain on fair value of equity investment	—	—	—	177
Impairment on acquired IPR&D	—	—	—	(768)
Total other income and expenses	(194)	824	797	(1,054)
Loss before income taxes	(12,942)	(19,136)	(11,245)	(27,612)
Income tax expense	—	(34)	—	(327)
Deferred income tax benefit	—	—	—	5,407
Net loss	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Basic and diluted loss per common share	(0.74)	(0.71)	(0.42)	(0.75)
Weighted-average number of outstanding shares—basic and diluted	17,479,680	26,888,906	26,863,879	30,085,263
Pro forma basic and diluted loss per common share (unaudited)		(0.71)		(0.53)
Pro forma weighted-average number of outstanding shares—basic and diluted (unaudited)		26,888,906		42,365,008
Other Comprehensive Loss:				
Foreign currency translation adjustment	(1,185)	(5,587)	(4,958)	—
Total comprehensive loss	$ (14,127)	$ (24,757)	$ (16,203)	$ (22,532)

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,		Nine Months Ended September 30,	
	2014	2015	2015	2016
			(unaudited)	(unaudited)
Cash flows from operating activities:				
Loss for the period	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Items not involving cash:				
Depreciation of property and equipment	275	280	210	330
Depreciation of intangible assets	137	214	160	74
Equity loss on investment	—	—	—	98
Gain on fair value of equity investment	—	—	—	(177)
Accretion on convertible debt and long-term debt	293	—	—	380
Share-based compensation	574	1,389	1,135	1,730
Income tax (expense) and deferred income tax recovery	—	34	—	(5,407)
Impairment on acquired IPR&D	—	—	—	768
Change in fair value of warrant liabilities	—	—	—	747
Changes in non-cash operating working capital:				
Accounts receivables	(279)	(1,363)	(266)	(142)
SR&ED receivables	(316)	1,660	2,197	491
Prepaid expenses and other current assets	(16)	(116)	6	(3,043)
Accounts payable and accrued liabilities	(1,744)	2,417	(560)	(239)
Deferred revenue	7,002	(7,515)	(8,002)	—
Income taxes payable	—	—	—	273
Net cash used in operating activities	$ (7,016)	$ (22,170)	$ (16,365)	$ (26,649)
Cash flows from financing activities:				
Issuance of common shares from private placement, net of issuance costs	46,341	1,752	1,752	—
Issuance of preferred shares from private placement, net of issuance costs	—	—	—	58,860
Share issuance costs—preferred shares				
Issuance of common shares on exercise of options	55	128	117	17
Debt financing	—	—	—	6,953
Deferred financing fees	—	(360)	(125)	246
Capital lease payments	(9)	(4)	(6)	(5)
Net cash provided by financing activities	$ 46,387	$ 1,516	$ 1,738	$ 66,071
Cash flows from investing activities:				
Short-term investments	—	(4,310)	(4,310)	(20,033)
Acquisition of property and equipment	(80)	(626)	(522)	(2,745)
Acquisition of intangible assets	(201)	(227)	(207)	(26)
Acquisition of equity investments	—	(4,038)	—	—
Cash acquired from Kairos, net of cash consideration	—	—	—	78
Net cash used in investing activities	$ (281)	$ (9,201)	$ (5,039)	$ (22,726)
Effect of exchange rate changes on cash and cash equivalents	(1,244)	(5,461)	(4,382)	(271)
Net change in cash and cash equivalents	37,846	(35,316)	(24,048)	16,425
Cash and cash equivalents, beginning of period	8,989	46,835	46,835	11,519
Cash and cash equivalents, end of period	$ 46,835	$ 11,519	$ 22,787	$ 27,944
Supplemental disclosure of non-cash investing and finance items:				
Deferred financing fees in accounts payable and accrued liabilities	—	—	178	284
Class A Preferred Shares Warrant issued in connection with debt	—	—	—	3,770

The accompanying notes are an integral part of these financial statements

Zymeworks Inc.
NOTES TO 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 unaudited interim condensed 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 "$" are to U.S. dollars and reference to "C$" 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 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.

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated balance sheet as of September 30, 2016, the consolidated statements of changes in redeemable convertible preferred shares, special shares and shareholders' equity for the nine months ended September 30, 2016 and the statements of loss and comprehensive loss and cash flows for the nine months ended September 30, 2016 and 2015, and the related interim information contained within the notes to the consolidated financial statements have been prepared in accordance with the rules and regulations of the

Securities and Exchange Commission (the "SEC") for interim financial information. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for the fair presentation of the Company's financial position at September 30, 2016 and results of its operations and its cash flows for the nine months ended September 30, 2016 and 2015. The results for the nine months ended September 30, 2016 and 2015 are not necessarily indicative of future results. All references to September 30, 2016 or to the nine months ended September 30, 2016 and 2015 in the notes to the consolidated financial statements are unaudited.

Unaudited Pro Forma Consolidated Balance Sheet Presentation

The unaudited pro forma consolidated balance sheet as of September 30, 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 September 30, 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.

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.

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.

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 expense (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 September 30, 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.

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. From the investment date to December 31, 2015, 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 developing antibody-based therapeutics for oncology, autoimmunity and inflammation indications.

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 equipment	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

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 Company charges costs to develop, submit and prosecute patents and intellectual property to operations as incurred. 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, 2015 and 2014, the Company determined that there were no impaired assets and had 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 may enter into research and collaboration development agreements with collaborative partners for the research and development of therapeutics products. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from strategic partnerships. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has substantially completed and collection is reasonably assured.

The Company recognizes upfront license payments as revenue upon delivery of the license only if the license has stand-alone value to the customer 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. The payment is generally allocated to the separate units of accounting based on their relative selling prices. 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. The payment allocated is limited to the amount that is not contingent on the delivery of additional items or fulfillment of other performance conditions.

Whenever the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations 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.

The Company recognizes research support payments as revenue upon the performance of activities which are eligible for research support payments from its commercial partners, in accordance with the respective licensing and collaboration agreements.

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 (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement and (ii) the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with the milestone event. Any amounts received under agreements in advance of performance, if deemed substantive, are recorded as deferred revenue and recognized as revenue as the Company completes its performance obligations.

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.

Milestone payments are not bifurcated into substantive and non-substantive components. Payments related to the achievement of non-substantive milestones are deferred and recognized over the Company's remaining performance period.

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

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 or directors are accounted for at estimated fair value using the Black-Scholes option-pricing model. The Company recognizes stock-based compensation expense, net of estimated forfeitures, in the consolidated statements of loss and comprehensive loss at the measurement date.

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 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 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.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. 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 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. 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.

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.

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, accounts receivable, accounts payable and accrued liabilities and warrants.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

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 assets and 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:

	September 30, 2016 (unaudited)	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 27,944	$27,944	$ —	$ —
Short term investments	23,872	23,872	—	—
Total	$ 51,816	$51,816	$ —	$ —
Liabilities				
Liability classified stock options	(664)	—	—	(664)
Warrant liabilities	(4,785)	—	—	$(4,785)
Total	$ (5,449)	$ —	$ —	$(5,449)

	December 31, 2015	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 11,519	$11,519	$ —	$ —
Short term investments	3,641	3,641	—	—
Total	$ 15,160	$15,160	$ —	$ —
Liabilities				
Liability classified stock options	$ (36)	$ —	$ —	$ (36)
Total	$ (36)	$ —	$ —	$ (36)

	December 31, 2014	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 46,835	$46,835	$ —	$ —
Total	$ 46,835	$46,835	$ —	$ —
Liabilities				
Liability classified stock options	$ —	$ —	$ —	$ —
Total	$ —	$ —	$ —	$ —

Net income (loss) per share

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, 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 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, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016, redeemable convertible Class A preferred shares, 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,		Nine Months Ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
Basic loss per common share:				
Net loss	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Basic weighted-average common shares outstanding	17,479,680	26,888,906	26,863,879	30,085,263
Basic loss per common share	$ (0.74)	$ (0.71)	$ (0.42)	$ (0.75)
Diluted loss per common share:				
Net loss	$ (12,942)	$ (19,170)	$ (11,245)	$ (22,532)
Basic weighted-average common shares outstanding	17,479,680	26,888,906	26,863,879	30,085,263
Effect of dilutive securities	—	—	—	—
Diluted weighted-average common shares outstanding	17,479,680	26,888,906	26,863,879	30,085,263
Diluted loss per common share	$ (0.74)	$ (0.71)	$ (0.42)	$ (0.75)

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.

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 interim condensed consolidated financial statements with no material impact.

Recent accounting pronouncements not yet adopted:

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 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 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.

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)

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 $3,861 (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 The CDRD Ventures Inc. ("CVI"), the former majority shareholder of Kairos. In the nine-month period ending September 30, 2016, a SR&ED receivable and corresponding payable to CVI of $225 has been recorded in the interim consolidated financial statements.

Preliminary Purchase Price Allocation (unaudited)

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 period ended September 30, 2016.

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 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. 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.

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 operations.

The unaudited interim condensed consolidated statement of loss for the nine months ended September 30, 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 three and nine months ended September 30, 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 September 30, 2016. The following table summarizes the carrying value of IPR&D, net of impairment as at September 30, 2016:

Acquired IPR&D	$20,700
Impairment	(768)
As of September 30, 2016	$19,932

The Company further determined that the impairment of the intangible assets triggered an earlier evaluation of the carrying value of goodwill prior to the scheduled annual impairment testing date 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 September 30, 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, which used the market approach, guideline company transactions method. 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 recorded for the period ended September 30, 2016.

6. Property and Equipment

Property and equipment consists of the following:

	December 31,		September 30,
	2014	2015	2016 (unaudited)
Computer hardware	$ 836	$ 871	$ 1,324
Furniture and fixture	113	167	283
Office equipment	63	149	188
Lab equipment	547	582	2,128
Leasehold improvements	256	367	702
Construction in progress	—	—	245
Property and equipment	1,815	2,136	4,870
Less accumulated depreciation and amortization	(1,312)	(1,355)	(1,672)
Property and equipment, net	$ 503	$ 781	$ 3,198

During the year ended December 31, 2015, the Company entered into a new capital lease for office equipment of $27 (2014 – $14). Total assets under capital lease were $37 and $461 at December 31, 2015 and 2014, respectively; accumulated depreciation for these assets were $6 and $253 at December 31, 2015 and 2014, respectively. As of December 31, 2015, the total future minimum lease payments for the capital leases are $62.

Depreciation expense on property and equipment for the years ended December 31, 2015 and 2014 was $216 and $205, respectively, and $330 and $210 for the nine months ended September 30, 2016 and 2015, respectively.

7. Intangible Assets

Intangible assets consist of the following:

	December 31, 2014	December 31, 2015	September 30, 2016 (unaudited)
Computer software	$ 517	$ 664	$ 693
Less accumulated depreciation and amortization	(385)	(520)	(597)
Intangible assets, net	$ 132	$ 144	$ 96

Amortization expense on intangible assets for the years ended December 31, 2015 and 2014 was $214 and $137 respectively and $74 and $160 for the nine months ended September 30, 2016 and 2015, respectively.

8. Current Liabilities

Accounts payable and accrued expenses consisted of the following:

	December 31, 2014	December 31, 2015	September 30, 2016 (unaudited)
Trade payables	$1,764	$2,112	$ 2,649
Accrued research expenses	380	1,798	1,559
Payable to CVI for Kairos SR&ED receivable (note 5)	—	—	225
Employee compensation and vacation accruals	293	470	149
Accrued legal and professional fees	406	381	640
Other	27	30	144
Total	$2,870	$4,791	$ 5,366

Other current liabilities consisted of the following:

	December 31, 2014	December 31, 2015	September 30, 2016 (unaudited)
Fair value of liability classified share options (note 11i)	$—	$ 36	$ 664
Income tax liability (note 15)	—	18	291
Current portion of lease liability	33	6	8
Lease inducements	—	—	20
Total	$ 33	$ 60	$ 983

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 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 September 30, 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 $3,770 and the residual balance of the original principal, $3,730, 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 $277 in interest expense relating to the outstanding principal under the Perceptive Debt, as well as $198 in change in fair value of warrant liabilities during the nine months ended September 30, 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, $425 attributed to the warrants was expensed on the date of the transaction, while $420 was allocated to long-term debt and will be amortized to interest expense over the term of the Perceptive Debt. For the nine months ended September 30, 2016, $42 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 September 30, 2016 (unaudited).

	December 31, 2014	December 31, 2015	September 30, 2016 (unaudited)
Long term debt at the time of financing	$ —	$ —	$ 3,730
Accretion	—	—	380
Less: Deferred charges on debt financing, net of amortization	—	—	(378)
Long term debt, net of deferred charges	$ —	$ —	$ 3,732

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. 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,		September 30,
	2014	2015	2016 (unaudited)
Preferred share warrant liabilities	$—	$—	$ 3,968
Common share warrant liabilities	—	—	817
Total warrant liabilities	$—	$—	$ 4,785

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
Nine months ended September 30, 2016 (unaudited)	$ —	$ 3,770	$ 198	$ 3,968
Year ended December 31, 2015	$ —	$ —	$ —	$ —
Year ended December 31, 2014	$ —	$ —	$ —	$ —

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
Nine months ended September 30, 2016 (unaudited)	$ —	$ 268	$ 549	$ 817
Year ended December 31, 2015	$ —	$ —	$ —	$ —
Year ended December 31, 2014	$ —	$ —	$ —	$ —

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.

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.

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).

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	52.27%
Risk-free interest rate	0.57%

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	47.37%
Risk-free interest rate	1.14%

The warrants had a fair value of $3,770 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 price 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.

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 (unaudited)	1,750,000	5.07	3.84			
Expired (unaudited)	(15,717)	2.80	2.12			
Exercised (unaudited)	(10,833)	2.07	1.57			
Forfeited (unaudited)	(139,310)	5.53	4.18			
Outstanding, September 30, 2016 (unaudited)	4,213,770	4.37	3.33	7.35	16,970	12,938
December 31, 2015:						
Exercisable	1,625,503	2.95	2.13			
Vested and expected to vest	2,580,176	3.92	2.83			
September 30, 2016:						
Exercisable (unaudited)	2,003,574	3.46	2.64			
Vested and expected to vest (unaudited)	4,101,743	4.35	3.32			

The Company received cash of $17 (C$22) (September 30, 2015 – $117 (C$147)), resulting from stock options exercised. The following table summarizes the amounts received by the Company from stock options exercised:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016 (unaudited)
Amount received from stock options exercised	$ 55 (C$ 60)	$ 128 (C$ 162)	$ 17 (C$ 22)

The following table summarizes information pertaining to the Company's stock options outstanding at December 31, 2015 and September 30, 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**

	As of September 30, 2016 (unaudited)						
	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	0.67	1.50	1.14	40,000	1.50	1.14
1.99	697,442	2.91	1.99	1.52	697,442	1.99	1.52
2.25	263,500	5.20	2.25	1.72	263,500	2.25	1.72
3.04	305,478	6.22	3.04	2.32	289,929	3.04	2.32
4.86	364,123	7.42	4.86	3.71	248,788	4.86	3.71
5.07	1,735,000	9.34	5.07	3.87	—	—	—
6.05	808,227	8.34	6.05	4.61	463,915	6.05	4.61
1.50 to 7.37	**4,213,770**	**7.35**	**4.37**	**3.33**	**2,003,574**	**3.46**	**2.64**

The stock options expire at various dates from February 4, 2017 to April 1, 2026.

A summary of the Company's non-vested stock option activity and related information for the year ended December 31, 2015 and for the nine months ended September 30, 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	609,786	2.11	1,286	1.82
Options granted	909,500	2.79	2,538	2.18
Options vested	(497,429)	2.24	(1,116)	1.75
Options forfeited and cancelled	(17,736)	2.43	(43)	1.90
Non-vested, December 31, 2015	1,004,121	2.65	2,665	1.91
Options granted (unaudited)	1,750,000	2.30	4,018	1.74
Options vested (unaudited)	(404,621)	2.53	(1,025)	1.91
Options forfeited and cancelled (unaudited)	(139,310)	2.65	(369)	2.00
Non-vested, September 30, 2016 (unaudited)	2,210,190	2.39	5,289	1.82

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 and 2015 and the nine-month periods ended September 30, 2015 and 2016. Compensation expense is recorded in research and development expenses and general and administration expenses as follows:

	Year Ended December 31,		Nine months ended September 30,	
	2014	2015	2015 (unaudited)	2016 (unaudited)
Research and development	$ 363	$ 924	$ 763	$ 1,388
General and administrative	211	465	372	342
Total	$ 574	$ 1,389	$ 1,135	$ 1,730

For the year ended December 31, 2015, $1,389 of share based compensation expense included $1,353 of expense that was recorded in contributed surplus and $36 of expense that was recorded in the liability classified stock options account.

For the nine months ended September 30, 2016, $1,347 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 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 (gain)	Liability at end of the period
Nine months ended September 30, 2016 (unaudited)	$ 36	$ 251	$ 383	(6)	$ 664
Year ended December 31, 2015	$ —	$ —	$ 36	—	$ —
Year ended December 31, 2014	$ —	$ —	$ —	—	$ —

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,		Nine months ended September 30	
	2014	2015	2015 (unaudited)	2016 (unaudited)
Dividend yield	0%	0%	0%	0%
Expected volatility	52.2%	48.3%	48.4%	47.3%
Risk-free interest rate	2.24%	1.50%	1.52%	1.12%
Expected average life of options	5.8 years	5.75 years	5.70 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.

The weighted-average Black-Scholes option pricing assumptions for liability classified stock options outstanding at December 31, 2015 and September 30, 2016 (December 31, 2014: n/a) are as follows:

	December 31, 2015	September 30, 2016 (unaudited)
Dividend yield	0%	0%
Expected volatility	47.7%	47.2%
Risk-free interest rate	0.99%	1.06%
Expected average option term	5.91 years	5.91 years
Number of liability classified share options outstanding	65,000	96,251

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, 2015, the Company recorded $ nil (2014 – $21) stock-based compensation expense for non-employees (for the nine-month periods ended September 30, 2016 and 2015 – nil).

The total intrinsic value of options exercised during the year ended December 31, 2015 and 2014 was C$328 and C$81, respectively. At December 31, 2015 and 2014, the unamortized compensation expense related to unvested options was $798 (C$1,108) and $448 (C$520), respectively. The remaining unamortized compensation expense as of December 31, 2015 will be recognized over the a weighted-average period of 1.90 years.

The total intrinsic value of options exercised during the periods ended September 30, 2016 and 2015 was C$51 and C$302, respectively. At September 30, 2016 and 2015, the unamortized compensation expense related to unvested options was $2,087 (C$2,747) and $967 (C$1,295), respectively. The remaining unamortized compensation expense will be recognized over the a weighted-average period of 2.05 years.

12. Government grants and credits

	Year Ended December 31,		Nine months ended September 30,	
	2014	2015	2015 (unaudited)	2016 (unaudited)
Federal Research Grants (IRAP)	$ —	$—	$ —	$ —
SR&ED credits, net	2,149	251	—	—
Total	$2,149	$251	$ —	$ —

The Company accrued refundable investment tax credits receivable at December 31, 2015 of $251 (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 $759 includes $502 relating to the investment tax credit for 2014 that was not received until January 2016. 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 near term, 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 (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. The Company generally recognizes revenue from upfront payments ratably over the estimated period of fulfillment of its substantive performance obligations under its collaboration agreements in the event that such arrangements represent a single unit of accounting.

The collaborations may also include contractual milestone payments, which relate to the achievement of pre-specified research, development, regulatory and commercialization events. The process of successfully completing the performance obligations per the collaboration agreements is highly uncertain. As such, 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 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.

Commercialization milestone payments may include payments triggered by annual product sales that achieve pre-specified thresholds.

The following table presents summarized revenue recognized from the Company's strategic partnerships.

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
Merck:				
Research funding payments	$ —	$ 857	$ 446	$ 777
Milestone revenue	—	—	—	—
Lilly:				
Recognition of upfront payments	970	—	—	—
Milestone revenue	—	1,025	—	—
Research support payments	700	263	260	—
Celgene:				
Recognition of upfront payments	—	7,515	7,515	—
GSK:				
Technology access fee	—	—	—	6,000
Daiichi:				
Technology access fee	—	—	—	2,000
	$1,670	$9,660	$8,221	$8,777

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 platform, with Merck working to progress the bispecific therapeutic antibody candidates through clinical development and commercialization.

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 may now receive 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.

Over the life of the agreement, the Company is eligible to receive payments up to $190.75 million, comprised of $1.25 million of 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, as well as tiered royalty payments on sales of products. Merck will have exclusive worldwide commercialization rights to products derived from the collaboration.

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 to Merck. The agreement was not considered to be a multiple element arrangement and has been accounted for as a single unit of accounting. The payment was recorded as deferred revenue and was recognized into revenue on a straight-line basis from October 1, 2011 through June 30, 2012, the period over which the Company's substantive performance obligations were met.

The Company received and recorded non-refundable substantive 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. No additional milestone payments or royalties have been received to date.

During the year ended December 31, 2015, the Company recorded $857 (December 31, 2014—$nil) in research support payments from Merck, under the terms of the amended agreement. During the nine months ended September 30, 2016, the Company recorded $777 in research support payments from Merck (September 30, 2015—$446).

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 bi-specific 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 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, as well as tiered royalty payments on the sale of products. Lilly will have exclusive worldwide commercialization rights to products derived from the collaboration.

Upon the execution of the agreement, the Company received a one-time, non-refundable upfront payment of $1.0 million. The Company has determined that the deliverables under this agreement are the transfer of the relevant intellectual properties and relevant technical information to Lilly, and the performance of research activities. The agreement was not considered to be a multiple element arrangement and has been accounted for as a single unit of accounting. The payment was recorded as deferred revenue and was recognized into revenue on a straight-line basis from December 31, 2013 to June 30, 2014, the period over which the Company's substantial performance obligations were met.

On December 11, 2015, the Company recorded non-refundable substantive milestone revenue from Lilly in the amount of $1.0 million upon the achievement of certain development activities during the course of the research program.

During the year ended December 31, 2015, the Company recorded $263 (December 31, 2014—$700) in research support revenue from Lilly. During the nine months ended September 30, 2016, the Company recorded $nil in research support payments from Lilly (September 30, 2015—$260).

Licensing and Collaboration Agreement with Eli Lilly and Company

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.

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, as well as 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 commercialization milestones or royalty payments have been received to date.

Licensing and Collaboration Agreement with Celgene Corporation & Celgene Alpine Investment Co. LLC ("Celgene")

On December 23, 2014, the Company entered into a Collaboration 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 $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 collaboration if Celgene elects to exercise a Commercial License Option for each product.

Upon the execution of the Collaboration Agreement, the Company received a one-time, non-refundable payment of $8.0 million, which was accounted for as upfront collaboration consideration and 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, in accordance with our revenue recognition accounting policy.

No development or commercialization 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 preclinical, clinical, and commercial milestones of up to $110.0 million for each product, as well as 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.

No development or commercialization 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 drug discovery platform.

Under the agreement, GSK will have the option to develop and commercialize multiple bispecific therapeutics across different disease areas. Under the agreement, the Company received a technology access fee of $6.0 million on May 3, 2016 which has been recognized as revenue during the nine months ended September 30, 2016 as the Company's substantial performance obligations were met.

The Company is also eligible to receive up to $30.0 million in preclinical payments; up to $152.0 million in clinical milestone payments; and up to $720.0 million in commercial sales milestone payments, as well as tiered royalties on potential sales.

Collaboration and Cross License Agreement with Daiichi Ltd.

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 drug discovery platform. 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. Under the agreement, the Company is eligible to receive a technology access fee of $2.0 million, which was recognized as revenue during the three months ended September 30, 2016 as the Company's substantial performance obligations were met. The entire amount of the technology access fee, has been collected subsequent to balance sheet date.

The Company is also eligible to receive up to $67.9 million in research and development milestone payments; and up to $80.0 million in commercial sales milestone payments, as well as tiered royalties on potential product sales.

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, 2015 and December 31, 2014, 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 $1.5 million (2014 – $0.3 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
Computed taxes at Canadian tax rate (26%)	$ (3,918)	$ (4,975)
Non-deductible expenses	155	368
Difference between domestic and foreign tax rate	—	11
Effect of change in tax rate	—	—
Adjustments to prior year	(17)	(2)
Change in valuation allowance	5,480	6,098
Other	(1,700)	(1,466)
Income tax expense	$ —	$ 34

	Year ended December 31	
	2014	2015
Current income tax expense	$ —	$ 18
Deferred income tax expense	—	16
Income tax expense	—	34

Income tax expense for the year ended December 31, 2015 arose from the operations of Zymeworks Biopharmaceuticals Inc., the Company's wholly owned subsidiary in the United States.

b. Deferred income tax assets and liabilities result from the temporary differences between the amount 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, 2014	December 31, 2015
Deferred tax assets:		
Non-capital losses carried forward	$ 4,172	$ 5,279
Share issue costs	94	44
Property and equipment	57	158
Research and development deductions and credits	7,232	9,940
Other	1	8
	11,556	15,429
Deferred tax liabilities:		
Property and equipment	—	(24)
	—	(24)
	11,556	15,405
Less: valuation allowance	(11,556)	(15,421)
Net deferred tax liabilities	$ —	$ (16)

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, 2015, 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 $20.3 million (December 31, 2014—$16.0 million) expiring commencing 2026 through 2035.

At December 31, 2015, the Company also has unclaimed tax deductions for scientific research and experimental development expenditures of approximately $26.4 million (2014—$21.9 million) with no expiry. At December 31, 2015, the Company has approximately $3.9 million (2014—$2.0 million) of investment tax credits available to offset Canadian federal and provincial taxes payable expiring commencing in 2021 through 2035.

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	522	—
2026	31	191
2027	30	417
2028	19	636
2029	24	868
2030	14	1,271
2031	133	1,800
2032	490	583
2033	557	1,970
2034	381	5,546
2035	1,378	7,020
	$ 3,918	$ 20,302

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 2003 to 2015 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 will commence in September 2016 and will expire in August 2021. The leases contain rent escalation clauses. The Company also leases pieces of office equipment under capital lease agreements. Future minimum lease payments under the non-cancellable operating leases and capital leases at September 30, 2016 are as follows:

	Payments Due By Period (unaudited)				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Capital lease obligations	$ 6	$ 8	$ 2	$ —	$ 16
Operating lease obligations	1,585	3,596	3,314	174	8,669
Total contractual obligations	1,591	3,604	3,316	174	8,685

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 prepaid 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.

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. Subsequent Events

In addition to events subsequent to December 31, 2015 disclosed elsewhere herein, the Company notes the following:

On November 9, 2016, the Company granted a total of 595,855 stock options, with an exercise price of C$8.69 to certain employees in conjunction with its quarterly option grants.

On November 9, 2016, the Company amended the Stock Option Plan to (i) provide for the grant of incentive stock options to certain U.S. option holders and (ii) authorize the Company's board of directors to extend the terms of certain stock options.

On November 17, 2016, the Company and its former Chief Scientific Officer ("CSO") entered into a Separation Agreement and Release ("Separation Agreement"). The Separation Agreement includes certain terms related to salary, stock awards and benefits continuance.

On December 1, 2016, Lilly notified the Company that it has achieved a research milestone specified under the second licensing and collaboration agreement entitling the Company to receive a $2.0 million milestone payment.

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)

	Nine months ended September 30, 2016				
	Historical Zymeworks Inc.	Historical Kairos Therapeutics Inc.	Pro Forma Adjustments	Note	Zymeworks Inc. Pro Forma Consolidated
Revenue					
Research and developmental collaborations	$ 8,777	$ —	$ —		$ 8,777
Operating expenses:					
Research and development	29,372	91	(75)	*3e*	29,388
Government grants and credits	—	(432)	—		(432)
	29,372	(341)	(75)		28,956
General and administrative	5,963	727	(40)	*3e*	6,650
Total operating expenses	$ 35,335	$ 386	$ (115)		$ 35,606
Loss from operations	$ (26,558)	$ (386)	$ 115		$ (26,829)
Other income and expenses:					
Interest and other expense	(749)	—	—		(749)
Change in fair value of warrant liabilities	(747)	—	—		(747)
Accretion	(380)	—	—		(380)
Interest and other income	238	—	—		238
Foreign exchange gain / (loss)	1,273	—	—		1,273
Equity loss on investment	(98)	—	98	*3a*	—
Gain on fair value of equity investment	177	—	(177)	*3b*	—
Impairment on IPR&D intangible assets	(768)	—	—		(768)
Loss before income taxes	(27,612)	(386)	36		(27,962)
Income tax expense	(327)	—	—		(327)
Deferred income tax benefit	5,407	—	(5,407)	*3c*	—
Net loss	$ (22,532)	$ (386)	$ (5,371)		$ (28,289)
Basic and diluted loss per common share	(0.75)				(0.90)
Weighted-average number of outstanding shares—basic and diluted	30,085,263		1,238,326	*3d*	31,323,589

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	26,000	349	—		26,349
Government grants and credits	(251)	(189)	—		(440)
	25,749	160	—		25,909
General and administrative	3,871	770	—		4,641
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 nine months ended September 30, 2016 and for the year ended December 31, 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 condensed consolidated balance sheet has not been provided as the acquisition has been reflected in the Company's September 30, 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, 2015. 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 notes thereto, as well as the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2016.

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 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. 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 nine months ended September 30, 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)).

Table of Contents

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 September 30, 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

- On December 13, 2013, we issued 1,161,366 of our common shares as initial tranches of a multiple tranche private placement 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.
- From January 13, 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 to account for 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 September 30, 2013, we have issued and sold to our employees, consultants and advisors an aggregate of 120,892 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$4.86 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 September 30, 2013, we have granted our employees, consultants and advisors options to purchase an aggregate of 3,654,355 common shares under our equity compensation plans at exercise prices ranging from C$3.04 to C$8.69 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 , 2017.

ZYMEWORKS INC.

By: _____
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
Ali Tehrani	President and Chief Executive Officer and Director (Principal Executive Officer)	, 2017
Neil Klompas	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	, 2017
Nick Bedford	Director	, 2017
Kerry Blanchard	Director	, 2017
Don Drakeman	Director	, 2017
Noel Hall	Director	, 2017
Dion Madsen	Director	, 2017

Signatures	Title	Date
Shermaine Tilley	Director	, 2017
Lota Zoth	Director	, 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 , 2017.

ZYMEWORKS BIOPHARMACEUTICALS INC.
(Authorized Representative in the United States)

By: _____
Name:
Title:

Table of Contents

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	Form of Common Share Purchase Warrant issued to CTI Life Sciences Fund, L.P., dated October 22, 2014.
4.3	Form of Warrant issued to Perceptive Credit Opportunities Fund, L.P.
4.4	Investor 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.
5.2*	Opinion of McCarthy Tétrault 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#	Employment Agreement, dated January 25, 2007, by and between the Registrant and Neil Klompas, as amended October 23, 2007 and January 1, 2014.
10.3#	Employment Agreement, dated June 1, 2016, by and between the Registrant and Diana Hausman.
10.4#	Employment Agreement, dated July 1, 2007, by and between the Registrant and Surjit Dixit, as amended October 23, 2007.
10.5#	Employment Agreement, dated March 18, 2016, by and between the Registrant and John Babcook.
10.6#	Employment Agreement, dated January 1,2012, by and between the Registrant and Dr. Gordon Ng.
10.7#	Separation Agreement, dated November 17, 2016, by and between the Registrant and Dr. Gordon Ng.
10.8#*	Form of Indemnity Agreement between the Registrant and its officers and directors.
10.9*#	Employee Stock Option Plan and forms of agreements thereunder.
10.10*#	Amended and Restated Stock Option Plan to be effective upon the closing of the offering.
10.11*†	Amended and Restated Research and License Agreement, effective as of December 3, 2014, by and between the Registrant and Merck Sharp & Dohme Research GmbH.
10.12*†	Licensing and Collaboration Agreement, effective as of December 17, 2013, by and between the Registrant and Eli Lilly and Company.
10.13*†	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.
10.14*†	Licensing and Collaboration Agreement, effective as of October 22, 2014, by and between the Registrant and Eli Lilly and Company.
10.15*†	First Amendment to Licensing and Collaboration Agreement, effective as of June 4, 2015, by and between the Registrant and Eli Lilly and Company.
10.16*†	Collaboration Agreement, effective as of December 23, 2014, by and among the Registrant, Celgene Corporation and Celgene Alpine Investment Co. LLC.

Table of Contents

Exhibit No.	Description
10.17*†	Collaboration and License Agreement, effective as of December 1, 2015, by and between the Registrant and GlaxoSmithKline Intellectual Property Development Limited.
10.18*†	Platform Technology Transfer and License Agreement, effective as of April 21, 2016, by and between the Registrant and GlaxoSmithKline Intellectual Property Development Limited.
10.19*†	Collaboration and Cross License Agreement, effective as of September 26, 2016, by and between the Registrant and Daiichi Sankyo Co., Ltd.
10.20	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.
10.21	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.
16.1*	Letter from PricewaterhouseCoopers LLP, dated , 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.
23.3*	Consent of Blake, Cassels & Graydon LLP (included in Exhibit 5.1).
23.3*	Consent of McCarthy Tétrault LLP (included in Exhibit 5.2).
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.

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

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-1
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 Opportunities Fund, L.P. 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.

"***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 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
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 Original 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 OPPORTUNITIES FUND, L.P.
By Perceptive Credit Opportunities GP, LLC, its general partner

By /s/ Sandeep Dixit
Name: Sandeep Dixit
Title: Chief Credit Officer

By /s/ James Mannix
Name: James Mannix
Title: COO

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 June 2, 2016 and bearing Warrant Certificate No. A-1 (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 OPPORTUNITIES FUND, L.P.
By Perceptive Credit Opportunities GP, LLC,
its general partner

By _____
Name:
Title:

By _____
Name:
Title:

Exhibit B
to Warrant Certificate

FORM OF ASSIGNMENT

THE UNDERSIGNED, Perceptive Credit Opportunities Fund, L.P., 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-1 (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 OPPORTUNITIES FUND, L.P.
By Perceptive Credit Opportunities GP, LLC,
its general partner

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: _____

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

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

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

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

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

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

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

[SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT]

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

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))

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.	)	/s/ Neil Klompas
Print Name	)	**EMPLOYEE**
4173 Apple St. Phila. PA 19127	)	
Address	)	
Public Accountant	)	
Occupation	)	

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

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.

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

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.

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)

Exhibit 10.20

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.

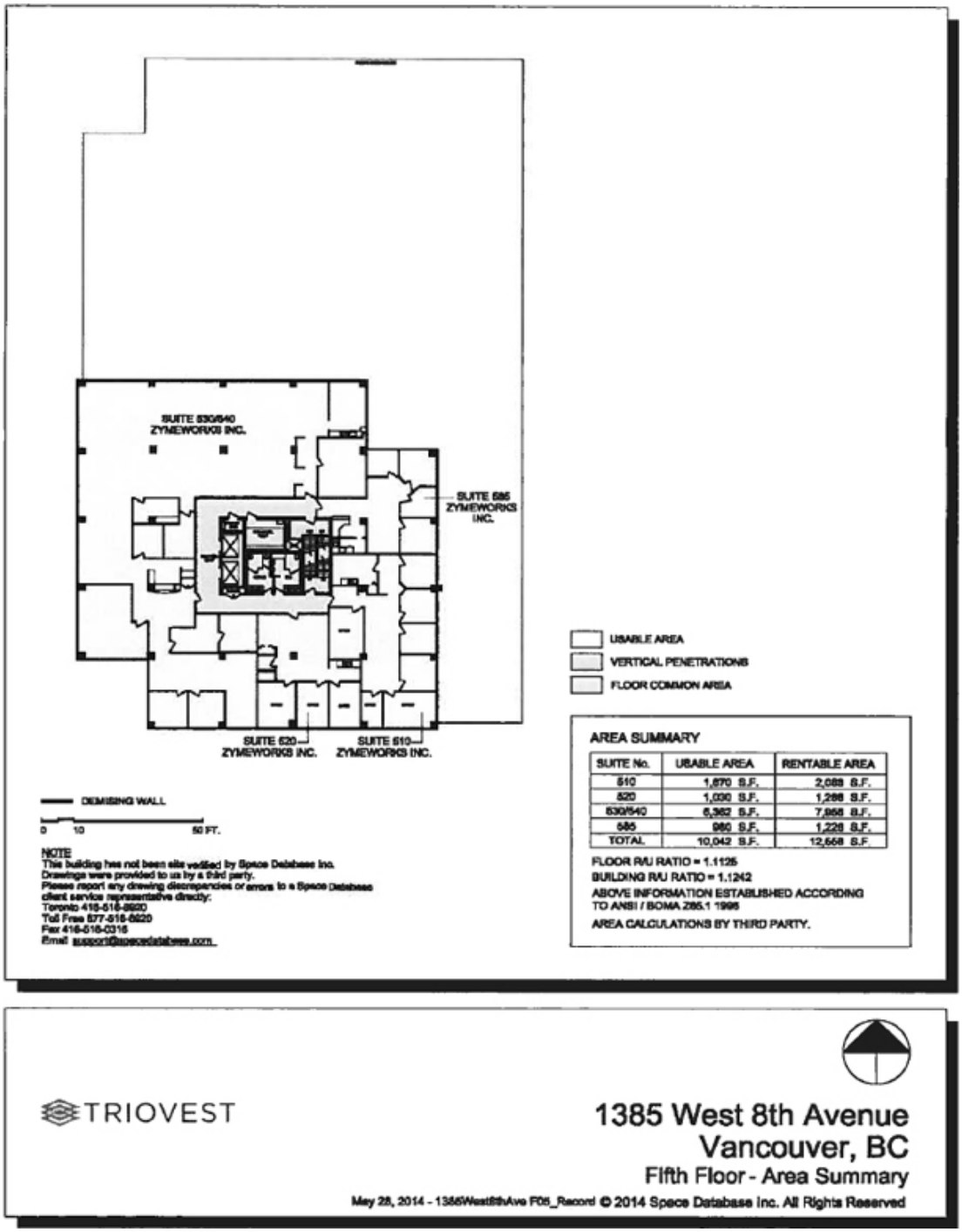
ZYMEWORKS INC.
(TENANT)

Per: /s/ David Tucker

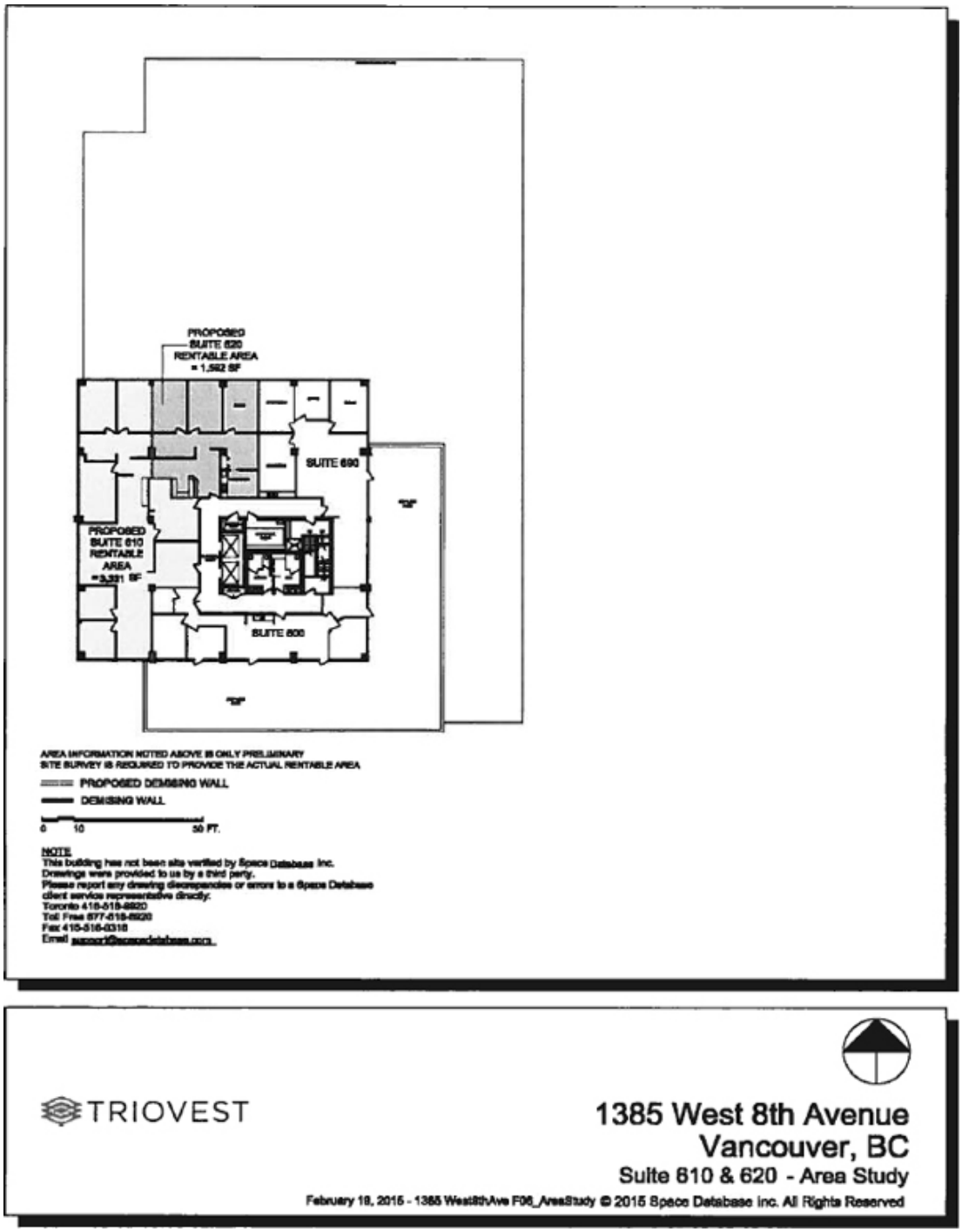
Name & Title: DAVID TUCKER, COO.

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

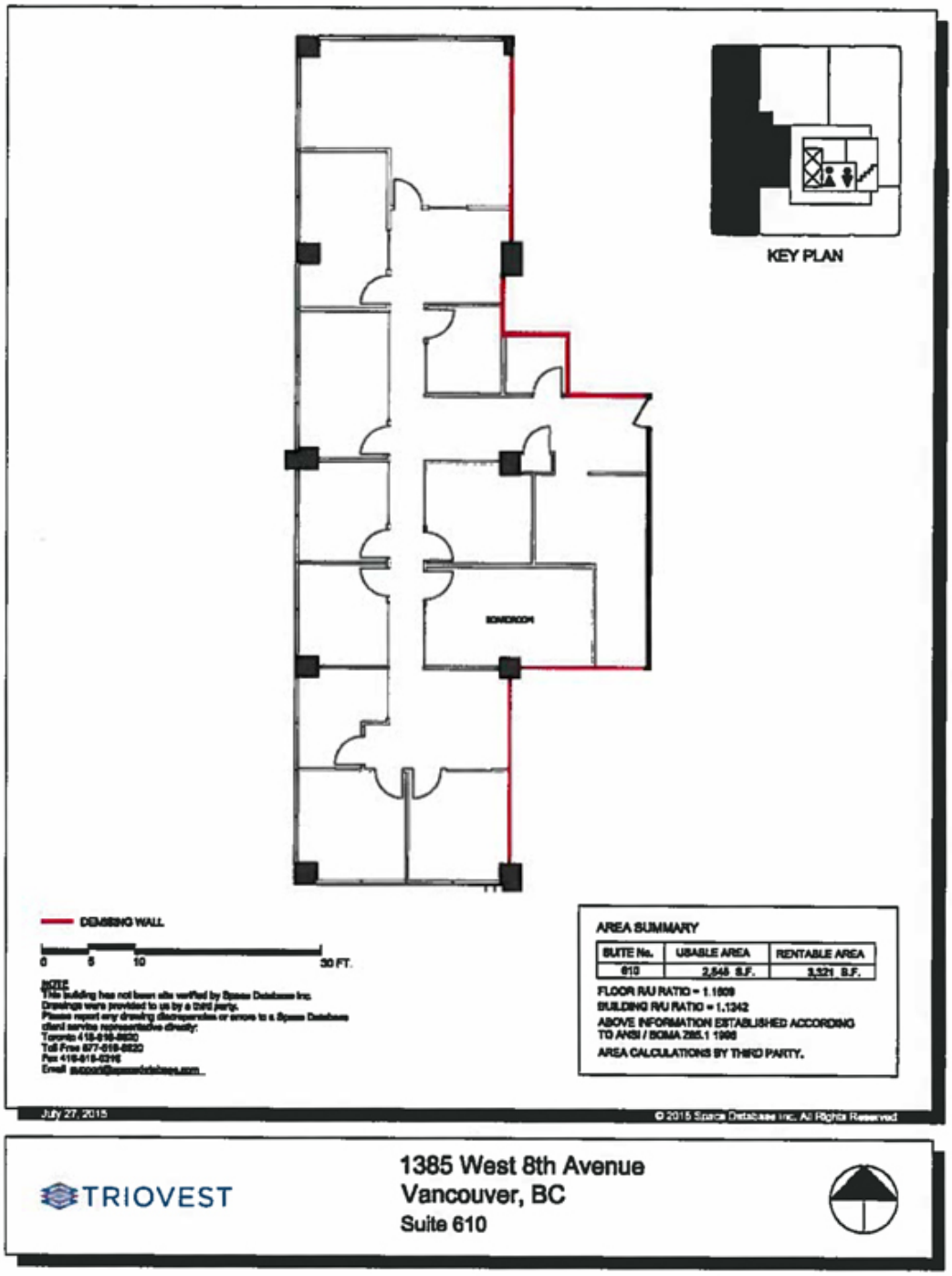


Exhibit 10.21

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"*).

WITNESSETH:

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.

Exhibit G
to Credit Agreement

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

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]

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

1. Zymeworks Biochemistry Inc.

2. Zymeworks Biopharmaceuticals Inc.