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

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2022**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number: 001-38068**

# ZYMEWORKS INC.

**(Exact name of registrant as specified in its charter)**

| **British Columbia, Canada** | **98-1398788** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |

**Suite 800—114 East 4th Avenue**
**Vancouver, BC V5T 1G4**
**(Address of principal executive offices, including zip code)**

**(604) 678-1388**
**(Registrant's telephone number, including area code)**

**N/A**
**(Former name, former address and former fiscal year, if changed since last report)**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Shares, no par value per share | ZYME | New York Stock Exchange |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

The number of outstanding common shares of the registrant, no par value per share, as of August 2, 2022 was 57,892,785.

**ZYMEWORKS INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**For the Quarter Ended June 30, 2022**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 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 "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". 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, these forward-looking statements 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 progression, initiation or success;
- our ability to predict and manage government regulation;
- the impact of the COVID-19 pandemic on our business and operations; and
- the timing, completion, expected benefits and other impacts of our proposed transaction to become a Delaware corporation (the "Redomicile Transactions").

All forward-looking statements, including, without limitation, those related to 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 implement our restructuring announced in January 2022 and to manage the size of our organization effectively;
- the absence of material adverse changes in our industry or the global economy;
- our ability to understand and predict trends in our industry and markets;
- our ability to maintain good business relationships with our strategic 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 or any of our partners' 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, including where clinical trials are conducted outside the United States;
- the extent to which our business may be adversely affected by the COVID-19 pandemic;
- global economic and political conditions, including as a result of the Russian invasion of Ukraine, and the related impact on our business and the markets generally;
- expected benefits of the Redomicile Transactions may not materialize as expected or at all;
- failure to obtain required security holder approvals, or regulatory, stock exchange or other third party approvals for our proposed Redomicile Transactions or the failure of the Redomicile Transactions to be completed for any other reason (or to be completed in a timely manner);
- unanticipated tax consequences in connection with the Redomicile Transactions;
- negative publicity resulting from the Redomicile Transactions and its potential effect on our business and market price of our common shares;
- costs related to the Redomicile Transactions could be greater than expected;
- the Fast Track and Breakthrough Therapy designations for any of our product candidates may not expedite regulatory review or approval;
- the U.S. Food and Drug Administration (the “FDA”) may not accept data from trials we conduct outside the United States;
- disruptions at the FDA and other government agencies caused by funding shortages or global health concerns;
- our discretion to discontinue or reprioritize the development of any of our product candidates;
- the potential for our product candidates to have undesirable side effects;
- no regulatory agency has made a determination that any of our product candidates are safe or effective for use by the general public or for any indication;
- our ability to face significant competition, including 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 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 governments to impose strict price controls;
- the risk of security breaches and incidents 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;
- restrictions on our ability to seek financing, which 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 reliance on third-party manufacturers to produce our product candidate supplies and on other third parties to provide supplies and store, monitor and transport bulk drug substance and drug product;
- 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 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;
- the risk that the duration of our patents will not adequately protect our competitive position;
- our ability to obtain protection under the Drug Price Competition and Patent Term Restoration Act of 1984 (the "Hatch-Waxman Amendments") and similar legislation;
- we may be unable to protect the confidentiality of our proprietary information;
- 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;
- our election to rely on reduced reporting and disclosure requirements available to smaller reporting companies may make our common shares less attractive to investors;
- 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 laws regulating the protection of the environment and health and human safety, our business could be adversely affected;
- our ability to retain key executives and attract and retain qualified personnel;
- our exposure to potential securities class action litigation; and
- 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.

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. Our Risk Factors are not guarantees that no such conditions exist as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

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, EFECT, ZymeLink and the phrase “Building Better Biologics” are our registered trademarks. The other trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q 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 indicated, references in this Quarterly Report on Form 10-Q to “Zymeworks,” the “Company,” “we,” “us” and “our” refer to Zymeworks Inc. and its subsidiaries.

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**Zymeworks Inc.**

**Index to Interim Condensed Consolidated Financial Statements (unaudited)**

**As of and for the three and six months ended June 30, 2022**

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| | (unaudited) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 198,649 | $ 201,867 |
| Short-term investments (note 5) | 43,184 | 50,741 |
| Accounts receivable | 4,196 | 15,614 |
| Prepaid expenses and other current assets | 17,037 | 19,998 |
| Total current assets | 263,066 | 288,220 |
| Deferred financing fees | 1,290 | 1,214 |
| Long-term investments (note 5) | 886 | 886 |
| Long-term prepaid assets | 16,078 | 12,490 |
| Deferred tax asset | 2,613 | 3,070 |
| Property and equipment, net | 26,157 | 22,783 |
| Operating lease right-of-use assets | 23,321 | 26,987 |
| Intangible assets, net | 5,913 | 3,838 |
| Acquired in-process research and development (note 6) | 17,628 | 17,628 |
| Goodwill (note 6) | 12,016 | 12,016 |
| Total assets | $ 368,968 | $ 389,132 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | $ 76,685 | $ 62,767 |
| Fair value of liability classified stock options | 679 | 7,754 |
| Current portion of operating lease liability (note 11) | 2,725 | 1,310 |
| Other current liabilities | — | 22 |
| Total current liabilities | 80,089 | 71,853 |
| Long-term portion of operating lease liability (note 11) | 29,170 | 30,923 |
| Deferred revenue (note 9) | 32,941 | 32,941 |
| Other long-term liabilities (note 7) | 2,900 | 2,748 |
| Deferred tax liability | 1,586 | 1,573 |
| Total liabilities | 146,686 | 140,038 |
| Shareholders' equity: | | |
| Common shares, no par value; unlimited authorized shares at June 30, 2022 and December 31, 2021, respectively; 57,772,461 and 46,633,935 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively (note 8) | 826,497 | 741,147 |
| Additional paid-in capital | 222,792 | 197,710 |
| Accumulated other comprehensive loss | (6,659) | (6,659) |
| Accumulated deficit | (820,348) | (683,104) |
| Total shareholders' equity | 222,282 | 249,094 |
| Total liabilities and shareholders' equity | $ 368,968 | $ 389,132 |
| Research collaboration and licensing agreements (note 9) | | |
| Commitments and contingencies (note 13) | | |

*The accompanying notes are an integral part of these financial statements*

**ZYMEWORKS INC.**
**Condensed Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in thousands of U.S. dollars except share and per share data)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | | | | |
| Research and development collaborations (note 9) | $ 5,442 | $ 1,771 | $ 7,358 | $ 2,415 |
| Operating expenses: | | | | |
| Research and development | 56,022 | 50,711 | 118,532 | 94,994 |
| General and administrative | 15,243 | 19,945 | 27,335 | 21,241 |
| Total operating expenses | 71,265 | 70,656 | 145,867 | 116,235 |
| Loss from operations | (65,823) | (68,885) | (138,509) | (113,820) |
| Other income: | | | | |
| Interest income | 436 | 588 | 738 | 1,329 |
| Other income, net (note 10) | 759 | 341 | 444 | 470 |
| Total other income, net | 1,195 | 929 | 1,182 | 1,799 |
| Loss before income taxes | (64,628) | (67,956) | (137,327) | (112,021) |
| Income tax recovery (expense) | 9 | 434 | 83 | (91) |
| Net loss and comprehensive loss | $ (64,619) | $ (67,522) | $ (137,244) | $ (112,112) |
| | | | | |
| Net loss per common share (note 4): | | | | |
| Basic | $ (0.97) | $ (1.31) | $ (2.15) | $ (2.18) |
| Diluted | $ (0.97) | $ (1.31) | $ (2.15) | $ (2.42) |
| | | | | |
| Weighted-average common shares outstanding (note 4): | | | | |
| Basic | 66,353,279 | 51,422,066 | 63,874,097 | 51,395,015 |
| Diluted | 66,354,784 | 51,422,066 | 63,880,076 | 52,068,506 |

*The accompanying notes are an integral part of these financial statements*

**ZYMEWORKS INC.**
**Condensed Consolidated Statement of Changes in Shareholders' Equity**
**(Expressed in thousands of U.S. dollars except share data)**
**(unaudited)**

| | Common shares | | Accumulated deficit | Accumulated other comprehensive loss | Additional paid-in capital | Total shareholders' equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at January 1, 2022 | 46,633,935 | $ 741,147 | $ (683,104) | $ (6,659) | $ 197,710 | $ 249,094 |
| Issuance of common shares on exercise of options | 2,112 | 20 | — | — | (8) | 12 |
| Issuance of common shares through employee stock purchase plan | 61,801 | 1,361 | — | — | — | 1,361 |
| Issuance of common shares upon vesting of restricted stock units ("RSUs") | 37,398 | 1,382 | — | — | (1,382) | — |
| Stock-based compensation (recovery) | — | — | — | — | (2,932) | (2,932) |
| Issuance of common shares and pre-funded warrants in connection with public offering, net of offering costs (notes 8a and 8d) | 11,035,000 | 82,549 | — | — | 24,985 | 107,534 |
| Net loss | — | — | (72,625) | — | — | (72,625) |
| Balance at March 31, 2022 | 57,770,246 | $ 826,459 | $ (755,729) | $ (6,659) | $ 218,373 | $ 282,444 |
| Issuance of common shares on exercise of options | 1,257 | 11 | — | — | (4) | 7 |
| Issuance of common shares upon vesting of RSUs | 958 | 27 | — | — | (27) | — |
| Stock-based compensation expense | — | — | — | — | 4,450 | 4,450 |
| Net loss | — | — | (64,619) | — | — | (64,619) |
| Balance at June 30, 2022 | 57,772,461 | $ 826,497 | $ (820,348) | $ (6,659) | $ 222,792 | $ 222,282 |

| | Common shares | | Accumulated deficit | Accumulated other comprehensive loss | Additional paid-in capital | Total shareholders' equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at January 1, 2021 | 46,035,389 | $ 724,219 | $ (471,261) | $ (6,659) | $ 163,623 | $ 409,922 |
| Issuance of common shares on exercise of options | 78,736 | 2,624 | — | — | (662) | 1,962 |
| Issuance of common shares through employee stock purchase plan | 26,807 | 1,321 | — | — | — | 1,321 |
| Issuance of common shares upon vesting of restricted stock units RSUs | 23,956 | 843 | — | — | (843) | — |
| Stock-based compensation expense | — | — | — | — | 8,530 | 8,530 |
| Net loss | — | — | (44,590) | — | — | (44,590) |
| Balance at March 31, 2021 | 46,164,888 | $ 729,007 | $ (515,851) | $ (6,659) | $ 170,648 | $ 377,145 |
| Issuance of common shares on exercise of options | 67,583 | $ 1,218 | $ — | $ — | $ (455) | $ 763 |
| Issuance of common shares upon vesting of RSUs | 2,266 | 86 | — | — | (86) | — |
| Stock-based compensation expense | — | — | — | — | 11,086 | 11,086 |
| Net loss | — | — | (67,522) | — | | (67,522) |
| Balance at June 30, 2021 | 46,234,737 | $ 730,311 | $ (583,373) | $ (6,659) | $ 181,193 | $ 321,472 |

*The accompanying notes are an integral part of these financial statements*

**ZYMEWORKS INC.**
**Condensed Consolidated Statements of Cash Flows**
**(Expressed in thousands of U.S. dollars)**
**(unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (137,244) | $ (112,112) |
| Items not involving cash: | | |
| Depreciation of property and equipment | 3,683 | 1,945 |
| Amortization of intangible assets | 320 | 2,180 |
| Stock-based compensation (recovery) expense | (5,282) | 6,400 |
| Amortization of operating lease right-of-use assets | 3,500 | 1,255 |
| Deferred income tax expense (recovery) | 470 | (405) |
| Change in fair value of contingent consideration liability | (250) | 31 |
| Change in fair value of investments in equity instruments | — | (167) |
| Unrealized foreign exchange (gain) loss | (434) | 921 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 11,476 | 6,133 |
| Prepaid expenses and other current assets | (127) | (10,000) |
| Accounts payable and accrued liabilities | 13,550 | 10,339 |
| Operating lease liabilities | 102 | 2,325 |
| Net cash used in operating activities | (110,236) | (91,155) |
| **Cash flows from financing activities:** | | |
| Proceeds from public offering, net of issuance costs (notes 8a, 8d) | 107,534 | — |
| Issuance of common shares on exercise of stock options (note 8f) | 19 | 2,084 |
| Issuance of common shares through employee stock purchase plan | 863 | 829 |
| Deferred financing fees | (76) | (128) |
| Finance lease payments | (9) | (8) |
| Net cash provided by financing activities | 108,331 | 2,777 |
| **Cash flows from investing activities:** | | |
| Net redemptions of short-term investments | 7,094 | 106,573 |
| Acquisition of property and equipment | (6,821) | (2,447) |
| Acquisition of intangible assets | (1,629) | (40) |
| Net cash (used in) provided by investing activities | (1,356) | 104,086 |
| Effect of exchange rate changes on cash and cash equivalents | 43 | (585) |
| Net change in cash and cash equivalents | (3,218) | 15,123 |
| Cash and cash equivalents, beginning of period | 201,867 | 242,036 |
| Cash and cash equivalents, end of period | $ 198,649 | $ 257,159 |
| *Supplemental disclosure of non-cash investing and financing items:* | | |
| Leased assets obtained in exchange for operating lease liabilities | $ 72 | $ 21,279 |
| Acquisition of property and equipment in accounts payable and accrued liabilities | 1,003 | 1,281 |

*The accompanying notes are an integral part of these financial statements*

**ZYMEWORKS INC.**
**Notes to the Interim Condensed Consolidated Financial Statements**
**(unaudited)**
**(Expressed in thousands of U.S. dollars except share and per share data)**

## 1. Nature of Operations

Zymeworks Inc. (the "Company" or "Zymeworks") is a clinical-stage biopharmaceutical company dedicated to the development of next-generation multifunctional biotherapeutics. 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). On May 2, 2017, the Company continued under the Business Corporations Act (British Columbia).

Since its inception, the Company has devoted substantially all of its resources to research and development activities, including developing its therapeutic platforms, and identifying and developing potential product candidates by undertaking preclinical studies and clinical trials. The Company supports these activities through general and administrative support, as well as by raising capital, conducting business planning and protecting its intellectual property.

## 2. Summary of Significant Accounting Policies

***Basis of Presentation***

The accompanying interim condensed 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") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these financial statements do not include all the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes thereto for the year ended December 31, 2021.

These unaudited interim condensed consolidated financial statements reflect all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The results of operations for the three and six months ended June 30, 2022 and 2021 are not necessarily indicative of results that can be expected for a full year. These unaudited interim condensed consolidated financial statements follow the same significant accounting policies as those described in the notes to the audited consolidated financial statements of the Company for the year ended December 31, 2021.

All amounts expressed in the interim condensed consolidated financial statements of the Company and the accompanying notes thereto are expressed in thousands of U.S. dollars, except for share and per share data and where otherwise indicated. References to "$" are to U.S. dollars and references to "C$" are to Canadian dollars.

***Use of Estimates***

The preparation of interim condensed consolidated 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. On an ongoing basis, the Company evaluates its estimates, most notably those related to revenue recognition including estimated timing of completion of performance obligations required to meet revenue recognition criteria, accrual of expenses including clinical and preclinical study expense accruals, stock-based compensation, valuation allowance for deferred taxes, benefits under the Scientific Research and Experimental Development ("SR&ED") program, and other contingencies. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from these estimates.

The full extent to which the COVID-19 pandemic may directly or indirectly impact the Company's business, results of operations and financial condition, including revenues, expenses, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. The Company considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of these interim condensed consolidated financial statements. While there was no material impact to the Company's interim

condensed consolidated financial statements as of and for the three and six months ended June 30, 2022, the Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in a material impact to the Company's consolidated financial statements in future reporting periods.

**3. Recent Accounting Pronouncements**

*Recent accounting pronouncements not yet adopted*

The Company has reviewed recent accounting pronouncements and concluded that they are either not applicable to the business, or that no material effect is expected on the consolidated financial statements as a result of future adoption.

**4. Net loss per share**

Net loss per share for the three and six months ended June 30, 2022 and 2021 was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Numerator:** | | | | |
| Net loss attributable to common shareholders: | | | | |
| Basic | $ (64,619) | $ (67,522) | $ (137,244) | $ (112,112) |
| Adjustment for change in fair value of liability classified stock options | (2) | — | (199) | (13,732) |
| Diluted | $ (64,621) | $ (67,522) | $ (137,443) | $ (125,844) |
| | | | | |
| **Denominator:** | | | | |
| Weighted-average common shares outstanding: | | | | |
| Basic | 66,353,279 | 51,422,066 | 63,874,097 | 51,395,015 |
| Adjustment for dilutive effect of liability classified stock options | 1,505 | — | 5,979 | 673,491 |
| Diluted | 66,354,784 | 51,422,066 | 63,880,076 | 52,068,506 |
| | | | | |
| Net loss per common share – basic | $ (0.97) | $ (1.31) | $ (2.15) | $ (2.18) |
| Net loss per common share – diluted | $ (0.97) | $ (1.31) | $ (2.15) | $ (2.42) |

Weighted average number of common shares used in the basic and diluted earnings per share calculations include the pre-funded warrants issued in connection with the Company's June 2019, January 2020 and January 2022 offerings as the warrants are exercisable at any time for nominal cash consideration.

**5. Investments**

*Short-term Investments*

Short-term investments are denominated in U.S. dollars or Canadian dollars and consist of guaranteed investment certificates ("GICs") acquired from financial institutions in accordance with the Company's cash investment policy. Short-term GICs are classified as held to maturity and are accounted for at amortized cost.

*Long-term Investments*

Long-term investments at June 30, 2022 consist of equity securities of $886 acquired for strategic purposes or in connection with licensing and collaboration agreements (December 31, 2021 - $886). Long-term investments are accounted for as available for sale financial instruments with changes in fair value recorded through net income.

**6. IPR&D and Goodwill**

*Acquired IPR&D*

In-process research and development assets ("IPR&D") acquired in the 2016 Kairos Therapeutics Inc. ("Kairos") business combination are classified as indefinite-lived intangible assets and are not currently being amortized. The carrying value of IPR&D, net of impairment was $17,628 at both June 30, 2022 and December 31, 2021. The Company concluded that there were no impairment indicators related to IPR&D as of June 30, 2022.

*Goodwill*

The Company performed its most recent annual impairment test of goodwill as of December 31, 2021. As part of the evaluation of the recoverability of goodwill, the Company identified only one reporting unit to which the total carrying amount of goodwill has been assigned. As at December 31, 2021, the Company performed a qualitative assessment for its annual impairment test of goodwill after concluding that it was not more likely than not that the fair value of the reporting unit was less than its carrying value. Consequently, a quantitative impairment test was not required. The Company concluded that there were no impairment indicators related to goodwill as of June 30, 2022.

**7. Liabilities**

Accounts payable and accrued expenses consisted of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade payables | $ 5,889 | $ 5,174 |
| Accrued research and development expenses | 56,983 | 50,963 |
| Employee compensation and vacation accruals | 8,292 | 3,346 |
| Accrued legal and professional fees | 2,167 | 1,064 |
| Other | 3,354 | 2,220 |
| Total | $ 76,685 | $ 62,767 |

Other long-term liabilities consisted of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Liability for contingent consideration (note 12) | $ 1,248 | $ 1,498 |
| Liability from in-licensing agreements | 850 | 1,150 |
| Finance lease liability (note 11) | 113 | 100 |
| Other | 689 | — |
| Total | $ 2,900 | $ 2,748 |

**8. Shareholders' Equity**

a. Equity Offerings

*2022 Public Offering*

On January 31, 2022, the Company closed a public offering pursuant to which the Company sold 11,035,000 common shares, including the sale of 1,875,000 common shares to the underwriters upon their full exercise of their over-allotment option, at $8.00 per common share and 3,340,000 Pre-Funded Warrants (note 8d) in lieu of common shares at $7.9999 per Pre-Funded Warrant. Net proceeds were $107,534, after underwriting discounts, commissions and offering expenses.

b. Authorized

The Company has an unlimited authorized number of voting common shares, preferred shares and Series A Participating Preferred Shares, all without par value.

c. Preferred Shares

As of June 30, 2022 and December 31, 2021, no preferred shares were issued or outstanding, respectively.

d. Pre-Funded Common Share Warrants

In connection with a public offering completed on June 24, 2019, the Company issued 4,166,690 Pre-Funded Warrants at a price of $17.9999 per Pre-Funded Warrant which granted holders of warrants the right to purchase up to 4,166,690 common shares of the Company, at an exercise price of $0.0001 per share.

In connection with a public offering completed on January 27, 2020, the Company issued 1,075,271 Pre-Funded Warrants at a price of $46.4999 per Pre-Funded Warrant which granted holders of warrants the right to purchase up to 1,075,271 common shares of the Company, at an exercise price of $0.0001 per share.

In connection with a public offering completed on January 31, 2022 (note 8a), the Company issued 3,340,000 Pre-Funded Warrants at a price of $7.9999 per Pre-Funded Warrant which granted holders of warrants the right to purchase up to 3,340,000 common shares of the Company, at an exercise price of $0.0001 per share.

The Pre-Funded Warrants are exercisable by the holders at any time on or after the original issue date. The Pre-Funded Warrants do not expire unless they are exercised or settled in accordance with the Pre-Funded Warrant agreement. As the Pre-Funded Warrants meet the condition for equity classification, proceeds from issuance of the Pre-Funded Warrants, net of any transaction costs, are recorded in additional paid-in capital. Upon exercise of the Pre-Funded Warrants, the historical costs recorded in additional paid-in capital along with exercise price collected from holders will be recorded in common shares. No Pre-Funded Warrants have been exercised to date.

e. Adoption of a Shareholder Rights Plan

On June 9, 2022, the board of directors authorized and declared a dividend distribution of one right (each, a “Right”) for each outstanding common share of the Company to shareholders of record as of the close of business on June 21, 2022. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Share, of the Company, at an exercise price of $74.00, subject to adjustment. The complete terms of the Rights are set forth in a Preferred Shares Rights Agreement (the “Rights Plan”), dated as of June 9, 2022, between the Company and Computershare Trust Company, N.A., as rights agent.

In general terms, the Rights Plan works by imposing a significant penalty upon any person or group that acquires 10 percent or more (or 20 percent or more in the case of certain institutional investors who report their holdings on Schedule 13G) of the common shares without the approval of the board of directors. As a result, the overall effect of the Rights Plan and the issuance of the Rights may be to render more difficult or discourage a merger, amalgamation, arrangement, take-over bid, tender or exchange offer or other business combination involving the Company that is not approved by the board of directors. However, neither the Rights Plan nor the Rights should interfere with any merger, amalgamation, arrangement, take-over bid, tender or exchange offer or other business combination approved by the board of directors. The issuance of Rights does not affect reported earnings per share.

f. Stock-Based Compensation

*Original Stock Option Plan*

On July 14, 2006, the shareholders of the Company approved an employee stock option plan (the “Original Plan”). The Original 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 Original Plan are exercisable at various dates over their 10-year life. Common shares are issued from treasury when options are exercised.

The exercise prices of the Company’s stock options under the Original Plan are denominated in Canadian dollars. The Canadian dollar amounts have been translated to U.S. dollars using the period end rate or the average foreign exchange rate for the period, as applicable, and have been provided for information purposes. Upon the effectiveness of the Company’s New Plan described

below, no further options were issuable under the Original Plan. However, all outstanding options granted under the Original Plan remain outstanding, subject to the terms of the Original Plan and the applicable grant documents, until such outstanding options are exercised or they terminate or expire by their terms.

*New Stock Option and Equity Compensation Plan*

On April 10, 2017, the Company's shareholders approved a new stock option plan, which became effective immediately prior to the consummation of the Company's initial public offering ("IPO"). This plan allows for the grant of options to directors, officers, employees and consultants in U.S. or Canadian dollars, and also permits the Company to grant incentive stock options ("ISOs"), within the meaning of Section 422 of the Internal Revenue Code, to its employees. On June 7, 2018, the Company's shareholders approved an amendment and restatement of this plan (this plan, as amended and restated, the "New Plan"), which includes an article that allows the Company to grant restricted shares, restricted share units ("RSUs") and other share-based awards, in addition to stock options. On March 4, 2020, the board of directors approved certain minor amendments to the New Plan that did not require shareholder approval.

The original maximum number of common shares reserved for issuance under the New Plan as of June 7, 2018 was 5,686,097, which includes 3,686,097 shares issuable upon exercise of options outstanding as of March 31, 2018. Beginning in 2019 and ending in 2028, this maximum number may be increased on the first day of each calendar year by up to 4.0% of the number of outstanding shares on the last day of the immediately preceding calendar year. As of June 30, 2022, 2,834,664 common shares were available for future award grants under the New Plan (December 31, 2021: 952,632 common shares). ISOs may be granted with respect to a maximum fixed amount equal to 20% of the shares reserved for issuance under the New Plan as of June 7, 2018.

On January 5, 2022, board of directors approved the "Zymeworks Inc. Inducement Stock Option and Equity Compensation Plan" and reserved 750,000 of the Company's common shares for issuance pursuant to equity awards granted thereunder. As of June 30, 2022, 250,000 common shares were available for future award grants under this plan.

*RSUs*

During the year-ended December 31, 2020, the Company started granting RSUs to certain employees, which typically vest over a period of three years, in the amount of one-third each year on the anniversary of the grant date. RSUs are equity-settled on each vesting date, subject to the grantee's continued employment with the Company on the vesting date. The fair value of RSUs granted was calculated by using the Company's closing stock price on the grant date.

| | Number of RSUs | Weighted-average grant date fair value ($) |
|---|---|---|
| Outstanding, December 31, 2021 | 354,269 | 25.85 |
| Granted | 10,400 | 7.55 |
| Vested and settled | (38,356) | 27.00 |
| Forfeited | (138,630) | 36.73 |
| Outstanding, June 30, 2022 | 187,683 | 21.76 |

As of June 30, 2022, there was $1,890 of unamortized RSU expense that will be recognized over a weighted average period of 1.18 years.

*Stock Options*

All options granted under the New Plan will have an exercise price determined and approved by the board of directors on the date of the grant, which shall not be less than the market price of the common shares at such time. For the purposes of the New Plan, the market price of a common share shall be the closing sale price of a share on the grant date reported by the stock exchange with the greatest trading volume or, if such day is not a trading day, the closing sale price reported for the immediately preceding trading day. The Company may convert a market price denominated in Canadian dollars into United States dollars and vice versa and such converted amount shall be the market price.

An option shall be exercisable during a period established by the board of directors which shall commence on the date of the grant and shall terminate not later than ten years after the date of the granting of the option. The New Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate on the tenth business day after the last day of the black-out period, provided

that the exercise period shall in no case be extended beyond the tenth anniversary of the date the option was granted. All options shall vest in accordance with the terms of their grant agreements.

The following table summarizes the Company's stock options granted in Canadian dollars under the Original Plan and the New Plan:

| | Number of Options | Weighted-Average Exercise Price (C$) | Weighted-Average Exercise Price ($) | Weighted-Average Contractual Term (years) | Aggregate intrinsic value (C$) | Aggregate intrinsic value ($) |
|---|---|---|---|---|---|---|
| Outstanding, December 31, 2021 | 2,488,655 | 26.15 | 20.70 | 6.24 | 7,919 | 6,224 |
| Granted | 838,035 | 8.78 | 6.88 | | | |
| Exercised | (3,369) | 7.30 | 5.78 | | | |
| Forfeited | (852,789) | 27.48 | 21.60 | | | |
| Outstanding, June 30, 2022 | 2,470,532 | 19.83 | 15.40 | 6.65 | — | — |

The following table summarizes the Company's stock options granted in U.S. dollars under the New Plan:

| | Number of Options | Weighted-Average Exercise Price ($) | Weighted-Average Contractual Term (years) | Aggregate intrinsic value ($) |
|---|---|---|---|---|
| Outstanding, December 31, 2021 | 4,916,914 | 26.59 | 7.93 | 5,555 |
| Granted | 2,484,248 | 8.59 | | |
| Exercised | — | — | | |
| Forfeited | (1,857,939) | 27.64 | | |
| Outstanding, June 30, 2022 | 5,543,223 | 18.18 | 8.58 | — |

During the six months ended June 30, 2022, the Company received cash proceeds of $19 from stock options exercised.

The stock options outstanding at June 30, 2022 expire at various dates from July 1, 2022 to June 9, 2032.

The estimated fair values of options granted to officers, directors, employees and consultants are amortized over the relevant vesting periods. Stock-based compensation expense for equity classified instruments, as well as the financial statement impact of the amortization and periodic revaluation of liability classified instruments, are recorded in research and development expense, general and administration expense and finance expense as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Research and development expense: | | | | |
| Stock-based compensation expense (recovery) for equity classified instruments | $ 1,971 | $ 5,790 | $ (776) | $ 10,126 |
| Change in fair value of liability classified instruments | (300) | 245 | (774) | (2,268) |
| | $ 1,671 | $ 6,035 | $ (1,550) | $ 7,858 |
| General and administrative expense: | | | | |
| Stock-based compensation expense (recovery) for equity classified instruments | $ 1,281 | $ 5,296 | $ (951) | $ 9,488 |
| Change in fair value of liability classified instruments | (163) | 1,545 | (3,039) | (11,406) |
| | $ 1,118 | $ 6,841 | $ (3,990) | $ (1,918) |
| Finance expense (income): | | | | |
| Change in fair value of liability classified instruments | (2) | 8 | (32) | (58) |
| | $ (2) | $ 8 | $ (32) | $ (58) |

Amounts for equity classified instruments above include stock-based compensation expense relating to RSUs of $477 and recovery of $126 for the three and six months ended June 30, 2022 (2021: $718 and $1,324).

The estimated fair value of stock options granted under the New Plan was determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Dividend yield | 0 % | 0 % |
| Expected volatility | 77.3 % | 80.9 % |
| Risk-free interest rate | 1.89 % | 0.98 % |
| Expected average life of options | 5.94 years | 6.05 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 and U.S. Federal Reserve 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 uses the simplified method to calculate the average expected term, which represents the average of the vesting period and the contractual term.

*Share Fair Value* — Options granted after the Company's IPO, are issued with exercise price equal to the fair market value of the Company's common stock on the grant date. Before the IPO, the Company granted 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 estimated 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 June 30, 2022 and 2021 are as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Dividend yield | 0 % | 0 % |
| Expected volatility | 73.3 % | 75.9 % |
| Risk-free interest rate | 3.09 % | 0.59 % |
| Expected average option term | 2.01 years | 2.53 years |
| Number of liability classified stock options outstanding | 811,069 | 1,011,965 |

At June 30, 2022, the unamortized compensation expense related to unvested options was $22,480. The remaining unamortized compensation expense as of June 30, 2022 will be recognized over a weighted-average period of 1.66 years.

g. Employee Stock Purchase Plan

On April 10, 2017, the Company's shareholders approved an employee stock purchase plan ("ESPP") which became effective immediately prior to the consummation of the Company's IPO. On June 7, 2018, certain amendments to the ESPP were approved by shareholders. Prior to these amendments, the ESPP allowed eligible employees to acquire common shares at a discounted purchase price of 85% of the market value of the Company's common shares on the purchase date. The ESPP, as amended, allows eligible employees to acquire common shares at a discounted purchase price of the lesser of (i) 85% of the market price of a common share on the first day of the applicable purchase period and (ii) 85% of the market price of a common share on the purchase date. The ESPP qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code for employees who are United States taxpayers.

The Company currently holds offerings consisting of a single six-month purchase period commencing on January 1 and July 1 of each calendar year, with a single purchase date at the end of the purchase period on June 30 and December 31 of each calendar year.

Eligible employees are able to contribute up to 15% of their gross base earnings for purchases under the ESPP through regular payroll deductions. Purchases of shares under the ESPP are limited for each employee at twenty-five thousand dollar worth of the Company's common shares (determined using the lesser of (i) the market price of a common share on the first day of the applicable purchase period and (ii) the market price of a common share on the purchase date) for each year such purchase right is outstanding.

As this plan is considered compensatory, the Company recognizes compensation expense on these awards based on their estimated grant date fair value using the Black-Scholes option pricing model. The Company recognizes compensation expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the requisite service period. For the three and six months ended June 30, 2022, the Company recorded compensation expense of $107 and $290 (2021: $249 and $518) in research and development expense and general and administrative expense accounts. As of June 30, 2022, the total amount contributed by ESPP participants and not yet settled is $739 (December 31, 2021: $1,243).

**9. Research, Collaboration and Licensing Agreements**

Revenue recognized from the Company's strategic partnerships is summarized as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Atreca, Inc. ("Atreca") | | | | |
| Research license fee relating to licensing agreement | $ 5,000 | $ — | $ 5,000 | $ — |
| Research support and other payments | 442 | 1,771 | 2,358 | 2,415 |
| | $ 5,442 | $ 1,771 | $ 7,358 | $ 2,415 |

Since December 31, 2021, there have not been any material changes to the key terms of our collaboration and license agreements with the exception of a new licensing agreement with Atreca as described below. For further information on the terms and conditions of our existing collaboration and license agreements, please refer to the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year-ended December 31, 2021.

In April 2022, the Company entered into a new licensing agreement with Atreca granting Atreca a worldwide, royalty-bearing license to research, develop and commercialize novel ADCs. The Company is eligible to receive up to $210.0 million in option exercise fees and clinical development and regulatory approval milestone payments and up to $540.0 million in commercial milestone payments, as well as tiered royalties on worldwide sales. The Company's performance obligations in relation to the research license fee of $5.0 million were met by June 30, 2022. Accordingly, the research license fee was recognized as revenue during the three and six months ended June 30, 2022.

At June 30, 2022, contract assets from research, collaboration and licensing agreements were $3,000, which is presented within accounts receivable (December 31, 2021: nil) and contract liabilities were $32,941 (December 31, 2021: $32,941). Contract liabilities include deferred revenue relating to an upfront payment received in 2018 under the licensing and collaboration agreement with BeiGene. During the three and six months ended June 30, 2022, the Company did not recognize any revenue from performance obligations satisfied in relation to the deferred revenue (three and six months ended June 30, 2021: nil). Amounts not expected to be recognized as revenue in the next twelve months from June 30, 2022 have been classified as long-term deferred revenue.

**10. Other income, net**

Other income, net, consists of the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Foreign exchange gain, net | $ 723 | $ 435 | $ 361 | $ 372 |
| Other | 36 | (94) | 83 | 98 |
| | $ 759 | $ 341 | $ 444 | $ 470 |

**11. Leases**

The Company leased separate office and laboratory spaces in Vancouver, British Columbia, which expired in February 2022. On January 25, 2019, the Company entered into a lease for a new building in Vancouver to serve as the Company's future headquarters, including both office and laboratory space. This lease commenced for accounting purposes in May 2021 and construction of leasehold improvements was completed during the six months ended June 30, 2022. This lease has an initial term of ten years, with two five-year extension options. In addition, the Company leases office space in Seattle, Washington with lease terms expiring in May 2027. None of the optional extension periods have been included in the determination of the right-of-use assets or the lease liabilities for operating leases as the Company did not consider it reasonably certain that the Company would exercise any such options. The Company also leases office equipment under capital lease agreements.

The balance sheet classification of the Company's lease liabilities was as follows:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Operating lease liabilities: | | |
| Current portion | $ 2,725 | $ 1,310 |
| Long-term portion | 29,170 | 30,923 |
| Total operating lease liabilities | 31,895 | $ 32,233 |
| Finance lease liabilities: | | |
| Current portion included in other current liabilities | — | 22 |
| Long-term portion included in other long-term liabilities | 113 | 100 |
| Total finance lease liabilities | 113 | 122 |
| Total lease liabilities | $ 32,008 | $ 32,355 |

Cash paid for amounts included in the measurement of operating lease liabilities for the six months ended June 30, 2022 was $2,128 and was included in net cash used in operating activities in the consolidated statement of cash flows.

As of June 30, 2022, the maturities of the Company's operating lease liabilities were as follows:

| | Operating leases |
|---|---|
| Within 1 year | $ 3,942 |
| 1 to 2 years | 5,079 |
| 2 to 3 years | 5,197 |
| 3 to 4 years | 5,244 |
| 4 to 5 years | 4,586 |
| Thereafter | 13,807 |
| Total operating lease payments | 37,855 |
| Less: | |
| Imputed interest | (5,960) |
| Operating lease liabilities | $ 31,895 |

As of June 30, 2022, the weighted average remaining lease term is 8.0 years and the weighted average discount rate used to determine the operating lease liability was 4.8% for leases in Canadian dollars and 2.8% for leases in U.S. dollars.

During the six months ended June 30, 2022, the Company incurred total operating lease expenses of $4,997 (2021: $2,378), which included lease expenses associated with fixed lease payments of $4,837 (2021: $2,176), and variable payments associated with common area maintenance and similar expenses of $160 (2021: $202).

**12. Financial Instruments**

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level of classification 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.

***Fair Value Measurements***

The Company measures certain financial instruments and other items at fair value.

To determine fair value, the Company uses a fair value hierarchy that prioritizes the inputs, assumptions and valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted market prices for identical instruments available in active markets.

- Level 2 inputs are inputs other than Level 1 prices, such as prices for a similar asset or liability that are observable 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 assessment 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 and long-term investments in marketable and other securities, accounts receivable, accounts payable and accrued liabilities, contingent consideration, finance and operating lease obligations, and other long-term liabilities.

The carrying values of cash and cash equivalents, short-term investments in marketable securities, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near-term maturities of these financial instruments. As at June 30, 2022, long-term investments in equity securities of private entities are accounted for as available for sale at their fair values. Other long-term liabilities for contingent consideration related to business acquisitions are recorded at fair value on the acquisition date and are adjusted quarterly for changes in fair value. Changes in the fair value of contingent consideration liabilities can result from changes in anticipated milestone payments and changes in assumed discount periods and rates. These inputs are unobservable in the market and therefore categorized as 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 indicate the fair value hierarchy of the valuation techniques used to determine such fair value:

| | June 30, 2022 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents: | | | | |
| Commercial paper | $ 61,567 | $ — | $ 61,567 | $ — |
| Investments: | | | | |
| GICs | 43,184 | — | 43,184 | — |
| **Total** | $ 104,751 | $ — | $ 104,751 | $ — |
| | | | | |
| **Liabilities** | | | | |
| Liability for contingent consideration (note 13) | 1,248 | — | — | 1,248 |
| **Total** | $ 1,248 | $ — | $ — | $ 1,248 |

| | December 31, 2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents: | | | | |
| Commercial paper | $ 61,387 | $ — | $ 61,387 | $ — |
| Investments: | | | | |
| GICs | 50,741 | — | 50,741 | — |
| **Total** | $ 112,128 | $ — | $ 112,128 | $ — |
| | | | | |
| **Liabilities** | | | | |
| Liability for contingent consideration (note 13) | 1,498 | — | — | 1,498 |
| **Total** | $ 1,498 | $ — | $ — | $ 1,498 |

The following table presents the changes in fair value of the Company's liability for contingent consideration:

| | Liability at the beginning of the period | Increase (decrease) in fair value of liability for contingent consideration | Amounts paid or transferred to payables | Liability at end of the period |
|---|---|---|---|---|
| Three months ended June 30, 2022 | $ 1,248 | $ — | $ — | $ 1,248 |
| Six months ended June 30, 2022 | $ 1,498 | $ — | $ (250) | $ 1,248 |

***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, long-term investments and accounts receivable. Cash and cash equivalents and investments in marketable securities are invested in accordance with the Company's cash investment policy with the primary objective being the preservation of capital and maintenance of liquidity. The cash investment 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 and short-term investments with high credit quality financial institutions.

At June 30, 2022, the maximum exposure to credit risk for accounts receivable was $4,196 (December 31, 2021: $15,614) and all accounts receivable are due within the next 12 months. As at June 30, 2022 and December 31, 2021, the Company has recognized nominal amounts of provision for expected credit losses in relation to accounts receivable.

***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 short-term cash requirements are primarily to settle its financial liabilities, which consist primarily of accounts payable and accrued liabilities falling due within 45 days and current portion of lease obligations falling due within the next 12 months, with medium-term requirements to invest in property and equipment and research and development. The Company's principal sources of liquidity to settle its financial liabilities are cash, cash equivalents and short-term investments, collection of accounts receivable relating to research collaboration and license agreements and additional public equity offerings as required. The Company believes that these principal sources of liquidity are sufficient to fund its operations for at least the next 12 months.

***Foreign Currency Risk***

The Company incurs certain operating expenses in currencies other than the U.S. dollar and accordingly is subject to foreign exchange risk due to fluctuations in exchange rates. The Company does not use derivative instruments to hedge exposure to foreign exchange risk due to the low volume of transactions denominated in foreign currencies. At June 30, 2022, the Company's net monetary assets denominated in Canadian dollars were $4,535 (C$7,755).

The operating results and financial position of the Company are reported in U.S. dollars in the Company's interim condensed consolidated financial statements. The fluctuation of the U.S. dollar relative to the Canadian dollar and other foreign currencies will have an impact on the reported balances for net assets, net loss and shareholders' equity in the Company's interim condensed consolidated financial statements.

**13. Commitments and Contingencies**

***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. Pursuant to the agreements, the Company is obligated to make research and development and regulatory milestone payments upon the occurrence of certain events and royalty payments based on net sales. The maximum amount of potential future indemnification is unlimited, however, the Company currently holds commercial and product liability insurance that 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 believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to indemnification obligations for any period presented in the interim condensed consolidated financial statements.

In connection with the Company's 2016 Kairos acquisition, the Company may be required to make future payments to CDRD Ventures Inc. ("CVI") upon the direct achievement of certain development milestones for products incorporating certain Kairos intellectual property, as well as royalty payments on the net sales of such products. For out-licensed products and technologies incorporating certain Kairos intellectual property, the Company may be required to pay CVI a mid-single digit percentage of the future revenue as a result of a revenue sharing agreement. As of June 30, 2022, the contingent consideration had an estimated fair value of $1,248, which has been recorded within other long-term liabilities on the Company's consolidated balance sheet (December 31, 2021: $1,498). The contingent consideration was calculated using a probability weighted assessment of the likelihood of the milestones being met, a probability adjusted discount rate that reflects the stage of the development and time to complete the development. Contingent consideration is a financial liability and measured at its fair value at each reporting period, with any changes in fair value from the previous reporting period recorded within research and development expenses in the statement of loss and comprehensive loss.

***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.

**14. Restructuring**

In January 2022, the Company started implementing a restructuring program (the "Restructuring") as part of its renewed focus on achieving its key strategic priorities and to help create a more cost-efficient organization in order to execute on its strategic priorities. In connection with the Restructuring, the Company made changes to its management team and reduced headcount by approximately 25% as of June 30, 2022 compared to December 31, 2021. During the six months ended June 30, 2022, the Company recorded the following costs for the Restructuring:

- employee severance and termination benefits of $5,317;
- an offsetting non-cash reversal of previously recognized stock-based compensation expenses for unvested stock and RSU awards of $10,381; and
- other restructuring charges primarily related to accelerated depreciation and accelerated recognition of rent expense in relation to the shutdown of certain facilities of $3,266 and early termination of certain service contracts of $1,286.

Of the net charges, $6,249 expense and $5,516 recovery of stock-based compensation were recorded in research and development expenses, and $3,620 expense and $4,865 stock-based compensation recovery were recorded in general and administrative expenses in the accompanying statements of operations and comprehensive loss.

As of June 30, 2022 the net outstanding liability related to employee severance termination benefits and other contract liabilities was approximately $3,479. The Company recognized the majority of these charges during the six months ended June 30, 2022 and does not expect to incur any material additional costs related to the Restructuring.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the attached financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our audited financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2021 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2022 and with the securities commissions in all provinces and territories of Canada on February 24, 2022. This Quarterly Report on Form 10-Q, including the following sections, contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those expressed or implied by such forward-looking statements. As a result of many factors, including without limitation those set forth under "Risk Factors" under Item 1A of Part II below, and elsewhere in this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update forward-looking statements which reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q, except as required by law. Throughout this discussion, unless the context specifies or implies otherwise, the terms "Zymeworks," "we," "us," and "our" refer to Zymeworks Inc. and its subsidiaries.*

**Overview**

Zymeworks is a clinical-stage biopharmaceutical company dedicated to the development of next-generation multifunctional biotherapeutics. 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 product candidates with the potential to drive positive outcomes in large underserved and unaddressed patient populations.

Our lead product candidate, zanidatamab, is a novel bispecific antibody that targets two distinct domains of the human epidermal growth factor receptor 2 ("HER2"). Zanidatamab's unique binding properties result in multiple mechanisms of action that may enable it to address unmet need in patient populations with HER2-expressing cancers. In clinical trials, zanidatamab monotherapy and zanidatamab in combination with chemotherapy have been well tolerated with promising antitumor activity in patients with treatment-naive and heavily pretreated HER2-expressing cancers, including individuals whose disease had progressed on multiple prior treatment regimens that included HER2-targeted agents. Based on these data, a number of global multicenter clinical trials have been initiated to evaluate zanidatamab in specific indications and lines of therapy. These include pivotal clinical trials in (i) previously treated HER2 gene amplified biliary tract cancer ("BTC") and (ii) first-line locally advanced or metastatic HER2-positive gastroesophageal adenocarcinomas ("GEA") in combination with chemotherapy with or without BeiGene, Ltd.'s ("BeiGene") tislelizumab, as well as proof of concept trials in (iii) first-line locally advanced or metastatic HER2-positive colorectal cancer ("CRC"), GEA, or BTC in combination with standard of care chemotherapy, (iv) first-line locally advanced or metastatic HER2-positive GEA in combination with tislelizumab and chemotherapy, (v) first-line locally advanced or metastatic HER2-positive breast cancer in combination with docetaxel, (vi) previously-treated locally advanced or metastatic HER2-positive, hormone receptor-positive breast cancer in combination with Pfizer's Ibrance (palbociclib) and fulvestrant, and (vii) previously-treated locally advanced or metastatic HER2-expressing cancers (including HER2-positive and HER2-low breast cancer) in combination with ALX Oncology Inc.'s ("ALX Oncology") evorpacept (ALX148).

Our second product candidate, zanidatamab zovodotin (ZW49), combines the unique design of zanidatamab with our ZymeLink antibody-drug conjugate ("ADC") platform, comprised of our proprietary cytotoxin (cancer cell-killing compound) and cleavable linker. We designed zanidatamab zovodotin to be a best-in-class HER2-targeting ADC to further address unmet need across a range of HER2-expressing cancers. A Phase 1 clinical trial to establish safety and antitumor activity of zanidatamab zovodotin is currently ongoing.

We are also advancing a deep pipeline of preclinical product candidates and discovery-stage programs in oncology (including immuno-oncology agents) and other therapeutic areas.

Our proprietary capabilities and technologies include several modular, complementary therapeutic platforms that can be 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 improved patient outcomes. Our platforms include:

- ***Azymetric***, our bispecific platform, which enables therapeutic antibodies to simultaneously bind multiple distinct locations on a target (known as an epitope) or to multiple targets. This is achieved by tailoring multiple configurations of the antibody's Fab regions (locations on the antibody to which epitopes bind);
- ***ZymeLink***, our ADC platform, comprised of cytotoxins and the linker technology used to couple these cytotoxins to tumor-targeting antibodies or proteins. This platform can be used in conjunction with our other therapeutic platforms to increase safety and efficacy as compared to existing ADC technologies;
- ***EFECT***, which enables finely tuned modulation (both up and down) of immune cell recruitment and function; and
- ***ProTECT***, which enables tumor-specific activity that may reduce systemic toxicity and simultaneously enhances localized immune co-stimulation or checkpoint modulation that may increase efficacy.

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 capable of rapidly delivering a steady pipeline of next-generation product candidates in oncology and other therapeutic areas.

Our Azymetric, EFECT and ZymeLink therapeutic platforms have been further leveraged through multiple revenue-generating strategic partnerships and collaborations with the following pharmaceutical companies: Merck Sharp & Dohme Research GmbH ("Merck"), Eli Lilly and Company ("Lilly"), Celgene Corporation and Celgene Alpine Investment Co. LLC (now a Bristol-Myers Squibb company, "BMS"), GlaxoSmithKline Intellectual Property Development Limited ("GSK"), Daiichi Sankyo Co., Ltd. ("Daiichi Sankyo"), Janssen Biotech, Inc. ("Janssen"), LEO Pharma A/S ("LEO"), BeiGene, Iconic Therapeutics, Inc. ("Iconic") (and through our relationship with Iconic, Exelixis, Inc.), and Atreca, Inc. ("Atreca").

Our goal is to leverage our next-generation therapeutic platforms and proprietary protein engineering capabilities to become a leader 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 priorities to achieve this goal are to:

- fully recruit the HERIZON-BTC-01 pivotal clinical study for zanidatamab by mid-2022 (achieved April 2022);
- fully recruit the HERIZON-GEA-01 pivotal clinical study for zanidatamab by the end of 2023;
- complete or close out other ongoing early-stage clinical studies for zanidatamab as data become available, and use these data to identify and support strategic decisions regarding future clinical development opportunities beyond the ongoing pivotal clinical studies;
- finalize a clear clinical development path for zanidatamab zovodotin based on additional clinical data expected in the second half of 2022 from the ongoing Phase 1 clinical trial;
- select and advance two new ADC or multispecific product candidates leveraging Zymeworks' novel, therapeutic platforms (Azymetric™, ZymeLink™, EFECT™ and ProTECT™) to Investigational New Drug ("IND") enabling studies to provide the ability to submit two IND applications by the end of 2024;
- execute on new partnerships and collaborations to support the development and commercialization of zanidatamab and Zymeworks' early-stage R&D pipeline and technology platforms;
- continue to support and advance Zymeworks' core technology platforms and collaborations; and
- improve Zymeworks' financial position over 2022 and 2023 through a combination of alternatives, including forming additional partnerships and collaborations, monetizing existing assets and products and securing additional financing.

We commenced 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 and clinical trials. Additionally, we have supported our research and development activities with general and administrative support, as well as by raising capital, conducting business planning and protecting our intellectual property. We have not generated any revenue from the sale of approved products to date and do not expect to do so until such time as we obtain regulatory approval and commercialize one or more of our product candidates. We cannot be certain of the timing or success of approval of our product candidates.

Since our initial public offering ("IPO") in 2017, we have funded our operations primarily through follow-on public offerings, including the issuance of pre-funded warrants, and payments received under our license and collaboration agreements. Payments received from our license and collaboration agreements include upfront fees, milestone payments, as well as research support and reimbursement payments. Prior to our IPO, we also received financing from private equity placements and the issuance of convertible debt, which was subsequently converted into equity securities, and a credit facility. From inception to June 30, 2022, we received $910.5 million, net of equity issue costs, from these sources of financing including proceeds from exercises of stock options and employee stock purchase plans. As of June 30, 2022, we had $241.8 million of cash resources consisting of cash, cash equivalents and short-term investments.

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 June 30, 2022, combined with certain existing collaboration payments we anticipate receiving, will enable us to fund our planned operations for at least the next twelve months from the date this Quarterly Report on Form 10-Q is filed with the SEC.

We reported a net loss of $137.2 million for the six months ended June 30, 2022 and through June 30, 2022, we had an accumulated deficit of $820.3 million. Over the next several years, we expect to continue to incur losses as we increase our research and development expenditures in connection with the ongoing development of our product candidates and other clinical, preclinical and regulatory activities.

**Recent Developments**

*COVID-19:*

COVID-19 has impacted our research and development activities, but has not caused significant disruptions to our business operations to date. In March 2020, we transitioned our workforce to a remote working arrangement to protect the health and safety of our employees. In June 2020, we implemented a program to facilitate the phased return of employees to our lab and office facilities pursuant to enhanced health and safety protocols consistent with guidelines issued by local health authorities. Our preclinical research activities were supplemented by support from external contract research organizations ("CROs") to complement the temporarily reduced capacity at our lab facilities. Certain clinical trial activities, including patient enrollment and site activations, were delayed or otherwise impacted by COVID-19. To date, COVID-19 has not had a material impact on our financial condition, liquidity or longer-term strategic development and commercialization plans.

The extent to which COVID-19 may cause more significant disruptions to our business and greater impacts to our results of operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the location, duration and severity of outbreaks, including potential future waves or cycles, and the effectiveness of actions to contain and treat COVID-19. A lack of coordinated responses on risk mitigation and global vaccination deployment with respect to the COVID-19 pandemic could result in significant increases to the duration and severity of the pandemic and could have a corresponding negative impact on our business. Insufficient vaccine availability, reduced effectiveness of vaccines over time or against new variants, or resistance to vaccination by certain persons may result in increasing infection and hospitalization rates, which have been and could be further complicated by the emergence of more virulent or infectious variants of the virus. For example, new waves of infections from several COVID-19 subvariants have in some cases led to record infections and increased hospitalizations and fatalities in certain geographic regions. We cannot predict the duration, scope and severity of any potential business shutdowns or disruptions that may result from future waves or cycles of outbreaks, including impacts to our ongoing and planned clinical studies and our regulatory approval prospects. Further prolonged shutdowns or other business interruptions could result in material and negative effects to our ability to conduct our business in the manner and on the timelines currently planned, which could have a material adverse impact on our business, results of operations, and financial condition. The COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the effects of COVID-19 on our business and review our current policies to protect the well-being of our employees and their families in the event of any changes in government restrictions and to ensure the continuity of our operations. See Part II - Item 1A, "Risk Factors – Risks Related to Our Business and the Development and Commercialization of Our Product Candidates – Our business has been and may continue to be adversely affected by the COVID-19 pandemic."

*Zanidatamab Clinical Program:*

In April 2022, we announced the last patient enrolled in HERIZON-BTC-01, a global pivotal clinical trial evaluating the antitumor activity of zanidatamab monotherapy in patients with previously treated advanced or metastatic HER2-amplified BTC.

In June 2022, we, in conjunction with our Asia-Pacific partner BeiGene, presented Phase 2 clinical data at the American Society for Clinical Oncology (ASCO) Annual Meeting. The two presentations included data on the first-line treatment of patients with

HER2+ metastatic breast cancer using zanidatamab plus chemotherapy and on the first-line treatment of patients with HER2+ metastatic GEA using zanidatamab in combination with chemotherapy and BeiGene's anti-PD1 tislelizumab. Both regimens exhibited promising response rates and, overall, were well tolerated in patients.

In August 2022, we announced that we expect top-line data from our HERIZON-BTC-01 pivotal clinical trial of zanidatamab monotherapy for the treatment of metastatic or advanced HER2-amplified biliary tract cancer to be available before the end of 2022, and anticipate presenting comprehensive clinical data from this study in the first half of 2023. In addition, we expect to present interim results from our Phase 2 study of zanidatamab in previously-treated locally advanced or metastatic HER2-positive, hormone receptor positive breast cancer in combination with Pfizer's Ibrance (palbociclib) and fulvestrant before year-end 2022. We also anticipate presenting updated clinical data in the first half of 2023 from our Phase 2 study of zanidatamab in combination with chemotherapy in first-line locally advanced or metastatic HER2-positive GEA, previously presented at the European Society for Medical Oncology (ESMO) Annual Meeting in 2021.

*Zanidatamab Zovodotin Clinical Program:*

In our ongoing zanidatamab zovodotin Phase 1 dose-escalation study, the expansion cohorts evaluating 2.5 mg/kg every three weeks have completed enrollment of 30 patients. In parallel, we continue to evaluate an expansion cohort evaluating dosing at 1.5 mg/kg weekly and continue to enroll into the escalation cohort evaluating 1.75mg/kg weekly. Patient enrollment continues to progress well in both the weekly expansion and escalation cohorts. We anticipate presenting preliminary results from the zanidatamab zovodotin Phase 1 study in September 2022 at the ESMO Annual Meeting, which results are expected to cover a basket cohort of HER2+ cancers, including GEA, breast cancer, and other solid tumors.

*Preclinical Programs:*

In March 2022, we presented information on our topoisomerase 1 inhibitor ("TOPO1i") ADC technology at the World ADC London conference. The presentation highlighted preclinical data and the development of our TOPO1i-based payload technology to be used in conjunction with our auristatin-based payload technology in the generation of fit-for-purpose and indication-specific ADCs.

In August 2022, we announced the lead preclinical product candidates, ZW191 and ZW171, for our Early Research & Development ("ER&D") program as well as timing for an ER&D update, which is scheduled to be held in New York City on October 20, 2022. Our lead ADC preclinical product candidate, ZW191, is an antibody-drug conjugate (target undisclosed) with a novel TOPO1i based payload that we believe may be competitive in areas with high unmet clinical need, such as ovarian cancer and other gynecological cancers. Similarly, our lead multispecific preclinical product candidate, ZW171, a novel and differentiated bispecific T-cell engaging antibody (target undisclosed) generated utilizing our Azymetric bispecific platform, targets the potential treatment of patients in multiple solid tumor indications. These two preclinical product candidates will be highlighted along with other preclinical product candidates at the ER&D update in October.

*Licensing and Collaboration Agreements:*

In April 2022, Atreca announced a licensing agreement with us to utilize our ZymeLink technology to develop novel ADCs. We recognized a $5.0 million research license fee payment in association with this licensing agreement in conjunction with future option exercise fees and development, regulatory, and commercial milestones as well as tiered royalties on net sales of any licensed products at single-digit royalty rates.

*Financing Activities:*

On January 31, 2022, we announced the closing of our underwritten public offering which consisted of the issuance of 11,035,000 common shares, including the exercise in full of the underwriters' over-allotment option to purchase 1,875,000 additional shares, and, in lieu of common shares, to certain investors, pre-funded warrants to purchase up to 3,340,000 common shares. The common shares were sold at a price to the public of $8.00 per common share and the pre-funded warrants were sold at a price of $7.9999 per pre-funded warrant, for aggregate gross proceeds to the Company of $115.0 million, before deducting underwriting discounts and commissions and estimated offering expenses. The securities were offered in the United States pursuant to our final prospectus, dated January 26, 2022, to our U.S. automatic shelf registration statement on Form S-3ASR, including a prospectus dated October 1, 2021. No securities were offered or sold, directly or indirectly, in Canada or to any resident of Canada.

*Executive Team Changes and Restructuring:*

On January 5, 2022, we announced the appointment of Mr. Kenneth Galbraith as Chair of our board of directors, Chief Executive Officer and President, effective January 15, 2022. In connection with Mr. Galbraith's appointment, Dr. Ali Tehrani resigned from the positions of President and Chief Executive Officer and as a member of our board of directors, effective January 15, 2022. We also announced the promotion of our Chief Financial Officer, Mr. Neil Klompas, to the dual position of Chief Operating Officer and Chief Financial Officer. Our board of directors also appointed Ms. Lota Zoth as the board of directors' lead independent director, effective January 15, 2022.

On January 19, 2022, we announced a restructuring of our workforce (the "Restructuring"), with a target of reducing employee headcount by at least 25% across the organization by the end of 2022. We took these steps as part of our renewed focus on achieving our key strategic priorities and to help create a more cost-efficient organization in order to execute on our strategic priorities. In connection with the Restructuring, we announced changes in our leadership, with the Executive Vice President, Early Development & Chief Scientific Officer, Chief People Officer and Chief Commercial Officer leaving the Company. As of March 31, 2022, we had exceeded the previously announced workforce reduction of 25%, ahead of schedule. The Company has incurred other restructuring charges in connection with the reduction in workforce which are disclosed in note 14 of our interim condensed financial statements included in this Quarterly Report on Form 10-Q. The Company recognized the majority of these charges during the six months ended June 30, 2022 and does not expect to incur any material additional costs related to the Restructuring.

On February 24, 2022, we announced the appointment of Dr. Christopher Astle to the role of Senior Vice President and Chief Financial Officer of the Company. Dr. Astle succeeded Mr. Klompas in the role of Chief Financial Officer. Following Dr. Astle's appointment, Mr. Klompas continued in his position as the Company's Chief Operating Officer.

On June 27, 2022, we announced the appointment of Dr. Paul Moore to the role of Chief Scientific Officer of the Company, effective July 18, 2022.

On August 4, 2022, we announced the appointment of Mr. Neil Klompas to the role of President of the Company in addition to continuing in his position as the Company's Chief Operating Officer. Mr. Kenneth Galbraith will continue in the role of Chair of our board of directors and the Company's Chief Executive Officer.

*Other Matters:*

On May 20, 2022, we announced that our board of directors, after thorough consultation with its financial and legal advisors, unanimously determined that an unsolicited, opportunistic, non-binding proposal from an activist shareholder, All Blue Falcons FZE ("All Blue Falcons"), and its affiliates to purchase Zymeworks for $10.50 per share substantially undervalued Zymeworks and was not in the best interest of the Company and its shareholders.

On June 9, 2022, our board of directors adopted a Preferred Shares Rights Agreement (the "Rights Plan").The Rights Plan will reduce the likelihood that any entity, person or group gains control of the Company through open market accumulation without paying all shareholders an appropriate control premium. It also provides our board of directors with the appropriate time to make informed judgments and take actions that are in the best interests of all shareholders. Under the Rights Plan, the rights become exercisable if an entity, person or group acquires beneficial ownership of 10% or more of our common shares, or 20% in the case of certain passive investors. In the event that the rights become exercisable due to the triggering ownership threshold being crossed, each right will entitle its holder (other than the person, entity or group triggering the Rights Plan, whose rights will become void and will not be exercisable) to purchase, at the then-current exercise price, additional shares of common stock having a then-current market value of twice the exercise price of the right. The Rights Plan is scheduled to expire on June 8, 2023.

On July 15, 2022, we announced our intention to become a Delaware corporation ("New Zymeworks"), subject to receipt of necessary shareholder, stock exchange, and court approvals (the "Redomicile Transactions"). We anticipate that the Redomicile Transactions will conclude in the fourth quarter of 2022, pending necessary shareholder, stock exchange, and court approval. Once the Redomicile Transactions are complete, New Zymeworks will continue under the current Zymeworks name and brand, and will continue to maintain significant operations in both Canada and the United States. To effect the Redomicile Transactions, Zymeworks will conduct a share exchange, pursuant to which holders of Zymeworks' common shares will exchange their Zymeworks common shares for shares of common stock of New Zymeworks (the "Delaware Common Stock") or, at their election with respect to all or a portion of their Zymeworks common shares and subject to applicable eligibility criteria (shareholders who meet such criteria, the "Eligible Holders") and an overall cap (the "Exchangeable Share Cap"), exchangeable shares (the "Exchangeable Shares") in the capital of a newly formed indirect subsidiary of New Zymeworks. A special meeting of Zymeworks security holders will be held to approve the Redomicile Transactions. The Redomicile Transactions will be governed by a Transaction Agreement (the "Transaction Agreement") dated July 14, 2022 by and among us and our wholly-owned direct or indirect subsidiaries Zymeworks Delaware Inc., Zymeworks CallCo ULC ("Callco") and Zymeworks ExchangeCo Ltd.

("ExchangeCo"), as the same may be amended, modified or supplemented from time to time, including a plan of arrangement included as Exhibit A to the Transaction Agreement (the "Plan of Arrangement"). The foregoing description of the Redomicile Transactions is only a summary, and does not purport to be complete and is qualified in its entirety by reference to the Transaction Agreement, including the Plan of Arrangement, a copy of which is filed as Exhibit 2.1 of our Current Report on Form 8-K filed on July 15, 2022.

**Strategic Partnerships and Collaborations**

Our novel product candidates, together with the unique combination of proprietary protein engineering capabilities and resulting therapeutic platform technologies, have enabled us to enter into a number of strategic partnerships, many of which were subsequently expanded in scope. Our strategic partnerships and collaborations, including with Merck, BMS, GSK, Daiichi Sankyo, Janssen, LEO, BeiGene, Iconic, and Atreca, provide us with the ability to accelerate clinical development of our product candidates in certain geographical regions and provide our strategic partners with access to components of our proprietary therapeutic platforms for their own therapeutics development. In addition, these strategic partnerships have provided us with non-dilutive funding as well as access to proprietary therapeutic assets, which increase our ability to rapidly advance our product candidates while maintaining commercial rights to our own therapeutic pipeline. Under our strategic partnerships and collaboration agreements, we have received over $240.0 million to date in the form of non-refundable upfront payments and milestone payments. In addition, under our active strategic partnerships and collaboration agreements, we are eligible to receive up to $2.9 billion in preclinical and development milestone payments and $6.1 billion in commercial milestone payments, as well as tiered royalties on potential future product sales. It is possible, however, that our strategic partners' programs will not advance as currently contemplated, which would negatively affect the amount of development and commercial milestone payments and royalties on potential future product sales we may receive. Importantly, these partnerships include predominantly non-target-exclusive licenses for any of our therapeutic platforms, so we maintain the ability to develop therapeutics directed to many high-value targets utilizing our platforms.

There have not been any material changes to the key terms of any of our licensing and collaboration agreements, since December 31, 2021. In April 2022 we added Atreca as a strategic partner. For further information on the terms and conditions of our existing collaboration and license agreements, please refer to "Item 1. Business - Strategic Partnerships and Collaborations" of our Annual Report on Form 10-K for the year ended December 31, 2021.

**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. We expect that collaboration revenue from our strategic partnerships will be our primary source of revenue for the foreseeable future.

***Operating Expenses***

Our operating expenses consist primarily of research and development expenses and general and administrative expenses. Personnel costs including salaries, benefits, bonuses and stock-based compensation expense, comprise a significant component of research and development and general and administrative expenses. We allocate certain indirect expenses associated with our facilities, information technology, depreciation and other overhead costs between research and development and general and administrative categories based on employee headcount and the nature of work performed by each employee.

***Research and Development Expense***

Research and development expenses consist of expenses incurred in performing research and development activities such as conducting clinical trials and preclinical research studies, technical and manufacturing operations, regulatory affairs and other indirect expenses in support of advancing our product candidates and therapeutic platforms. Research and development expenses include third-party program costs, internal personnel costs and other indirect costs as follows:

- fees paid to CROs, consultants, subcontractors and other third-party vendors for work performed for our clinical trials, preclinical studies and regulatory activities;
- fees paid to third-party manufacturers to produce our product candidate supplies;

- amounts paid to vendors and suppliers for laboratory supplies;
- fees, milestone payments and other expenses incurred in connection with license agreements and amendments;
- employee-related expenses such as salaries and benefits and stock-based compensation;
- depreciation of laboratory equipment, computers and leasehold improvements; and
- overhead expenses such as facilities, information technology and other allocated items.

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 rates 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. Our research and development expenses may increase in the future as we continue to develop our platforms and product candidates.

***General and Administrative Expense***

General and administrative expenses consist of salaries, benefits and stock-based compensation costs for employees in our executive, finance, legal, intellectual property, business development, human resources and other support functions, as well as legal and professional fees, business insurance, facilities and information technology costs and other expenses. Our general and administrative expenses may increase in the future as we expand our infrastructure to support our ongoing research and development activities.

***Other Income (Expense)***

Other income (expense) primarily consists of interest income and foreign exchange gain (loss).

**Critical Accounting Policies and Significant Judgments and Estimates**

Our critical accounting policies are those policies that require the most significant judgments and estimates in the preparation of our interim condensed consolidated financial statements. A summary of our critical accounting policies is presented in note 2 of our annual consolidated financial statements for the year ended December 31, 2021.

Our management's discussion and analysis of financial condition and results of operations is based on our interim condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these interim condensed consolidated financial statements requires us to make estimates, judgments and assumptions that are inherently uncertain that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. 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 interim condensed consolidated financial statements prospectively from the date of the change in estimate.

There have been no material changes in our critical accounting policies and significant judgments and estimates during the three and six months ended June 30, 2022 as compared to what has been described in our most recent annual consolidated financial statements.

The full extent to which the COVID-19 pandemic may directly or indirectly impact our business, results of operations and financial condition, including revenues, expenses, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are evolving and highly uncertain, such as the duration and severity of outbreaks, including current and potential future waves or cycles, and the effectiveness of actions taken to contain and treat COVID-19. We considered the potential impact of COVID-19 when making certain estimates and judgments relating to the preparation of our interim condensed consolidated financial statements. While there was no material impact to our interim condensed consolidated financial statements as of and for the six months ended June 30, 2022, our future assessment of the magnitude and duration of

COVID-19, as well as other factors, could result in a material impact to our consolidated financial statements in future reporting periods.

**Recent Accounting Pronouncements**

A summary of recent accounting pronouncements is presented in note 3 of our interim condensed consolidated financial statements for the quarter ended June 30, 2022 within this Quarterly Report on Form 10-Q.

**Results of Operations for the Three and Six Months Ended June 30, 2022 and 2021**

***Revenue***

| (dollars in millions) | Three Months Ended June 30, | | Increase/ (Decrease) | | Six Months Ended June 30, | | Increase/ (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | | | 2022 | 2021 | | |
| Revenue from research and collaborations | $ 5.4 | $ 1.8 | $ 3.6 | 200 % | $ 7.4 | $ 2.4 | $ 5.0 | 208 % |

Our revenue relates primarily to non-recurring upfront fees, expansion payments or milestone payments from our licensing and collaboration agreements.

Total revenue increased by $3.6 million in the three months ended June 30, 2022 compared to the same period in 2021. Revenue for the three months ended June 30, 2022 included a $5.0 million research license fee from our Atreca licensing agreement and $0.4 million from our partners for research support and other payments. Revenue for the same period in 2021 included $1.8 million from our partners for research support and other payments.

Total revenue increased by $5.0 million in the six months ended June 30, 2022 compared to the same period in 2021. Revenue for the six months ended June 30, 2022 included a $5.0 million research license fee from our Atreca licensing agreement and $2.4 million from our partners for research support and other payments. Revenue for the same period in 2021 included $2.4 million from our partners for research support and other payments.

***Research and Development Expense***

| (dollars in millions) | Three Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | | Six Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| Third-party research and development program expenses: | | | | | | | | |
| Clinical development programs[1]: | | | | | | | | |
| Zanidatamab | $ 36.1 | $ 20.9 | $ 15.2 | 73 % | $ 74.8 | $ 37.4 | $ 37.4 | 100 % |
| Zanidatamab zovodotin | (0.7) | 2.4 | (3.1) | (129)% | 0.9 | 6.8 | (5.9) | (87)% |
| Preclinical and other research programs | 1.6 | 2.8 | (1.2) | (43)% | 2.1 | 6.2 | (4.1) | (66)% |
| | 37.0 | 26.1 | 10.9 | 42 % | 77.8 | 50.4 | 27.4 | 54 % |
| Unallocated departmental research and development expenses: | | | | | | | | |
| Salaries and benefits | 12.8 | 13.7 | (0.9) | (7)% | 31.1 | 26.8 | 4.3 | 16 % |
| Stock-based compensation (recovery) expense | 1.7 | 6.0 | (4.3) | (72)% | (1.6) | 7.8 | (9.4) | (121)% |
| Other unallocated expenses | 4.5 | 4.9 | (0.4) | (8)% | 11.2 | 10.0 | 1.2 | 12 % |
| Research and development expense | $ 56.0 | $ 50.7 | $ 5.3 | 10 % | $ 118.5 | $ 95.0 | $ 23.5 | 25 % |

[1] Clinical trial expenses incurred may vary from period to period based on underlying activities.

Research and development expense increased by $5.3 million in the three months ended June 30, 2022 compared to the same period in 2021. For the three months ended June 30, 2022, research and development expense included non-cash stock-based compensation expense of $1.7 million comprised of a $2.0 million expense from equity classified awards (three months ended June 30, 2021 – $5.8 million expense) and a $0.3 million recovery related to the non-cash, mark-to-market revaluation of certain historical liability classified awards (three months ended June 30, 2021 - $0.2 million expense). Excluding stock-based compensation expense, research and development expense increased by $9.6 million or 21% in the three months ended June 30, 2022 compared to the same period in 2021. The increase related primarily to higher clinical trial expenses for zanidatamab due to ramp-up of the HERIZON-GEA-01 clinical trial and increased drug manufacturing expenses, partly offset by lower clinical trial expense for zanidatamab zovodotin, as a result of amendments to third-party agreements in the ongoing clinical development program and reductions in headcount.

Research and development expense increased by $23.5 million in the six months ended June 30, 2022 compared to the same period in 2021. For the six months ended June 30, 2022, research and development expense included non-cash stock-based compensation recovery of $1.6 million comprised of a $0.8 million recovery from equity classified awards (six months ended June 30, 2021 – $10.1 million expense) and a $0.8 million recovery related to the non-cash mark-to-market revaluation of certain historical liability classified awards (six months ended June 30, 2021 - recovery of $2.3 million). Excluding stock-based compensation expense, research and development expense increased by $32.9 million or 38% in the six months ended June 30, 2022 compared to the same period in 2021. The increase related primarily to higher clinical trial expenses for zanidatamab due to ramp-up of the HERIZON-GEA-01 clinical trial, increased drug manufacturing expenses, severance and other expenses incurred due to the Company's Restructuring program, partly offset by lower clinical trial expense for zanidatamab zovodotin as a result of amendments to third-party agreements in the ongoing clinical development program and reductions in headcount.

***General and Administrative Expense***

| (dollars in millions) | Three Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | | Six Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 5.2 | $ 6.2 | $ (1.0) | (16)% | $ 13.1 | $ 12.6 | $ 0.5 | 4 % |
| Stock-based compensation expense (recovery) | 1.1 | 6.8 | (5.7) | 84 % | (4.0) | (1.9) | (2.1) | (111)% |
| Professional fees, consulting and business insurance | 6.1 | 4.3 | 1.8 | 42 % | 9.8 | 7.4 | 2.4 | 32 % |
| Other general and administrative expenses | 2.8 | 2.6 | 0.2 | 8 % | 8.4 | 3.1 | 5.3 | 171 % |
| General and administrative expense | $ 15.2 | $ 19.9 | $ (4.7) | (24)% | $ 27.3 | $ 21.2 | $ 6.1 | 29 % |

General and administrative expense decreased by $4.7 million for the three months ended June 30, 2022 compared to the same period in 2021. For the three months ended June 30, 2022, general and administrative expense included non-cash stock-based compensation expense of $1.1 million comprised of a $1.3 million expense from equity classified awards (three months ended June 30, 2021 – $5.3 million expense) and a $0.2 million recovery related to the non-cash mark-to-market revaluation of certain historical liability classified awards (three months ended June 30, 2021 – $1.5 million expense). Excluding stock-based compensation, general and administrative expense increased by $1.0 million or 8% in the three months ended June 30, 2022 compared to the same period in 2021. This increase was primarily due to an increase in professional fees and other expenses in 2022, which was partially offset by a decrease in salaries and benefits expense as a result of decrease in headcount due to the Company's Restructuring program.

General and administrative expense increased by $6.1 million for the six months ended June 30, 2022 compared to the same period in 2021. For the six months ended June 30, 2022, general and administrative expense included non-cash stock-based compensation recovery of $4.0 million comprised of a $1.0 million recovery from equity classified awards (six months ended June 30, 2021 – $9.5 million expense) and a $3.0 million recovery related to the non-cash mark-to-market revaluation of certain historical liability classified awards (six months ended June 30, 2021 – recovery of $11.4 million). Excluding stock-based compensation, general and administrative expense increased by $8.2 million or 35% in the six months ended June 30, 2022 compared to the same period in 2021. This increase was primarily due to severance and other expenses incurred due to the Company's Restructuring program in 2022 and increase in professional fees as well as a non-recurring sales tax refund recognized in 2021, which partially offset expenses in the same period in 2021.

We expect our operating expenses (consisting of research and development expense and general and administrative expense) to continue to decline in the second half of 2022, driven by a reduction in clinical expenses, technical and manufacturing expenses and the impact of the Company’s Restructuring program.

***Other Income, net***

| (dollars in millions) | Three Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | | Six Months Ended June 30, 2022 | 2021 | Increase/ (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| Other income, net | $ 1.2 | $ 0.9 | $ 0.3 | 32 % | $ 1.2 | $ 1.8 | $ (0.6) | (33)% |

Other income, net increased by $0.3 million for the three months ended June 30, 2022 compared to the same period in 2021. Other income, net for 2022 included $0.4 million in interest income and $0.8 million in net foreign exchange gain and other miscellaneous amounts. Other income, net for the three months ended June 30, 2021 included $0.6 million in interest income and a $0.3 million net foreign exchange gain and other miscellaneous amounts.

Other income, net decreased by $0.6 million for the six months ended June 30, 2022 compared to the same period in 2021. Other income, net for 2022 included $0.7 million in interest income and $0.4 million in net foreign exchange gain and other miscellaneous amounts. Other income, net for the six months ended June 30, 2021 included $1.3 million in interest income and a $0.5 million net foreign exchange gain and other miscellaneous amounts.

**Liquidity and Capital Resources**

***Sources of Liquidity***

Since our IPO in 2017, we have funded our operations primarily through follow-on public offerings, including the issuance of pre-funded warrants, as well as from upfront fees, milestone payments, and research support payments generated from our strategic collaborations and licensing agreements.

On January 31, 2022, we completed a public offering pursuant to which we sold (i) 11,035,000 common shares (including the sale of 1,875,000 common shares to the underwriters upon their full exercise of their over-allotment option), at $8.00 per common share and 3,340,000 pre-funded warrants in lieu of common shares at $7.9999 per pre-funded warrant. We received gross proceeds of $115.0 million and net proceeds were $107.5 million, after underwriting discounts, commissions and estimated offering expenses.

On October 1, 2021, we amended our Open Market Sale Agreement℠, dated as of November 5, 2019 (as amended, the "Sales Agreement"), with Jefferies LLC ("Jefferies"). The Sales Agreement provides for the offer and sale of our common shares from time to time through Jefferies as our sales agent, subject to the maximum aggregate dollar amount registered pursuant to the applicable prospectus supplement. Sales of common shares through Jefferies, if any, will be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act. No shares of our common stock have been sold under the Sales Agreement since its inception.

As of June 30, 2022, we had $241.8 million in cash resources consisting of cash, cash equivalents and short-term investments.

***Cash Flows***

The following table represents a summary of our cash flows for the six months ended June 30, 2022 and 2021:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (dollars in millions) | |
| **Net cash (used in) provided by:** | | |
| Operating activities | $ (110.2) | $ (91.2) |
| Investing activities | (1.3) | 104.1 |
| Financing activities | 108.3 | 2.8 |
| Effect of exchange rate changes on cash and cash equivalents | — | (0.6) |
| **Net change in cash and cash equivalents** | $ (3.2) | $ 15.1 |

*Operating Activities*

During the six months ended June 30, 2022, cash used in operating activities was $110.2 million compared to $91.2 million for the same period in the prior year. The increase in net cash used in operating activities was primarily due to higher clinical trial expenses for zanidatamab and increased drug manufacturing expenses as well as severance and other expenses incurred due to the Company's Restructuring program, partly offset by lower clinical trial expense for zanidatamab zovodotin and deprioritized research projects as well as increase in proceeds from collaborations in 2022.

*Investing Activities*

Net cash used in investing activities for the six month period ended June 30, 2022 was primarily related to redemptions of short-term investments in marketable securities of $7.1 million partially offset by cash outflows of $8.5 million for the acquisition of property and equipment in relation to our new office and lab spaces in Canada and an increase in intangible assets including software implementation costs. Net cash provided by investing activities for the six month period ended June 30, 2021 was primarily related to redemptions of short-term investments in marketable securities of $106.6 million partially offset by cash outflows of $2.4 million for the acquisition of property and equipment.

*Financing Activities*

Net cash provided by financing activities for the six months ended June 30, 2022 included $107.5 million relating to net proceeds from our January 2022 public offering of equity securities and $0.9 million from the issuance of common shares in relation to our employee stock purchase plan. Net cash provided by financing activities for the six months ended June 30, 2021 included net proceeds of $2.1 million from stock option exercises and $0.8 million from the issuance of common shares in relation to our employee stock purchase plan.

***Funding Requirements***

We have not generated any revenue from approved product sales to date and do not expect to do so until such time as we obtain regulatory approval and commercialize one or more of our product candidates. As we are currently in the 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. In addition, inflation generally may affect us by increasing our cost of labor and clinical trial expenses. Our funding requirements in the short-term and long-term will consist of the operational, capital, and manufacturing expenditures, a portion of which contain contractual or other obligations including future minimum lease payments under non-cancelable operating leases as presented in note 11 and other commitments and contingencies as presented in note 13 to the interim condensed consolidated financial statements. Because of the inherent risks and uncertainties associated with the development and commercialization of our drug candidates, we are unable to estimate the amounts of capital outflows and operating expenditures associated with our current and anticipated clinical trials and preclinical studies.

Although it is difficult to predict our funding requirements, based on our current operating plan, we anticipate that our existing cash and cash equivalents and short-term investments combined with certain anticipated milestone payments from our existing collaborations will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months from the date this Quarterly Report on Form 10-Q is filed with the SEC. We have based these estimates on assumptions and plans which may change and which could impact the magnitude and/or timing of operating expenses, capital expenditures and our cash runway. These estimates include future milestone payments which are dependent upon the successful completion of specified research and development activities by us and our collaborators and are therefore uncertain at this time. The successful development of our product candidates and the achievement of milestones by our strategic partners is uncertain, and therefore we are unable to estimate the actual funds we will require to complete the research, development and commercialization of product candidates. See Part II, Item 1A, “Risk Factors - Risks Related to Our Business and the Development and Commercialization of Our Product Candidates” and “Risk Factors - Risks Related to Our Dependence on Third Parties - We may not realize the anticipated benefits of our strategic partnerships”.

We will need substantial additional funding to support our continuing operations and pursue our long-term business plans. Accordingly, our future funding requirements will depend on many factors, including but not limited to:

- the scope, rate of progress, results and costs of our clinical trials, preclinical studies and other related activities;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements as well as our ability to enter into new arrangements;
- the timing and the costs of obtaining regulatory approvals for any of our current or future drug candidates;
- the cost of commercialization activities if any of our current or future drug candidates are approved for sale, including marketing, sales and distribution costs; and
- the amount of revenue, if any, received from commercial sales of our drug candidates, should any of our drug candidates receive marketing approval.

If adequate funds are not available at favorable terms, we may be required to reduce operating expenses, delay or reduce the scope of our product development and commercial expansion programs, obtain funds through arrangements with others that may require us to relinquish rights to certain of our technologies or products that we would otherwise seek to develop or commercialize ourselves or cease operations. If we do raise additional capital through public or private equity or convertible debt offerings, the ownership interest of our existing shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders’ rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital

expenditures or declaring dividends. A deterioration in the equity or credit markets may make any necessary debt or equity financing more difficult, more costly and more dilutive.

**Segment Reporting**

We view our operations and manage our business in one segment, which is the development of next-generation multifunctional biotherapeutics.

**Outstanding Share Data**

As of August 2, 2022, our authorized share capital consisted of an unlimited number of common shares, each without par value, of which 57,892,785 were issued and outstanding, an unlimited number of Series A Participating Preferred Shares, each without par value, none of which were outstanding, and an unlimited number of additional preferred shares, each without par value, none of which were issued and outstanding. As of August 2, 2022, we had 8,581,961 common shares issuable pursuant to 8,581,961 pre-funded warrants, 3,740,078 common shares issuable pursuant to 3,740,078 exercisable outstanding stock options and 4,271,299 common shares issuable pursuant to 4,271,299 outstanding options that were not exercisable at that date and 186,333 outstanding restricted stock units.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

We are exposed to market risks in the ordinary course of our business that may affect our results of operations, cash flows and fair values of assets and liabilities, including interest rate movements, volatility in foreign currency exchange rates, and changes in economic conditions as a result of the COVID-19 pandemic. The primary market risk inherent in our financial instruments and in our financial position represents the potential loss arising from adverse changes in interest rates and foreign exchange rates.

**Interest Rate Risk**

Our exposure to interest rate risk relates primarily to our cash, cash equivalents and short-term investments. At June 30, 2022 and December 31, 2021, we had cash, cash equivalents and short-term investments of $241.8 million and $252.6 million, respectively, consisting primarily of funds in cash, guaranteed investment certificates and term deposits. The primary objective of our investment activities is to preserve principal while also maintaining liquidity and maximizing investment returns 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, a hypothetical 10% increase or decrease in interest rates or in investment returns would not have a material effect on the fair market value of our portfolio or investment income. Our investment portfolio is primarily composed of short-term investments with maturities less than 12 months and our long term investments in debt securities are held to maturity. Accordingly, we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

**Foreign Currency Exchange Risk**

Our functional currency is the U.S. dollar as most of our revenues and operating expenses are denominated in U.S. dollars. We incur certain operating expenses in Canadian dollars and other foreign currencies and accordingly, are subject to foreign currency transaction risk. We do not use derivative instruments to hedge exposure to foreign currency transaction risk due to the low volume of transactions denominated in Canadian dollars and other foreign currencies. We do not anticipate that foreign currency transaction gains or losses will be significant at our current level of operations.

At June 30, 2022, our net monetary assets denominated in Canadian dollars were $4.5 million (C$7.8 million). We are subject to foreign currency translation risk when translating these foreign currency denominated net monetary assets to U.S. dollars for period end financial statement preparation. The fluctuation of the Canadian dollar relative to the U.S. dollar will have an impact on the reported balances for net assets, net loss and shareholders' equity in our interim condensed consolidated financial statements. A hypothetical 10% increase (decrease) in the value of the Canadian dollar relative to the U.S. dollar would result in a foreign exchange gain (loss) of $0.6 million in our Condensed Consolidated Statement of Loss and Comprehensive Loss for the six months ended June 30, 2022.

**Inflation Risk**

Inflation generally may affect us by increasing our cost of labor and clinical trial expenses. We do not believe that inflation and changing prices had a material impact on our business, financial condition, or results of operations for any of the periods presented herein.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the design and operating effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Any such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on our evaluation of our disclosure controls and procedures as of June 30, 2022, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were, in design and operation, effective at the reasonable assurance level.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. As of June 30, 2022, we are not a party to any legal proceedings that, in the opinion of our management, would reasonably be expected to have a material adverse effect on our business, financial condition, operating results or cash flows if determined adversely to us. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### Item 1A. Risk Factors

*You should carefully consider the following risk factors, in addition to the other information contained in this Quarterly Report on Form 10-Q, including our interim condensed consolidated financial statements and related notes. If any of the events described in the following risk factors occurs, our business, operating results and financial condition could be seriously harmed. This Quarterly Report on Form 10-Q 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 factors that are described below and elsewhere in this Quarterly Report on Form 10-Q. See "Cautionary Note Regarding Forward-Looking Statements." The risks below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, results of operations, and/or prospects. Our Risk Factors are not guarantees that no such conditions exist as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part.*

**Summary of Risk Factors**

*Below is a summary of the principal factors that make an investment in our common shares speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this Form 10-Q and our other filings with the SEC, before making an investment decision regarding our common shares.*

- We have a limited number of product candidates, all which are still in 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.
- Clinical trials are expensive, time consuming, 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 comparable regulatory authorities outside the United States.
- Our business has been and may continue to be adversely affected by the COVID-19 pandemic.
- Our product candidates may have undesirable side effects that may delay or prevent marketing approval or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales; no regulatory agency has made any determination that any of our product candidates are safe or effective for use by the general public for any indication.
- We 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.
- 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.
- 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.
- We may not be successful in our efforts to use our therapeutic platforms to build a pipeline of product candidates.
- 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.

- Security breaches and incidents, 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.
- 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 rights of stockholders under Delaware law may differ from the rights of shareholders under the BCBCA.
- We may fail to realize certain benefits of the Redomicile Transactions, including as a result of the shares of Delaware Common Stock not being included in a U.S. stock market index.
- New Zymeworks' effective tax rate may change in the future, including as a result of the Redomicile Transactions.
- 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 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.
- 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 rely on third-party manufacturers to produce our product candidates and on other third parties to provide supplies and store, monitor and transport bulk drug substance and drug product. We and our third-party partners may encounter difficulties with respect to these activities that could delay or impair our ability to initiate or complete our clinical trials or commercialize approved products.
- 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 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.
- Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.
- 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.
- We may become involved in lawsuits to protect or enforce our patents and trade secrets, which could be expensive, time consuming and unsuccessful.
- If we are unable to protect the confidentiality of our proprietary information, the value of our technology and products could be adversely affected.
- Our share price is likely to be volatile and the market price of our common shares may drop below the price paid by shareholders.
- 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.
- U.S. civil liabilities may not be enforceable against us, our directors, our officers or certain experts named in our Annual Report on Form 10-K.
- Our principal shareholders, in aggregate, could exert 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.
- 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.

## Risk Factors

### 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 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 comparable regulatory authorities outside the United States. Our product candidates are in clinical development and we have not submitted an application, or received marketing approval, for any of our product candidates. Obtaining regulatory approval of our product candidates will depend on many factors, including:

- completing clinical trials that demonstrate the efficacy and safety of our product candidates;
- preparation and submission to the appropriate regulatory authorities of an application for marketing approval that includes substantial evidence of safety, purity and potency from results of nonclinical testing and clinical trials;
- establishing and maintaining adequate commercial manufacturing arrangements or establishing our own commercial manufacturing capabilities or reliable arrangements with third-party contract manufacturers;
- potential pre-approval audits of nonclinical sites, clinical trial sites, and third-party manufacturing sites that generated the data and product in support of the marketing application; 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 expensive, time consuming, 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 comparable regulatory authorities outside the United States.***

We have not previously submitted a BLA to the FDA or similar marketing applications to foreign health authorities. A BLA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety, purity and efficacy for each desired indication. The BLA must also include significant information regarding the manufacturing controls for the product. The novel nature of our product candidates may introduce uncertain, complex, expensive and lengthy challenges that could impact regulatory approval. Even if we eventually complete clinical testing and receive approval of any regulatory filing for our product candidates, the FDA or foreign health authorities may approve our product candidates for a more limited indication or a narrower patient population than we originally requested.

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 regulatory authorities outside the United States. 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 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 comparable regulatory authorities outside the United States, despite having progressed through preclinical studies and initial clinical trials. Product candidates that have shown promising results in early clinical trials may suffer significant setbacks in subsequent clinical trials or registration clinical trials. For example, a number of companies in the pharmaceutical industry have suffered significant setbacks in late-stage clinical trials,

even after obtaining promising results in earlier-stage clinical trials. Similarly, interim results of a clinical trial do not necessarily predict final results.

There is a high failure rate for biopharmaceutical products proceeding through clinical trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later stage clinical trials even after achieving promising results in earlier stage clinical trials. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development.

Applications for our product candidates could fail to receive regulatory approval for many reasons, including but not limited to the following:

- the FDA or foreign health authorities may disagree with the design, implementation or data analyses of our clinical trials;
- the FDA or foreign health authorities may determine that our product candidate(s) do not have adequate risk-benefit ratio or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use;
- the population studied in the clinical program may not be sufficiently broad or representative to assure efficacy and safety in the full population for which we seek approval;
- the FDA or foreign health authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a BLA or other submission or to obtain regulatory approval in the United States or elsewhere;
- the FDA or foreign health authorities may fail to approve the manufacturing processes, test procedures and specifications or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA or foreign health authorities may significantly change in a manner rendering our clinical data insufficient for approval.

Additionally, we have conducted, and may in the future conduct, clinical trials outside the United States. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of these data is subject to certain conditions imposed by the FDA and its determination that the trials also complied with all applicable U.S. laws and regulations. If the FDA does not accept the data from any clinical trials we conduct outside the United States, it would likely result in the need for additional trials, which would be costly and time-consuming and delay or halt our development of any future product candidates.

***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 evaluating zanidatamab in Phase 1, 2, and 3 clinical trials and zanidatamab zovodotin in a Phase 1 clinical trial in patients with recurrent or metastatic HER2-expressing solid tumors. 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. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during clinical development, and, because our product candidates are in an early stage of development, there is a high risk of failure and we may never succeed in developing marketable products. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, particularly because early trials have smaller numbers of subjects tested. In addition, it is not uncommon for product candidates to exhibit unforeseen safety or efficacy issues, such as immunogenicity, when tested in humans despite promising results in preclinical animal models.

Any clinical trials that we may conduct may not demonstrate the safety and efficacy profiles necessary to obtain regulatory approval to market our product candidates. As we continue developing our product candidates, serious adverse events, undesirable side effects, or unexpected characteristics may emerge, causing us to abandon these product candidates or limit their development to more narrow uses or subpopulations in which the risk-benefit ratio is more acceptable.

Patients treated with our product candidates may experience side effects or adverse events that are unrelated to our product candidates but may still impact the success of our clinical trials. The inclusion of patients with significant co-morbidities in our clinical trials may result in deaths or other adverse medical events due to an underlying condition or other therapies or medications that such patients may be using. Any of these events could prevent us from obtaining regulatory approval or achieving or maintaining market acceptance and impair our ability to commercialize our product candidates. In some instances, there can be significant variability in safety and efficacy results between different clinical trials of the same product candidate due to a variety of factors, including, but not limited to, changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, changes in and adherence to the clinical trial protocols and the rate of dropout among clinical trial participants.

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 CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different sites or CROs;
- delay or failure to obtain 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 the trial protocol or 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 address any noncompliance with regulatory requirements or safety concerns that arise during the course of a clinical trial;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or foreign health authorities for violations of applicable regulatory requirements;
- delays in the testing, validation, manufacturing and delivery of our product candidates to the clinical trial sites, including due to a facility manufacturing any of our product candidates or any of their components being ordered by the FDA or foreign health authorities to temporarily or permanently shut down due to violations of cGMP regulations or other applicable requirements, or cross-contaminations of product candidates in the manufacturing process;
- the need to repeat or terminate clinical trials as a result of inconclusive or negative results or unforeseen complications in testing;

- 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; and
- receiving untimely or unfavorable feedback from applicable regulatory authorities regarding the trial or requests from regulatory authorities to modify the design of a trial.

We could also experience delays in physicians enrolling patients in clinical trials of our product candidates in lieu of prescribing existing treatments or other clinical trials. Furthermore, a clinical trial may be suspended or terminated by us, the IRBs for the institutions in which such trials are being conducted, the Data Monitoring Committee for such trial, or by the FDA or foreign health authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or foreign health authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. If we experience termination of, or delays in the completion of, any clinical trial of our product candidates, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenue will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenue.

Securing regulatory approval also requires the submission of information about the manufacturing processes and inspection of manufacturing facilities by the relevant regulatory authority. The FDA or foreign health authorities may fail to approve our manufacturing processes or facilities, whether run by us or our CMOs. In addition, if we make manufacturing changes to our product candidates in the future, we may need to conduct additional preclinical and/or clinical studies to bridge our modified product candidates to earlier versions.

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.

In addition, even if the trials are successfully completed, clinical data are often susceptible to varying interpretations and analyses, and we cannot guarantee that the FDA or foreign health authorities will interpret the results as we do, and more trials could be required before we submit our product candidates for approval. We cannot guarantee that the FDA or foreign health authorities will view any of our product candidates as having adequate safety and efficacy profiles even if favorable results are observed in these clinical trials, and we may receive unexpected or unfavorable feedback from the FDA or foreign health authorities regarding satisfaction of safety, purity and potency (including clinical efficacy), amongst other factors. To the extent that the results of the trials are not satisfactory to the FDA or foreign health authorities for support of a marketing application, approval of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates.

***If we, or any of our partners, are unable to enroll patients in clinical trials, we will be unable to complete these trials on a timely basis or at all.***

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 product candidates for the treatment of rare diseases, which have limited pools of patients from which to draw for clinical testing. If we, or any of our strategic partners that perform clinical tests for our product candidates, 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.

In addition, the U.S. federal Right to Try Act, among other things, provides a federal framework for patients to access certain investigational new drug products that have completed a Phase 1 clinical trial. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA approval under the FDA expanded access program. While there is no obligation to make product candidates available to eligible patients as a result of the Right to Try Act, new and emerging legislation regarding expanded access to unapproved drugs could negatively impact enrollment in our clinical trials and our business in the future.

***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 and 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 any 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.

***Interim, preliminary or topline data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.***

From time to time, we may publish interim, preliminary or topline data from clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary or topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary or topline data previously published. As a result, interim, preliminary and topline data should be viewed with caution until the final data are available. Adverse differences between interim, preliminary or topline data and final data could significantly harm our reputation and business prospects. Moreover, preliminary, interim and topline data are subject to the risk that one or more of the clinical outcomes may materially change as more patient data become available when patients mature on study, patient enrollment continues or as other ongoing or future clinical trials with a product candidate further develop. Past results of clinical trials may not be predictive of future results.

In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically more extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure. Any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product candidate or our business. Similarly, even if we are able to complete our planned and ongoing preclinical studies and clinical trials of our product candidates according to our current development timeline, the positive results from such preclinical studies and clinical trials of our product candidates may not be replicated in subsequent preclinical studies or clinical trial results.

Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in early-stage development and we cannot be certain that we will not face similar setbacks. These setbacks have been caused by, among other things, preclinical and other nonclinical findings made while clinical trials were underway or safety or efficacy observations made in preclinical studies and clinical trials, including previously unreported adverse events. Moreover, preclinical, nonclinical and clinical data are often susceptible to varying interpretations and analyses and many

companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA or other regulatory approval.

***Our business has been and may continue to be adversely affected by the COVID-19 pandemic.***

The COVID-19 pandemic has had a broad adverse impact on the global economy across many industries and has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions and business shutdowns, as well as significant volatility in global financial markets. As a result of COVID-19, in March 2020, we transitioned our workforce to a remote working arrangement to protect the health and safety of our employees. In June 2020, we implemented a program to facilitate the phased return of employees to our lab and office facilities pursuant to enhanced health and safety protocols consistent with guidelines issued by local health authorities. Our preclinical research activities were supplemented by support from external CROs to complement the temporarily reduced capacity at our lab facilities. Certain clinical trial activities, including patient enrollment and site activations, were delayed or otherwise impacted by COVID-19.

The extent to which COVID-19 may cause more significant disruptions to our business and greater impacts to our operations will depend on future developments, which are highly uncertain and cannot be predicted, such as the location, duration and severity of outbreaks (including future potential waves or cycles), travel restrictions and social distancing, business closures or disruptions and the effectiveness of actions taken to contain and treat the disease and to address its impact, including on financial markets. A lack of coordinated response on risk mitigation and global vaccination deployment with respect to the COVID-19 pandemic could result in significant increases to the duration and severity of the pandemic and could have a corresponding negative impact on our business. Insufficient vaccine availability, reduced effectiveness of vaccines over time or against new variants, or resistance to vaccination by certain persons may result in increasing infection and hospitalization rates, which have been and could be further complicated by the emergence of more virulent or infectious variants of the virus. For example, new waves of infections from several COVID-19 subvariants have in some cases led to record infections and increased hospitalizations and fatalities in certain geographic regions.

If the COVID-19 pandemic worsens or continues for a prolonged period of time, particularly in regions where we or our strategic partners and suppliers do business, we could experience disruptions that could significantly impact our current and planned clinical trials, preclinical research and other business activities, including:

- disruption to and delays in preclinical research activities due to extended closure or reduced capacity of lab facilities;
- further delays or difficulties in enrolling patients in our ongoing and planned clinical trials;
- patients discontinuing their treatment or follow-up visits;
- further delays or difficulties in clinical site initiation, including limitations on access to sites, limitations to site initiation activities that can be carried out remotely, and limitations on the number of clinical site staff on site from time to time;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- shortages, disruptions in supply, logistics or other activities related to the procurement of materials and other supplies, which could have a negative impact on our ability to conduct preclinical research, initiate or complete our clinical trials or commercialize our product candidates;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of clinical trials;
- interruption of key business activities due to illness and/or quarantine of key individuals and delays associated with recruiting, hiring and training new temporary or permanent replacements for such key individuals, both internally and at our third-party service providers and strategic partners;
- limitations in resources that would otherwise be focused on the conduct of our business or our current or planned clinical trials or preclinical research, including because of sickness, the desire to avoid contact with large groups of people, restrictions on travel, or prolonged stay-at-home or similar working arrangements;
- delays in receiving approvals from regulatory authorities to initiate our planned clinical trials;
- changes in regulations as part of a response to the COVID-19 pandemic which may require us to change the ways in which our clinical trials are conducted and incur unexpected costs, or require us to discontinue clinical trials altogether;
- delays in necessary interactions with regulators (including the FDA), ethics committees and other important agencies and contractors due to limitations in employee resources or furlough of government or contractor personnel;

- disruptions to our strategic partners' operations, which could delay the development of our product candidates in certain geographical regions and thereby affect the timing of development and commercial milestone payments and royalties on potential future product sales we may receive; and
- limitations on our ability to recruit any necessary preclinical research, clinical, regulatory and other professional staff on the timeframe required to support our research and development programs.

In addition, COVID-19 could result in the continued significant disruption of global financial markets, reducing our ability to access capital, which could negatively affect our liquidity. COVID-19 has resulted in heightened financial market volatility that may continue, which could adversely impact the value of our common shares.

***The Fast Track and Breakthrough Therapy designations we have received for zanidatamab may not result in faster development, regulatory review or approval process.***

The FDA has granted Fast Track designations to zanidatamab for the first-line treatment of patients with HER2-overexpressing GEA in combination with standard of care chemotherapy and for refractory BTC. These Fast Track designations do not ensure that we will experience a faster development, regulatory review or approval process compared to conventional FDA procedures or that we will ultimately obtain regulatory approval. Additionally, the FDA may withdraw Fast Track designation if it believes that the designation is no longer supported by data from our clinical development program. The FDA also granted Breakthrough Therapy designation for zanidatamab in patients with previously-treated HER2 gene-amplified BTC. While we anticipate meeting with the FDA in 2023 to discuss the data readout from the HERIZON-BTC-01 study in support of submitting a Biologics License Application ("BLA") for zanidatamab in patients with previously-treated HER2 gene-amplified BTC, the receipt of a Breakthrough Therapy designation for a product candidate may not ultimately result in a faster development process or review, and it does not in any way assure approval of a product candidate by the FDA. In addition, designation as a Breakthrough Therapy is within the discretion of the FDA and the FDA may decide to rescind a Breakthrough Therapy designation if it believes that a designated product candidate no longer meets the conditions for qualification of this program. If our clinical development program is suspended, terminated, or put on clinical hold due to unexpected adverse events or other issues, including clinical supply issues, we may not realize all the benefits associated with the Fast Track designation. Furthermore, Fast Track designation does not change the standards for approval, and the designation alone does not guarantee qualification for the FDA's priority review procedures.

***Development of product candidates in combination with other therapies could expose us to additional risks.***

Even if any of our product candidates were to receive marketing approval or be commercialized for use in combination with other existing therapies, we would continue to be subject to the risks that the FDA, EMA or other comparable foreign regulatory authorities could revoke approval of the therapy used in combination with any of our product candidates, or safety, efficacy, manufacturing or supply issues could arise with these existing therapies. In addition, it is possible that existing therapies with which our product candidates are approved for use could themselves fall out of favor or be relegated to later lines of treatment. This could result in the need to identify other combination therapies for our product candidates or our own products being removed from the market or being less successful commercially. We may also evaluate our product candidates in combination with one or more other cancer therapies that have not yet been approved for marketing by the FDA, EMA or comparable foreign regulatory authorities. We will not be able to market and sell any product candidate in combination with any such unapproved cancer therapies that do not ultimately obtain marketing approval. If the FDA, EMA or other comparable foreign regulatory authorities do not approve or revoke their approval of these other therapies, or if safety, efficacy, commercial adoption, manufacturing or supply issues arise with the therapies we choose to evaluate in combination with any other product candidate, we may be unable to obtain approval of or successfully market any one or all of the product candidates we develop.

Additionally, if the third-party providers of therapies or therapies in development used in combination with our product candidates are unable to produce sufficient quantities for clinical trials or for commercialization of our product candidates, or if the cost of combination therapies are prohibitive, our development and commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

***Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified product candidates from being developed, or approved or commercialized in a timely manner or at all, which could negatively impact our business.***

The ability of the FDA to review and clear or approve new product candidates can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies, such as government shutdowns and furloughs, may also slow the time necessary for new product candidates to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. In response to the COVID-19 pandemic and travel restrictions, the FDA has issued industry guidance regarding plans to employ remote interactive evaluations and risk management methods, among other considerations, to meet user fee commitments and goal dates as well as plans toward resuming standard operational levels. Additional policies or changes to current policies may be implemented in the future. If global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, or if the FDA and other agencies experience other delays, backlogs or disruptions, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

***Successful development of our current and future product candidates is uncertain and we may discontinue or reprioritize the development of any of our product candidates at any time, at our discretion.***

Before obtaining regulatory approval for the commercial distribution of our product candidates, we must conduct, at our own expense, extensive preclinical tests and clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Preclinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Additionally, the results from nonclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in subsequent human clinical trials of that product candidate. There is a high failure rate for drugs proceeding through clinical studies. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical development even after achieving promising results in earlier studies, and any such setbacks in any future clinical development could have a material adverse effect on our business and operating results. Alternatively, management may elect to discontinue development of certain product candidates to accommodate a shift in corporate strategy, despite positive clinical results. Based on our operating results and business strategy, among other factors, we may discontinue the development of any of our product candidates under development or reprioritize our focus on other product candidates at any time and at our discretion.

Additionally, 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 forgo or delay pursuit of opportunities with other therapeutic platforms or product candidates or for other indications that later prove to have greater commercial potential. 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.

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

All of our product candidates are still in preclinical or clinical development. Consequently, all of our product candidates are required to undergo ongoing safety testing in humans as part of clinical trials. 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. Zanidatamab and zanidatamab zovodotin continue to be evaluated in clinical trials, and the results of these and future clinical trials may show that zanidatamab, zanidatamab zovodotin or our other product candidates cause undesirable or unacceptable side effects, which could interrupt, delay or halt clinical trials, and result in delay of, or failure to obtain, marketing approval from the FDA and other regulatory authorities, or result in marketing approval from the FDA and other regulatory authorities with restrictive label warnings, limited patient populations or potential product liability claims. Even if we believe that our clinical trials and preclinical studies demonstrate the safety and efficacy of our product candidates, only the FDA and other

comparable regulatory agencies may ultimately make such determination. No regulatory agency has made any such determination that any of our product candidates are safe or effective for use by the general public for any indication.

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

- regulatory authorities may require us to take our approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies, or impose a risk evaluation and mitigation strategy that includes restrictions and conditions on product distribution, prescribing and/or dispensing;
- 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. These companies include MacroGenics, Inc., AstraZeneca PLC/Daiichi Sankyo, Roche AG, Seagen and others.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, more convenient or 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.

In addition, we expect to compete with biosimilar versions of already approved products like trastuzumab or pertuzumab, and even if our product candidates achieve marketing approval, they may be challenged to achieve a price premium over competitive biosimilar products and will compete for market share with them.

The Biologics Price Competition and Innovation Act of 2009, which is included in the Patient Protection and Affordable Care Act (the "PPACA"), authorized the FDA to approve similar versions of innovative biologics, commonly known as 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 biologic product or "reference product." Manufacturers may not submit an application for a biosimilar to the FDA until four years following approval of the reference product, and the FDA may not approve a biosimilar product until 12 years from the date on which the reference product was approved. Even if our product candidates, if approved, are deemed to be reference products eligible for exclusivity, another company could market a competing version of that product if the FDA approves a full 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. Additionally, from time to time, there are proposals to repeal or modify the PPACA, including proposals that could significantly shorten the exclusivity period for biologics.

***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;
- 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;
- availability of alternative therapies at similar or lower cost, including generic, biosimilar and over-the-counter products;
- the extent to which the product candidate is approved for inclusion on formularies of hospitals and managed care organizations;
- whether the product is designated under physician treatment guidelines as a first-line therapy or as a second- or third-line therapy for particular diseases;
- whether the product can be used effectively with other therapies to achieve higher response rates;
- adverse publicity about our product candidates or favorable publicity about competitive products;
- convenience and ease of administration of our products; and
- potential product liability claims.

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

***We may be unable to obtain orphan drug exclusivity in specific indications for zanidatamab 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.***

The FDA has granted Orphan Drug Designation to zanidatamab for the treatment of BTC and GEA, the European Medicines Agency ("EMA") has granted Orphan Drug Designation to zanidatamab for the treatment of gastric cancer and BTC, 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 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 ten 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. The loss of Orphan Drug Designation could have a negative effect on our ability to successfully commercialize our product candidates, earn revenues and achieve profitability.

Even if we obtain orphan drug exclusivity for zanidatamab, 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 are unable to manufacture sufficient supply of our product to meet the needs of patients, the FDA can withdraw our orphan exclusive marketing rights or approve another marketing application for the same drug product before the expiration of the exclusivity period.

***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 region to region 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.

Our ability to eventually generate significant revenues from product sales will depend on a number of factors, including:

- successful completion of preclinical studies;
- submission of INDs or other regulatory applications for our planned clinical trials or future clinical trials and authorizations from regulators to initiate clinical studies;
- successful enrollment in, and completion of, clinical trials;
- achieving favorable results from clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;

- establishing and maintaining sufficient manufacturing capabilities, whether internally or with third parties, for clinical and commercial supply;
- obtaining pricing, reimbursement, and hospital formulary access;
- establishing sales, marketing and distribution capabilities and launching commercial sales of our products, if and when approved, whether alone or in combination with other products;
- sufficiency of our financial and other resources to complete the necessary preclinical studies and clinical trials and commercialization activities;
- effectively competing with other therapies;
- developing and implementing successful marketing and reimbursement strategies;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our product candidates; and
- maintaining a continued acceptable safety profile of any product following approval, if any.

If we do not achieve one or more of these requirements in a timely manner, we could experience significant delays or an inability to successfully commercialize our product candidates, which would materially harm our business.

We cannot be certain that our clinical trials will be initiated and completed on time, if at all, or whether our planned clinical strategy will be acceptable to the FDA or foreign health authorities. In addition, the COVID-19 pandemic is still evolving, and it is impossible to predict the impact this pandemic may have on the development of our product candidates, our preclinical studies and clinical trials, and our business. To become and remain profitable, we must develop, obtain approval for and eventually commercialize products, if approved, that generate significant revenue. In addition, it is not uncommon for product candidates to exhibit unforeseen safety issues or inadequate efficacy when tested in humans despite promising results in preclinical animal models or earlier trials, and we may ultimately be unable to demonstrate adequate safety and efficacy of our product candidates to obtain marketing approval. Even if we obtain approval and begin commercializing one or more of our product candidates, we may never generate revenue that is significant or large enough to achieve profitability.

Even if we succeed in commercializing one or more of our product candidates, we will continue to incur substantial research and development, manufacturing and other expenditures to develop and market additional product candidates. Our failure to become or remain profitable would decrease the value of the company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

***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.***

The regulations that govern marketing approvals, pricing, coverage and reimbursement for new drugs vary widely from country to country. Many countries require approval of the sale price of a drug before it can be marketed. The pricing review period begins after marketing or product licensing approval is granted in most cases. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product and negatively impact the revenues we are able to generate from the sale of the product in that country.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other third-party payors. In many jurisdictions, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. Obtaining coverage and reimbursement approval of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data for the use of our products. If we are not currently capturing the scientific and clinical data that will be required for reimbursement approval, we may be required to conduct additional trials, which may delay or suspend reimbursement approval. Additionally, in the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of a product candidate that receives regulatory approval to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained.

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 ("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. Congress is currently considering legislation that, if passed, could have significant impact on prices of prescription drugs covered by Medicare, including limitations on drug price increases and allowing Medicare to negotiate drug pricing for certain drugs. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved.

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 currently 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 our projections 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 not be successful in our efforts to use our therapeutic platforms to build a pipeline of product candidates.***

We intend to use 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 further 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 cGMP and cGCP, for any clinical trials that we or our strategic partners conduct after 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. regulators' 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.

The FDA strictly regulates manufacturers' promotional claims of drug products. In particular, a drug product may not be promoted by manufacturers for uses that are not approved by the FDA, as reflected in the FDA-approved labeling, although healthcare professionals are permitted to use drug products for off-label uses. The FDA, the Department of Justice, the Inspector General of the Department of Health and Human Services, among other government agencies, actively enforce the laws and regulations prohibiting manufacturers' promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including large civil and criminal fines, penalties, and enforcement actions. The FDA has also imposed consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed for companies that engaged in such prohibited activities. If we cannot successfully manage the promotion of our approved product candidates, we could become subject to significant liability, which would materially adversely affect our business and financial condition.

***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.

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.

Patients with cancer and other diseases targeted by our product candidates are often already in severe and advanced stages of disease and have both known and unknown significant pre-existing and potentially life-threatening health risks. During the course of treatment, patients may suffer adverse events, including death, for reasons that may be related to our product candidates. Such events could subject us to costly litigation, require us to pay substantial amounts of money to injured patients, delay, negatively impact or end our opportunity to receive or maintain regulatory approval to market our product candidates, or require us to suspend or abandon our commercialization efforts. Even in a circumstance in which we do not believe that an adverse event is related to our product candidates, the investigation into the circumstance may be time-consuming or inconclusive. These investigations may interrupt our sales efforts, delay our regulatory approval process in other countries, or impact and limit the type of regulatory approvals our product candidates receive or maintain. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition or results of operations.

***If we or any of our third-party manufacturers encounter manufacturing difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or prevented.***

The manufacture of biological drug products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques, process and quality controls. Manufacturers of biologic products often encounter difficulties in production and sourcing, particularly in scaling up or out, validating the production process and assuring high reliability of the manufacturing processes (including the absence of contamination), in light of variations and supply constraints of key components. These problems include logistics and shipping, difficulties with production costs and yields, quality control, including consistency, stability, purity and efficacy of the product, product testing, operator error and availability of qualified personnel, as well as compliance with applicable federal, state and foreign regulations. If contaminants are discovered in our supply of our product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability, purity, and efficacy failures, deficiencies, or other issues relating to the manufacture of our product candidates will not occur in the future. Our research and development activities also involve the controlled use of potentially hazardous substances, including chemical and biological materials, by our third-party manufacturers. While we currently outsource all manufacturing to third parties, we and our manufacturers are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of medical and hazardous materials. Although we believe that our manufacturers' procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we cannot completely eliminate the risk of contamination or injury, and any related liability, resulting from medical or hazardous materials.

***Material modifications 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.

***Strategic transactions could disrupt our business, cause dilution to our shareholders and otherwise harm our business.***

We actively evaluate various strategic transactions on an ongoing basis. For example, we may acquire other businesses, products or technologies as well as pursue strategic alliances, joint ventures, investments in complementary businesses, out-licensing agreements, divestitures or other transactions. 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;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and marketing approvals;
- 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.

Also, the anticipated benefit of any strategic transaction may not materialize or such strategic transaction may be prohibited. 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 any future strategic alliances, joint ventures, investments, acquisitions, divestitures or other strategic transactions, or the effect that any such transactions might have on our operating results.

***Many governments impose strict price controls, which may adversely affect our future profitability.***

In many countries, particularly in those in the European Union ("EU"), 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 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 is generated from the sale of the product in that country. If reimbursement of such product candidates is unavailable or limited in scope or amount, 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 and incidents, 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 and our CROs and other service providers collect, store and otherwise process petabytes of sensitive data, including legally protected health information, personal 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: 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.

Although we take measures designed to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure and those of our CROs and our other third-party service providers may utilize may be vulnerable to attacks by hackers or viruses or breached, interrupted or compromised due to inadvertent or intentional actions by our employees, contractors, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including supply chain cyber attacks or the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information). Any such breach, incident, or interruption could compromise systems and networks used in our business and lead to the loss, destruction, alteration, prevention of access to, disclosure, or dissemination of, or damage or unauthorized access to, our data (including trade secrets or other confidential information, intellectual property, proprietary business information, and personal information) or data that is processed or maintained on our behalf, or other assets, which could result in financial, legal, business and reputational harm to us. Any such event could result in legal claims, demands and litigation or governmental investigations or other proceedings, liability under laws that protect the privacy of personal information, such as the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), and regulatory penalties and other liabilities. Although we have implemented security measures and a formal enterprise security program designed to prevent unauthorized access to sensitive data, there is no guarantee that we or our third-party service providers can protect our systems or networks or other systems or networks used in our business from security breaches, incidents, or compromises. Any loss, destruction, alteration, prevention of access to, disclosure, or dissemination of, or damage or unauthorized access to, our data or other data that is processed or maintained on our behalf could also disrupt our operations (including our ability to conduct our analyses, pay providers, conduct research and development activities, collect, process and prepare company financial information, provide information about any future products, and manage the administrative aspects of our business) and damage our reputation, any of which could adversely affect our business.

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (“HITECH”), and its implementing regulations, impose certain requirements relating to the privacy, security, transmission and breach reporting of individually identifiable health information upon entities subject to the law, such as health plans, healthcare clearinghouses and healthcare providers and their respective business associates and subcontractors that perform services for them that involve individually identifiable health information. Mandatory penalties for HIPAA violations can be significant, and criminal and monetary penalties, as well as injunctive relief, may be imposed for HIPAA violations. Although most drug manufacturers are not directly subject to HIPAA, prosecutors are increasingly using HIPAA-related theories of liability against drug manufacturers and their agents and we also could be subject to criminal penalties if we knowingly obtain individually identifiable health information from a HIPAA-covered entity in a manner that is not authorized or permitted by HIPAA.

Furthermore, in the event of a breach as defined by HIPAA, HIPAA regulations impose specific reporting requirements to regulators, individuals impacted by the breach and, in some cases, 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 to HIPAA, other applicable data privacy and security obligations, including U.S. state data breach notification laws, may require us to notify relevant stakeholders of any security breaches or incidents that result in the unauthorized disclosure, or dissemination of, personal information. Such disclosures are costly, and the disclosures or the failure to comply with such requirements, could lead to adverse impacts.

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.

In addition, as a result of the COVID-19 pandemic, we may face increased cybersecurity risks due to our reliance on internet technology and the number of our employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities.

***We are subject to stringent and changing obligations related to privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions, litigation, fines and penalties, disruptions of our business operations, reputational harm and other adverse business consequences.***

In addition, U.S. states have enacted and are considering enacting laws relating to the protection of personal information (including health and other data of patients, research subjects, and other individuals), which may be more rigorous than, or impose additional requirements beyond those required by, HIPAA. For example, the California Consumer Privacy Act ("CCPA"), which became effective on January 1, 2020, gives California consumers expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA allows for statutory fines for noncompliance (up to $7,500 per violation) as well as a limited private right of action for data breaches, which may increase the volume of data breach litigation. In addition, the California Privacy Rights Act of 2020 ("CPRA"), effective January 1, 2023, will expand the CCPA by, among other things, giving California residents the ability to limit use of certain sensitive personal information, establishing restrictions on personal information retention, expanding the types of data breaches subject to the CCPA's private right of action, and establishing a new California Privacy Protection Agency to implement and enforce the new law. While limited CCPA exemptions may apply to portions of our business, the recency of the CCPA's implementing regulations and the California Attorney General's enforcement activity means obligations under the CCPA, as modified by the CPRA, could evolve in the future, which may increase our compliance costs and potential liability. Many similar privacy and security laws have been proposed at the federal level and in other states, certain of which have been enacted, including such laws in Colorado, Connecticut, Utah and Virginia. These or other proposed or enacted laws relating to privacy and security could similarly increase our compliance obligations and costs in the future.

We may also become subject to laws and regulations in non-U.S. countries covering privacy and security and the protection of health-related and other personal information. In particular, the European Economic Area ("EEA") has adopted privacy and security protection laws and regulations that impose significant compliance obligations. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure, processing and security of information that identifies or may be used to identify an individual, such as names, contact information, and sensitive personal information such as health data. These laws and regulations are subject to frequent revisions and differing interpretations, and have generally become more stringent over time.

The General Data Protection Regulation 2016/679 ("GDPR") applies to the processing of personal information and imposes many requirements for controllers and processors of personal information, including, for example, higher standards for obtaining consent from individuals to process their personal information, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention and secondary use of information, increased requirements pertaining to health data and pseudonymized (i.e., key-coded) data and additional obligations when contracting third-party processors in connection with the processing of the personal information. The GDPR allows EEA countries to make additional laws and regulations further limiting the processing of genetic, biometric or health data. Failure to comply with the requirements of the GDPR and the applicable national privacy and security laws of EEA countries may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties; we may also be liable should any individual who has suffered financial or non-financial damage arising from our infringement of the GDPR exercise their right to receive compensation against us. Furthermore, adverse publicity relating to our failure to comply with the GDPR could cause a loss of goodwill, which could have an adverse effect on our reputation, brand, business and financial condition. Additionally, the United Kingdom ("UK") has implemented legislation similar to the GDPR, referred to as the UK GDPR, which provides for fines of up to the greater of £17.5 million or 4% of global turnover.

Certain jurisdictions, including the EEA, have enacted data localization laws and cross-border personal information transfer laws. For example, absent appropriate safeguards or other circumstances, the GDPR generally restricts the transfer of personal information to countries outside the EEA, such as the United States, which the European Commission does not consider to provide an adequate level of personal information protection. On July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the European Union-U.S. Privacy Shield ("Privacy Shield") as a data transfer mechanism for transferring personal information from the EEA to the United States. While the European Union ("EU") standard contractual clauses ("EU SCCs") remain a valid mechanism to transfer personal information to third countries outside the EEA, the CJEU's ruling has also imposed enhanced due diligence obligations on data exporters and importers to ensure that the laws of the country to which the personal information is transferred offer a level of data protection that is essentially equivalent to the EEA. Also, the EU has issued updated EU SCCs, and the UK has issued its own standard contractual clauses (the "UK SCCs"), that are required to be implemented over time. Although we do not transfer personal data from the EEA to the United States via the Privacy Shield, the CJEU's decision means that the status of transfers of personal information from the EEA and other regions, including the UK, to the United States is subject to significant regulatory uncertainty. To the extent we transfer personal information from other jurisdictions to the United States, we may not be able to implement or maintain an appropriate data transfer mechanism to continue such international transfers of data. Additionally, the CJEU's invalidation of the Privacy Shield, the revised EU SCCs and new UK SCCs, regulatory guidance and opinions, and other developments relating to cross-border data transfer may require

us to implement additional contractual and technical safeguards for any personal information transferred out of the EEA, UK, or other regions, which may increase compliance costs, lead to increased regulatory scrutiny or liability, and may require additional contractual negotiations, which may adversely impact our business, financial condition, and operating results.

Separate from, and in addition to, requirements under the GDPR and UK GDPR, certification requirements for the hosting of health data will vary by jurisdiction. To the extent we operate in various EEA countries or the UK, there might be other national healthcare regulations or regulatory requirements with which we will be required to comply. For example, France requires hosts of health data to obtain a prior certification with the competent certification body.

The interpretation and application of consumer, health-related and privacy and security laws in the United States, the EEA, and elsewhere are often uncertain, contradictory and in flux. Any failure or perceived failure to comply with federal, state or foreign laws or regulations, contractual or other legal obligations related to privacy or security may result in claims, warnings, communications, requests or investigations from individuals, supervisory authorities or other legal or regulatory authorities in relation to our processing of personal information, and regulatory investigations or other proceedings. 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.

***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 became law in the United States. The PPACA may affect the operational results of companies in the pharmaceutical industry, including us, by imposing on them additional costs. For example, effective January 1, 2010, PPACA increased the minimum Medicaid drug rebates for pharmaceutical companies and imposed an annual fee on certain branded prescription drugs and biologics. Since the enactment of PPACA, there have been executive, judicial and Congressional challenges to certain aspects of the PPACA, including judicial challenges in the Fifth Circuit Court and the United States Supreme Court. In June 2021, the United States Supreme Court held that Texas and other challengers had no legal standing to challenge the PPACA, dismissing the case without specifically ruling on the constitutionality of the PPACA. Accordingly, the PPACA remains in effect in its current form. It is unclear how this Supreme Court decision, future litigation, or healthcare measures promulgated by the Biden administration will impact our business, financial condition and results of operations. Complying with any new legislation or changes in healthcare regulation could be time-intensive and expensive, resulting in a material adverse effect on our business.

Other legislative changes have been proposed and adopted since the PPACA was enacted. For example, the Bipartisan Budget Act of 2018, among other things, amended the PPACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans. The Budget Control Act of 2011, which calls for aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, began in 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2031, with the exception of a temporary suspension implemented under various COVID-19 relief legislation from May 1, 2020 through March 31, 2022, unless additional Congressional action is taken. Under current legislation, the actual reduction in Medicare payments will vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester. The American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on potential customers for our product candidates, if approved, and, accordingly, our future financial operations. We are unable to predict the future course of federal or state health care legislation or foreign regulations relating to the marketing, pricing and reimbursement of pharmaceutical products.

There have been several recent U.S. Congressional inquiries, presidential executive orders, and proposed federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. For example, in 2020, the U.S. Department of Health and Human Services (“HHS”) and

CMS issued various rules pertaining to price reductions from pharmaceutical manufacturers to plan sponsors under Part D, changes to the Stark Law and the safe harbor regulation under the Anti-Kickback Statute, and manufacturer price reporting requirements under the Medicaid Drug Rebate Program, among others. Multiple lawsuits have been brought against the HHS challenging various aspects of the rules implemented during the Trump administration. As a result, the Biden administration and HHS have delayed the implementation or published rules rescinding some of these Trump-era policies.

Under the American Rescue Plan Act of 2021, effective January 1, 2024, the statutory cap on Medicaid Drug Rebate Program rebates that manufacturers pay to state Medicaid programs will be eliminated. Elimination of this cap may require pharmaceutical manufacturers to pay more in rebates than it receives on the sale of products, which could have a material impact on our business. Additionally, in July 2021, the Biden administration released an executive order, "Promoting Competition in the American Economy," with multiple provisions aimed at prescription drugs. In response to Biden's executive order, on September 9, 2021, HHS released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and sets out a variety of potential legislative policies that Congress could pursue as well as potential administrative actions HHS can take to advance these principles. No legislation or administrative actions have been finalized to implement these principles. Further, Congress is considering legislation that, if passed, could have significant impact on prices of prescription drugs covered by Medicare, including limitations on drug price increases and allowing Medicare to negotiate pricing for certain drugs. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved. Complying with any new legislation and regulatory changes could be time-intensive and expensive, resulting in a material adverse effect on our business.

Further, many states have proposed or enacted legislation that seeks to indirectly or directly regulate pharmaceutical drug pricing, such as by requiring biopharmaceutical manufacturers to publicly report proprietary pricing information or to place a maximum price ceiling on pharmaceutical products purchased by state agencies. For example, a number of states are considering or have recently enacted state drug price transparency and reporting laws that could substantially increase our compliance burdens and expose us to greater liability under such state laws once we begin commercialization after obtaining regulatory approval for any of our products candidates. We cannot be sure to what extent these and future legislative and regulatory efforts, whether 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 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-marketing testing and other requirements. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate, if approved, is prescribed or used.

In the EU similar political, economic and regulatory developments may affect our ability to profitably commercialize 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 elsewhere. 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.

***Unstable or unfavorable global market and economic conditions may have adverse consequences on our business, financial condition and stock price.***

Global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, increases in the rate of inflation and uncertainty about economic stability. We cannot assure you that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy and stock price may be adversely affected by any such economic downturn, volatile business environment or large-scale unpredictable or unstable market conditions, including a prolonged government shutdown, conflict between Russia and Ukraine or as a result of a global pandemic such as the COVID-19 pandemic. Our business could also be impacted by volatility caused by geopolitical events such as the evolving situation in Ukraine.

If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, 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 stock price and could require us to delay or abandon development plans. In addition, there is a risk that one or more of our current service providers, manufacturers and other partners may not survive difficult economic times, which could directly affect our ability to attain our operating goals on schedule and on budget.

***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 instability or weakness, including inflation, reduced growth, diminished credit availability, weakened consumer confidence or increased unemployment;
- instability in the international geopolitical environment, including as a result of the Russian invasion of Ukraine;
- sociopolitical 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, including any changes that China may impose as a result of political tensions between Canada and China or the United States and China;
- regulatory changes and economic conditions following the United Kingdom’s withdrawal from the EU and uncertainty related to the terms of the withdrawal;
- changes in non-U.S. currency exchange rates and currency controls;
- 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;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities outside the United States;
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires; and
- supply and other disruptions resulting from the impact of public health epidemics, including the COVID-19 pandemic, on our strategic partners, third-party manufacturers, suppliers and other third parties upon which we rely.

***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 the federal AKS 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 the following:

- the federal AKS, 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, impose criminal or civil penalties, as applicable, 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;
- HIPAA established the federal offense of health care fraud, 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 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 and their covered subcontractors;
- the federal Open Payments program under the Physician Payments Sunshine Act, created under Section 6002 of the PPACA and its implementing regulations, requires applicable group purchasing organizations and 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 in the previous year to covered recipients, including physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors, other health care professionals (such as nurse practitioners and physician assistants) and teaching hospitals, and information regarding ownership and investment interests held by physicians (as defined above) or their immediate family members; and
- analogous and similar state and foreign laws and regulations, including: state anti-kickback and false claims laws that may apply to our business practices (including 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 preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of any available statutory exceptions and safe harbors, it is possible that some of our current and future business activities could be subject to challenge under one or more of such laws.

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. Any failure or perceived failure by us to comply with such laws, regulations, or case law may result in governmental investigations or enforcement actions, litigation, claims and other proceedings, harm our reputation, and could result in significant liability. Additionally, 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 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 noncompliance 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 that 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 currently engage third parties for clinical trials outside of the United States and we may in the future engage third parties to sell our products outside of the United States 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.

Third-party manufacturers may not be able to comply with U.S. export control regulations, cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in a necessity to replace current third parties, resulting in the possibility of supply delays, clinical holds on our trials, sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocations, seizures or recalls of product candidates or medicines, operating restrictions, and criminal prosecutions, any of which could significantly and adversely affect supplies of our medicines and harm our business, financial condition, results of operations and growth prospects.

***We have received an unsolicited, non-binding proposal from an existing investor to purchase our Company.***

On April 28, 2022, All Blue Falcons FZE ("All Blue Falcons"), an existing shareholder, submitted an unsolicited, non-binding proposal to purchase our Company for $10.50 per share in cash. Our board of directors carefully reviewed the proposal and, in May 2022, unanimously determined that the unsolicited, non-binding proposal substantially undervalued our Company and was not in the best interest of the Company and its shareholders. While All Blue Falcons has not submitted a follow-up proposal and we have not had subsequent engagement with All Blue Falcons following our rejection of the non-binding proposal, reviewing this matter has in the past and may in the future divert management's and our board of directors' attention and has and may require us to incur significant costs related to our engagement of advisors. Any further actions by All Blue Falcons may disrupt our business and operations by causing uncertainty among and potentially loss of current and prospective employees, partners,

suppliers and other constituencies important to our success or delay certain initiatives, transactions or the like that we are pursuing. Any of the foregoing could materially and negatively impact our business and financial results. The price of our common shares could be subject to price fluctuations due to the uncertainty associated with this matter.

***The shareholders' rights plan adopted by our board of directors may discourage a third party from acquiring us in a manner that could result in a premium price to our shareholders.***

On June 9, 2022, our board of directors authorized and declared a dividend distribution of one right (each, a "Right") for each outstanding common share to shareholders of record as of the close of business on June 21, 2022. If a person or group acquires beneficial ownership of 10% or more of Zymeworks' common shares, or 20% in the case of certain passive investors, each Right would entitle its holder (other than the person or group triggering the Rights Plan, whose Rights will become void and will not be exercisable) to purchase from the Company a number of common shares having a then-current market value of twice the exercise price of the Rights. The Rights Plan may make it more difficult or discourage a merger, amalgamation, arrangement, take-over bid, tender or exchange offer or other business combination involving the Company that is not approved by the board of directors. However, neither the Rights Plan nor the Rights should interfere with any merger, amalgamation, arrangement, take-over bid, tender or exchange offer or other business combination approved by the board of directors.

**Risks Relating to the Post-Redomicile Parent Company**

***The rights of stockholders under Delaware law may differ from the rights of shareholders under the BCBCA.***

If the Redomicile Transactions are completed, Zymeworks shareholders (other than dissenting shareholders and holders of Exchangeable Shares prior to exchanging them for Delaware Common Stock) will become stockholders of a Delaware corporation. There are differences between the Business Corporations Act (British Columbia) (the "BCBCA") and the General Corporation Law of the State of Delaware ("DGCL"). For example, under the BCBCA, many significant corporate actions such as certain amendments to a corporation's notice of articles and articles or consummating an amalgamation (other than a vertical short form or horizontal short form amalgamation among affiliated entities) require the approval of at least two-thirds of the votes cast by shareholders, whereas under the DGCL, in most cases, such actions require the approval of a majority of the voting power of outstanding stock entitled to vote on the matter. Furthermore, shareholders under the BCBCA are entitled to appraisal rights under a number of extraordinary corporate actions, including an amalgamation with another unrelated corporation, certain amendments to a corporation's articles of incorporation or the sale of all or substantially all of a corporation's assets, whereas under the DGCL, stockholders are only entitled to appraisal rights in connection with certain mergers, consolidations and similar transactions. As shown by the examples above, if the Redomicile Transactions are completed, in certain circumstances, holders of shares of Delaware Common Stock will be afforded different protections under the DGCL than Zymeworks shareholders had under the BCBCA.

***Delaware law and provisions in the New Zymeworks amended and restated certificate of incorporation and New Zymeworks amended and restated bylaws might delay, discourage or prevent a change in control of New Zymeworks or changes in its management, thereby depressing the market price of the Delaware Common Stock.***

The New Zymeworks amended and restated certificate of incorporation and amended and restated bylaws will contain provisions that may make the acquisition of New Zymeworks more difficult or delay or prevent changes in control of its management. Among other things, these provisions will:

- authorize New Zymeworks' board of directors to issue shares of preferred stock and determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval;
- permit only the board of directors to establish the number of directors and fill vacancies and newly created directorships on the board, provided that the board of directors' ability to increase the size of the board and fill vacancies and newly created directorships will be subject to the restrictions in the New Zymeworks amended and restated certificate of incorporation and New Zymeworks amended and restated bylaws;
- establish that members of New Zymeworks' board of directors serve in one of three staggered terms of three years each;
- provide that New Zymeworks' directors may only be removed by the affirmative vote of at least 66 2/3% of the voting power of the shares cast on such proposal;
- permit stockholders to only take actions at a duly called annual or special meeting and not by written consent;

- require that stockholders give advance notice to nominate directors or submit proposals for consideration at stockholder meetings;
- not provide for cumulative voting rights in the election of directors;
- provide that special meetings of New Zymeworks' stockholders may be called only by the board of directors, the chairperson of the board of directors, New Zymeworks' chief executive officer or president or the secretary of New Zymeworks upon request from holders of no less than 20% of New Zymeworks' outstanding voting stock, subject to the limitations and requirements set forth in the New Zymeworks amended and restated bylaws; and
- require a super-majority vote of stockholders to amend some of the provisions described above.

In addition, because New Zymeworks will be incorporated in Delaware, New Zymeworks will be governed by the provisions of Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested stockholder" for a period of three years following the date on which the stockholder became an "interested stockholder" unless certain conditions are met.

These provisions, alone or together, could delay, discourage or prevent a transaction involving a change in control of New Zymeworks. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause New Zymeworks to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for New Zymeworks' stockholders to receive a premium for their shares of Delaware Common Stock, and could also affect the price that some investors are willing to pay for Delaware Common Stock.

***The New Zymeworks amended and restated bylaws will designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between New Zymeworks and its stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit New Zymeworks' stockholders' ability to choose the judicial forum for disputes with New Zymeworks or its directors, officers, stockholders or employees.***

The New Zymeworks amended and restated bylaws will provide that, unless New Zymeworks consents in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on New Zymeworks' behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of New Zymeworks' directors, stockholders, officers or other employees to New Zymeworks or its stockholders, (3) any action arising pursuant to any provision of the DGCL, the New Zymeworks amended and restated certificate of incorporation or New Zymeworks amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware), except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction. This provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act and the rules and regulations thereunder.

Section 22 of the Securities Act of 1933, as amended (the "Securities Act") establishes concurrent jurisdiction for federal and state courts over Securities Act claims. Accordingly, both state and federal courts have jurisdiction to hear such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the New Zymeworks amended and restated bylaws will also provide that, unless New Zymeworks consents in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of New Zymeworks' securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although New Zymeworks believes these exclusive forum provisions benefit New Zymeworks by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with New Zymeworks or its current or former directors, officers, stockholders or other employees, which may discourage such lawsuits against New Zymeworks and its current and former directors, officers, stockholders and other employees. New Zymeworks' stockholders will not be deemed to have waived its compliance with the federal securities laws and the rules and regulations thereunder as a result of New Zymeworks' exclusive forum provisions.

The enforceability of similar exclusive forum provisions in other companies' organizational documents have been challenged in legal proceedings, and, while certain courts have determined these provisions are enforceable, it is possible that a court of law could rule that these types of provisions are inapplicable or unenforceable if they are challenged in a proceeding or otherwise. If a court were to find either exclusive forum provision contained in the New Zymeworks amended and restated bylaws to be inapplicable or unenforceable in an action, New Zymeworks may incur significant additional costs associated with resolving such action in other jurisdictions, all of which could harm its results of operations.

***There has been no prior public trading for the shares of Delaware Common Stock on a national securities exchange and the market price of the shares of Delaware Common Stock may be subject to volatility.***

Although our common shares have historically been listed on the NYSE, there has been no public trading market for the shares of Delaware Common Stock. Following the listing of the shares of Delaware Common Stock on the NYSE, there can be no assurance that the trading market for such shares will continue to be as active or liquid as was the trading market for our common shares prior to the Redomicile Transactions or that the trading price of the shares of Delaware Common Stock following the Redomicile Transactions may not be effectively lower than the trading price of our common shares.

As is the case with our common shares, the market price of the shares of Delaware Common Stock may be volatile. The value of an investment in the shares of Delaware Common Stock may decrease or increase abruptly, and such volatility may bear little or no relation to our performance. The price of the shares of Delaware Common Stock may fall in response to market appraisal of our strategy or if our results of operations, clinical progress and/or prospects are below the expectations of market analysts or shareholders. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to New Zymeworks' operating performance and prospects but nevertheless affect the price of the shares of Delaware Common Stock. This volatility may affect the ability of holders of shares of Delaware Common Stock to sell these at an advantageous price. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of the shares of Delaware Common Stock.

***New Zymeworks may need to enter into certain new arrangements which may not be on terms as favorable as arrangements entered into by us.***

Concurrently with or immediately following completion of the Redomicile Transactions, New Zymeworks may need to enter into new arrangements as the ultimate parent company to our existing Company and its subsidiaries. While New Zymeworks anticipates such terms will be materially consistent with the arrangements currently in place for our Company, there is no assurance that such arrangement will not impose additional operating or financial restrictions on New Zymeworks, or that such arrangements will be on commercially reasonable terms or terms that are acceptable to New Zymeworks.

***New Zymeworks' ability to pay dividends in the future is not guaranteed.***

Any future determination to pay dividends will be at the discretion of the New Zymeworks board of directors and will depend upon many factors, including New Zymeworks' results of operations, financial position, capital requirements, distributable reserves, credit terms, general economic conditions and other factors as the New Zymeworks board of directors may deem relevant from time to time. Consequently, future dividends payable to investors are not guaranteed.

***The issuance of additional shares of Delaware Common Stock in connection with future equity financings, acquisitions or growth opportunities, any New Zymeworks equity incentive plan or otherwise may dilute all other shareholdings.***

New Zymeworks may seek to raise financing for acquisitions or to fund future growth opportunities. In certain circumstances, New Zymeworks may, for these and other purposes, including pursuant to any New Zymeworks equity incentive plan, issue additional equity or convertible equity securities. As a result, existing holders of shares of Delaware Common Stock may suffer dilution in their percentage ownership or the market price of such shares may be adversely affected.

**Risks Relating to the Redomicile Transactions**

***We may fail to realize certain benefits of the Redomicile Transactions, including as a result of the shares of Delaware Common Stock not being included in a U.S. stock market index.***

We have pursued the Redomicile Transactions because we believe that the Redomicile Transactions will enhance shareholder value over the long-term. We believe that the Redomicile Transactions will raise the profile and marketability of our capital stock in the United States through, among other things, the ability to attract deeper and growing pools of passive investment capital in the United States, particularly if shares of Delaware Common Stock are included in certain U.S. stock market indices and other investment vehicles that only include securities of U.S.-incorporated companies. However, following the Redomicile Transactions, if shares of Delaware Common Stock are not included in such U.S. stock market indices, this could result in increased selling pressure and/or decreased demand for New Zymeworks' shares that would increase stock price volatility or cause the market price of the shares of Delaware Common Stock to fall. Initial inclusion and continued inclusion in a stock market index or fund is not guaranteed and is subject to numerous factors which can be applied subjectively by the entity managing the index or fund. There are no assurances that New Zymeworks will be included in any U.S. stock market indices or funds in a timely manner, or at all. Even if New Zymeworks is included in a U.S. stock market index or fund, the entities managing such indices or funds may change their inclusion criteria, resulting in the future exclusion from such index or fund.

The success of the Redomicile Transactions will depend, in part, on our ability to realize the anticipated benefits associated with the Redomicile Transactions and associated reorganization of our corporate structure, and we may not be able to realize such benefits on a timely basis or at all.

***The Redomicile Transactions may result in sales of shares of Delaware Common Stock by certain retail and institutional shareholders or investment funds that are not permitted to hold shares of Delaware Common Stock under their internal guidelines.***

The Redomicile Transactions may result in sales of shares of Delaware Common Stock by certain retail and institutional shareholders or investment funds (including Canadian-focused funds) that are not permitted to hold shares of Delaware Common Stock under their internal guidelines, or are limited in the size of any such investments. Such sales could result in increased selling pressure and/or decreased demand for New Zymeworks' shares of Delaware Common Stock, which could increase stock price volatility or cause the market price of the shares of Delaware Common Stock to fall. As a result of the foregoing, certain of these investors may be required under their internal guidelines to sell their shares at times when, or at prices for which, they would otherwise not have sold. If an investor sells its shares at a time when the market price is lower than their cost basis in the shares, the investor will suffer a loss that could be significant to such investor.

The success of the Redomicile Transactions will depend, in part, on our ability to realize the anticipated benefits associated with the Redomicile Transactions and associated reorganization of our corporate structure, and we may not be able to realize such benefits on a timely basis or at all.

***Our business may be impacted by the uncertainty associated with the Redomicile Transactions.***

Although New Zymeworks expects to maintain our existing physical operations in Canada and Washington state, our principal executive offices will be located in Middletown, Delaware, which reflects the ongoing evolution of our workforce toward hybrid and remote, with maintenance of our historical physical operations. As a result of this shift, certain relationships, including with employees, suppliers, contract research organizations, partners, collaborators, governments and other stakeholders, may be subject to disruption due to uncertainty associated with the Redomicile Transactions. Specifically, certain stakeholders may be reluctant to engage in business with us prior to, or with New Zymeworks following completion of, the Redomicile Transactions, or may impose additional conditions on or apply less favorable terms to transactions involving us and/or New Zymeworks. This could have an adverse effect on the business and operations of our Company prior to, or New Zymeworks following, completion of the Redomicile Transactions.

***The Redomicile Transactions are conditional, and the conditions may not be satisfied.***

Completion of the Redomicile Transactions is conditional, among other things, upon the receipt of approvals and the satisfaction of other conditions, including (i) the authorization, upon official notice of issuance, of the listing of the shares of Delaware Common Stock on the NYSE, (ii) the approval of the Supreme Court of British Columbia in respect of the arrangement, and (iii)

the receipt of the required security holder approvals. Although we are diligently applying our efforts to take, or cause to be taken, all actions to do, or cause to be done, all things necessary, proper or advisable to obtain the requisite approvals, there can be no assurance that these conditions will be fulfilled or that the Redomicile Transactions will be completed. Further, even if the required security holder approvals have been obtained, our board of directors may decide to delay or not proceed with the Redomicile Transactions if it determines that the Redomicile Transactions are no longer advisable.

***Distributions to non-U.S. holders of Delaware Common Stock may be subject to U.S. withholding***

Distributions by New Zymeworks on Delaware Common Stock held by non-U.S. holders (including constructive distributions) may be subject to a U.S. federal withholding tax (generally, at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence).

***New Zymeworks' effective tax rate may change in the future, including as a result of the Redomicile Transactions.***

Following the Redomicile Transactions, New Zymeworks will be subject to U.S. federal income taxes on its earnings and the earnings of its non-U.S. subsidiaries in a manner that may adversely impact New Zymeworks' effective tax rate. For example, New Zymeworks may have to include additional amounts in income under the so-called "global intangible low-taxed income" regime or as a result of the application of "controlled foreign corporation" rules. In addition, New Zymeworks may have to comply with U.S. withholding tax requirements on U.S. federal distributions paid to non-U.S. holders. Currently, the U.S. federal corporate income tax rate is 21%, and the Canadian corporate income tax rate (federal and provincial) is 27%. However, the Biden Administration has proposed several changes to the U.S. corporate tax regime, which, if adopted, could result in increased taxation of New Zymeworks' U.S. and non-U.S. operations. In addition, our Company's tax attributes (including net operating loss and tax credit carryforwards and deductible Scientific Research and Experimental Development Expenditure carryforwards) will generally not be available to offset U.S. income and may be subject to limitation following the Redomicile Transactions.

Further, New Zymeworks' future operations and business structure may result in increased tax burden. For example, changes in New Zymeworks' clinical development plans and business or commercialization strategies may result in an increased effective tax rate. Taxation of international business operations and intercompany transactions, including transactions between New Zymeworks and non-U.S. subsidiaries, is complicated. Any changes in the U.S. or non-U.S. taxation of such activities may increase New Zymeworks' worldwide effective tax rate and harm New Zymeworks' business, financial condition, and results of operations.

***We will allocate time and resources to effecting the Redomicile Transactions and incur non-recurring costs related to the Redomicile Transactions.***

We and our management have allocated and will continue to be required to allocate time and resources to effecting the completion of the Redomicile Transactions and related and incidental activities. There is a risk that the challenges associated with managing these various initiatives may have a business impact and that consequently the underlying businesses will not perform in line with expectations. This could have an adverse effect on the business, financial condition and reputation of New Zymeworks.

In addition, we expect to incur a number of non-recurring costs associated with the Redomicile Transactions, including legal fees, accountants' fees, proxy solicitor fees, filing fees, mailing expenses and financial printing expenses. There can be no assurance that the actual costs will not exceed those estimated and the actual completion of the Redomicile Transactions may result in additional and unforeseen expenses. Most of these costs will be payable whether or not the Redomicile Transactions are completed. While it is expected that benefits of the Redomicile Transactions achieved by New Zymeworks will offset these transaction costs over time, this net benefit may not be achieved in the short-term or at all, particularly if the Redomicile Transactions are delayed or do not happen at all. These combined factors could adversely affect the business and overall financial condition of New Zymeworks.

***We may choose to defer or abandon the Redomicile Transactions.***

Even if the required security holder approvals have been obtained and other conditions required to complete the Redomicile Transactions have been satisfied, we may decide to defer or abandon the Redomicile Transactions at any time prior to the effective time of the Redomicile Transactions and in such case we will have incurred costs and will have directed attention and

resources relating to the Redomicile Transactions, but will not realize any of the anticipated benefits of the Redomicile Transactions.

***Negative publicity resulting from the Redomicile Transactions could adversely affect our business and the market price of our common shares and the shares of Delaware Common Stock.***

Transactions similar to the Redomicile Transactions that have been undertaken by other companies have in some cases generated significant news coverage, some of which has been negative. Negative publicity generated by the Redomicile Transactions could cause certain persons with whom we have a business relationship to be more reluctant to do business with us prior to the Redomicile Transactions, or New Zymeworks following the Redomicile Transactions. In addition, negative publicity could cause certain of our employees, particularly those in Canada, to perceive uncertainty regarding future opportunities available to them. Either of these events could have a significant adverse impact on our business. Negative publicity could also cause some of our shareholders to sell common shares or decrease the demand for new investors to purchase such shares, which could have an adverse impact on the price of our common shares and the shares of Delaware Common Stock.

***Completion of the Redomicile Transactions may trigger certain provisions in agreements to which we are a party.***

While the Redomicile Transactions will not result in an effective change of control of our Company, the completion of the Redomicile Transactions may trigger certain technical change in control, right of first offer, notice, consent, assignment or other provisions in agreements to which we or our subsidiaries are a party. If we and/or New Zymeworks are unable to assert that such provisions should not apply, or is unable to comply with or negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, including potentially terminating such agreements or seeking monetary damages. Even if we are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to New Zymeworks.

***Payments in connection with the exercise of dissent rights by our shareholders may impact New Zymeworks' financial resources.***

Under the BCBCA, registered shareholders who (i) do not vote in favor of the redomicile resolution, (ii) deliver to us a dissent notice, (iii) continuously hold their common shares through the effective time of the Redomicile Transactions, and (iv) otherwise comply with the requirements and procedures of Division 2 of Part 8 of the BCBCA (as may be modified by the interim order, the Plan of Arrangement, and any further order of the Supreme Court of British Columbia), are entitled to receive payment in cash of the "fair value" of their common shares. Should a material number of our shareholders exercise dissent rights, a substantial cash payment may be required to be made to such dissenting shareholders that could have an adverse effect on New Zymeworks' financial condition and cash resources if the Redomicile Transactions are completed. It is a condition precedent to completion of the Redomicile Transactions that the time period for the exercise of any dissent rights conferred upon our shareholders in respect of the Redomicile Transactions shall have expired and our shareholders shall not have exercised (or otherwise be deemed to have exercised) dissent rights for greater than 10% of the outstanding common shares, or such other amount that would make it inadvisable to proceed with the implementation of the Redomicile Transactions, as determined by us in our sole discretion.

***Enforcement of rights against New Zymeworks in Canada may be limited.***

New Zymeworks' principal executive offices will be located in Middletown, Delaware and the majority of its directors, officers and experts are likely to reside outside of Canada. Accordingly, it may not be possible for New Zymeworks stockholders to effect service of process within Canada upon New Zymeworks or the majority of its directors, officers or experts, or to enforce judgments obtained in Canadian courts against New Zymeworks or the majority of its directors, officers or experts.

**Risks Relating to the Exchangeable Shares**

***The Exchangeable Shares will not be listed on any stock exchange.***

The Exchangeable Shares are not expected to be listed on any stock exchange. Although each Exchangeable Share will be exchangeable at the option of the holder for shares of Delaware Common Stock, there is no market through which the Exchangeable Shares may be sold, and holders may not be able to sell their Exchangeable Shares.

***Shareholders who elect to receive Exchangeable Shares will experience a delay in receiving Delaware Common Stock from the date they request an exchange, which may affect the value of the shares the holder receives in such exchange.***

Shareholders who elect to receive Exchangeable Shares as part of the consideration with respect to all or a portion of their common shares and later request to receive shares of Delaware Common Stock in exchange for their Exchangeable Shares may not receive shares of Delaware Common Stock until a period of time after the applicable request is received. During this period, the market price of the shares of Delaware Common Stock may increase or decrease. Any such increase or decrease would affect the value of the consideration to be received by such a holder of Exchangeable Shares upon a subsequent sale of shares of Delaware Common Stock received in the exchange.

In addition, pursuant to the terms of a support agreement and following completion of the Redomicile Transactions, New Zymeworks will file a registration statement or a prospectus supplement to an existing registration statement to register the issuance of Delaware Common Stock issued upon exchange of the Exchangeable Shares. If New Zymeworks is delayed in filing such registration statement or prospectus supplement to an existing registration statement, or if the effectiveness of such registration statement or prospectus supplement to an existing registration statement is delayed or suspended, shares of Delaware Common Stock issued upon exchange of the Exchangeable Shares would not be registered, which could impact a holder's ability to sell such shares in a timely manner.

***There may be a taxable event for an Eligible Holder as a result of a transaction beyond such Eligible Holder's control.***

An Eligible Holder who (a) disposes of common shares pursuant to the Plan of Arrangement and who receives consideration that includes Exchangeable Shares, and (b) validly makes a joint election under subsection 85(1) or subsection 85(2) of the Income Tax Act, R.S.C. 1985, c.1 (5th Supplement) (as applicable) in respect of such shares, may obtain a full or partial tax deferral of any capital gain that may otherwise arise on the exchange of such common shares for Canadian tax purposes. However, a holder of Exchangeable Shares will be considered to have disposed of Exchangeable Shares (i) on a redemption (including pursuant to a retraction request) of such Exchangeable Shares by ExchangeCo, and (ii) on an acquisition of such Exchangeable Shares by New Zymeworks or Callco. Although each is a taxable event, the Canadian federal income tax consequences of the disposition will be different depending on whether the event giving rise to the disposition is a redemption or an acquisition. Further, if the Exchangeable Share Cap is reached, then the Exchangeable Shares will be allocated proportionally among the Eligible Holders that elect to receive Exchangeable Shares based on the number of designated common shares and rounded down to the nearest whole share in respect of each Eligible Holder. Any remaining common shares held by those Eligible Holders will be exchanged for Delaware Common Stock and would be taxable to the Eligible Holders.

Prior to the sunset date of the Exchangeable Shares, ExchangeCo may redeem Exchangeable Shares in limited circumstances, and ExchangeCo shall redeem the Exchangeable Shares on the sunset date. Accordingly, an Eligible Holder may have a taxable event in a transaction beyond their control.

***Receipt of Delaware Common Stock by Eligible Holders who do not elect to receive Exchangeable Shares with respect to any portion of their common shares will be a taxable event for Canadian income tax purposes, and could also be taxable to shareholders who are not U.S. holders.***

An Eligible Holder who does not elect to receive Exchangeable Shares with respect to any portion of their common shares and instead disposes of common shares for Delaware Common Stock will realize proceeds of disposition equal to the aggregate fair market value, at the time of the disposition, of the Delaware Common Stock acquired on the exchange. Such Eligible Holder will realize a capital gain (or capital loss) for Canadian tax purposes equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to such Eligible Holder of the common shares.

Further, receipt of Delaware Common Stock in the exchange by shareholders who are not U.S. holders for U.S. tax purposes could be taxable to such shareholders under the laws of their respective jurisdictions. Such shareholders should consult with their own tax advisors regarding the tax consequences of the Redomicile Transactions in their particular circumstances.

***The tax treatment of Exchangeable Shares for non-Canadian tax purposes is uncertain.***

The tax treatment of Exchangeable Shares for non-Canadian tax purposes, including U.S. federal income tax purposes, is uncertain. Exchangeable Shareholders who are subject to taxation in jurisdictions other than Canada should consult with their tax advisors regarding the tax treatment of Exchangeable Shares under non-Canadian tax laws and regulations.

**Risks Related to Our Financial Position and Need for Additional Capital**

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

We are a clinical-stage biopharmaceutical company. We have incurred significant losses since our inception. Our net loss for the years ended December 31, 2020 and 2021 and for the six months ended June 30, 2022 was $180.6 million, $211.8 million and $137.2 million, respectively. As of June 30, 2022, our accumulated deficit was $820.3 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, which may include personnel, to support our product development efforts. In addition, inflationary pressure could adversely impact our financial results. 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.

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 our shareholders to lose all or part of their 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 clinical trials. We and our partners are still 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 in the near term.

***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 clinical development as well as other potential product candidates through discovery and preclinical development. Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. In order to obtain 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 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. 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. In January 2022, we began implementing a Company-wide reduction in workforce to help achieve a more cost-efficient organization, which we believe will enhance our ability to execute on our key priorities. The target of the reduction in workforce was to reduce employee headcount by at least 25% by the end of 2022. As of March 31, 2022, we exceeded the previously announced workforce reduction of 25%, ahead of schedule; however, the full scope, scale and impact of the reduction in workforce is not yet known.

Our future funding requirements will depend on many factors, including:

- 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 ability to successfully implement the reduction in workforce and achieve the anticipated cost reductions;
- our ability to hire when needed 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, asset monetization, 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, asset monetization, strategic partnerships and grant funding.

***Raising additional capital may cause dilution to our shareholders, 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, our shareholders' ownership interest will be diluted, and the terms of these new securities may include liquidation or other preferences that adversely affect our shareholders' rights as common shareholders. 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 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.

**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 commercialization of our product candidates, if approved. 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, BMS, GSK, Daiichi Sankyo, Janssen, LEO, BeiGene,Iconic and Atreca. 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;
- 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, BMS, GSK, Daiichi Sankyo, Janssen, LEO, BeiGene, Iconic and Atreca may be terminated for convenience upon the completion of a specified notice period;
- we may elect to enter into additional licensing or collaboration agreements to partner our product candidates in territories we currently retain, and in the event we grant exclusive rights to such partners, we would be precluded from potential commercialization of our product candidates within the territories in which we have a partner; and
- strategic partners may not have the ability or the development capabilities to perform their obligations as expected, including as a result of the impact of the COVID-19 pandemic on our strategic partners' operations or business.

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. If we do not receive the funding we expect under our strategic partnership 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.

***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 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 product candidates and on other third parties to provide supplies and store, monitor and transport bulk drug substance and drug product. We and our third-party partners may encounter difficulties with respect to these activities that could 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. 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.

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 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 third-party 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 utilizing cells that are stored in a cell bank. We have one master cell bank and one working cell bank utilized for each antibody manufactured in accordance with cGMP. While we believe we would have adequate back up at a secondary storage location, should any cell bank be lost in a catastrophic event, it is possible that we could lose part of a cell bank and have our manufacturing potentially impacted by the need to replace the cell bank. 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.

Furthermore, 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 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 cGMP 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.

In addition to third-party manufacturers, we rely on other third parties to store, monitor and transport bulk drug substance and drug product. If we are unable to arrange for such third-party sources, or fail to do so on commercially reasonable terms, we may not be able to successfully supply sufficient product candidate or we may be delayed in doing so. Such failure or substantial delay could materially harm our business.

In addition, disruptions to ports and other shipping infrastructure, due in part to the impact of the ongoing COVID-19 pandemic, may result in shortages or delays impacting the availability of materials and other supplies, which could negatively impact our manufacturers, suppliers and other third parties on whom we rely. While we have not yet suffered any direct, material negative impacts from these ongoing supply chain disruptions, we cannot be certain that we will not be impacted, which could increase our costs or negatively impact our development timelines.

***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, including external financial, legal, 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, or 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 “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 patents and patent applications held by third parties cover Fab and Fc region engineering methods for bispecific antibodies, and antibodies having mutations in Fab heavy and light chain regions and Fc regions to generate correctly paired bispecific antibodies. If our products or our strategic partners’ products incorporate any Fab or Fc region mutations covered by any claims of these patents or patents that may issue from these applications, and if licenses for them are not available on commercially reasonable terms or at all, and we are unable to invalidate or render unenforceable those patents, 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, 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 found to infringe any such patents, and if licenses for them are not available on commercially reasonable terms, or at all, and we were unable to invalidate or render unenforceable those patents, 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 of 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 patent covering 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 patent covering 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 are commonplace. Any such lawsuits and proceedings could 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 a third party's patents and would order us or our strategic partners to stop the activities or stop the manufacture, use, or sale of any product 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 would 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 issue 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 countries.

Moreover, the patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has 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 other 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 other 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 other 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 U.S. Patent and Trademark Office ("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, 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 and could require us to pay substantial damages, cease the use, manufacture, or 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 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 or 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 solely or co-owned by us or by a licensor who has granted a license 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, unenforceable 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 or licensees, 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 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 legislation in other countries 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 confidential and proprietary computational technologies, including unpatented know-how and other proprietary information, as trade secrets. We enter into confidentiality agreements with our employees, consultants, strategic partners and others upon the commencement of their relationships with us. These agreements provide 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. We cannot guarantee that we have entered into such agreements with each party that has or may have had access to, or houses or hosts, our trade secrets or proprietary information or that has been involved in the development of intellectual property. Further, despite such agreements, such inventions or confidential information may become disclosed or assigned to third parties. Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. 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 such technology or know-how or 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.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems and cloud storage sources, but such security measures may be breached, including through cyber-hacking or cyberattacks, and we may not have adequate remedies for any breach.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. 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 noncompliance 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 that 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. 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 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 ("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 files 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 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 U.S. 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 countries do not protect intellectual property rights to the same extent as 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 U.S. 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 jurisdictions other than the United States. The legal systems of certain 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. For example, 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.

Geo-political actions in the United States and in foreign countries could increase the uncertainties and costs surrounding the prosecution or maintenance of our patent applications or those of any current or future licensors or licensees and the maintenance, enforcement or defense of our issued patents or those of any current or future licensors or licensees. For example, the United States, Canadian, and foreign government actions related to Russia's invasion of Ukraine may limit or prevent filing, prosecution and maintenance of patent applications in Russia. Government actions may also prevent maintenance of issued patents in Russia. These actions could result in abandonment or lapse of our patents or patent applications, resulting in partial or complete loss of patent rights in Russia. If such an event were to occur, it could have a material adverse effect on our business. In addition, a decree was adopted by the Russian government in March 2022, allowing Russian companies and individuals to exploit inventions owned by patentees that have citizenship or nationality in, are registered in, or have a predominately primary place of business or profit-making activities in the United States and other countries that Russia has deemed unfriendly without consent or compensation. Consequently, we would not be able to prevent third parties from practicing our inventions in Russia or from selling or importing products made using our inventions in and into Russia. Accordingly, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

***We use open source software in connection with our internal research and development programs, which could negatively affect our ability to develop products and subject us to litigation or other actions.***

We use open source software in connection with our internal research and development programs. The terms of many open source licenses have not been interpreted by U.S. courts or courts outside of the U.S., and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to use this software. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software, or claiming that software we developed using such open source software is a derivative work of open source software and demanding the release of portions of our source code, or otherwise seeking to enforce the terms of the applicable open source license. Litigation could be costly for us to defend, have a negative effect on our financial condition and results of operations or require us to devote additional research and development resources to change our platform and offerings.

If we were to combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, or could be claimed to have occurred, in part because open source license terms are often ambiguous. If we inappropriately use open source software, or if the license terms for open source software that we use change, we may be required to re-engineer our platform, incur additional costs, discontinue the use of some or all of our platform or take other remedial actions.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, because open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for the use of open source software, but we cannot be sure that all of our use of open source software is in a manner that is consistent with our current policies and procedures, or will not subject us to liability. Any of these risks could be difficult to eliminate or manage and, if not addressed, could have an adverse effect on our business, financial condition and results of operations.

***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, insider trading, and noncompliance with our policies and procedures.***

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with federal and state health care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Conduct and Business Ethics, 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. In addition, employees may become subject of allegations of gender discrimination and other misconduct that are not in compliance with our policies and procedures, which, regardless of the ultimate outcome, may result in adverse publicity that could materially harm our brand, reputation and business.

***If we or our contractors or agents market products in a manner that violates healthcare fraud and abuse laws, or if we violate government price reporting laws and transparency 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 if 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 anti-kickback, false claims, data privacy and security and transparency statutes and regulations.

Federal false claims laws prohibit, among other things, 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. 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.

The federal 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 preempted by HIPAA, thus complicating compliance efforts.

Additionally, the PPACA also included the federal Physician Payments Sunshine Act, which requires applicable group purchasing organizations and 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 information related to certain payments or other transfers of value made in the previous year to covered recipients, including physicians, as defined by law, and teaching hospitals and, effective for data reported in 2022, expanded to include nurse practitioners, physician assistants, clinical nurse specialists, certified registered nurse anesthetists and anesthesiologist assistants, and certified nurse-midwives, including certain ownership and investment interests held by physicians or their immediate family members. Failure to comply with the required reporting requirements could subject applicable reporting entities such as manufacturers to substantial civil monetary 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 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.

**Risks Related to Employee Matters and Managing Growth**

***We may fail to achieve the expected cost savings and related benefits from our reduction in workforce initiated in January 2022 and the announcement of our key strategic priorities for 2022 and 2023.***

In January 2022, we announced a plan to reduce our workforce to reflect our renewed focus on key priorities and enable us to help achieve a more cost-efficient organization necessary to execute on those priorities. The target of the reduction in workforce was to reduce employee headcount by at least 25% by the end of 2022. As of March 31, 2022, we exceeded the previously announced workforce reduction of 25%, ahead of schedule; however, the full scope, scale and impact of the reduction in workforce is not yet known. In January 2022, we also announced our key strategic priorities for 2022 and 2023.

We may fail to effectively execute on, or achieve the stated goals of, the reduction in workforce or our key strategic priorities. Our plans may also change as we continue to refocus on our key priorities. These actions may take more time than we currently estimate and we may not be able to achieve the cost-efficiencies sought. In addition, the reduction in workforce may negatively impact employee morale for those that are not directly impacted, which may increase employee attrition and hinder our ability to achieve our key priorities. Furthermore, certain of our shareholders may not agree with our key strategic priorities or the decisions we have or may make to execute on those priorities. Any failure to achieve the expected benefits from the reduction in workforce or from other recent management and personnel related changes could adversely affect our stock price, financial condition and ability to achieve our key priorities, as well as lead to shareholder complaints and litigation.

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

We are highly dependent on key members of our senior management team, including Kenneth Galbraith, the Chair of our board of directors and Chief Executive Officer, Neil Klompas, our President and Chief Operating Officer, Neil Josephson, our Chief Medical Officer, Christopher Astle, our Chief Financial Officer, Paul Moore, our Chief Scientific Officer, and other key members of our senior management, scientific and clinical teams. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. The loss of the services of our key senior managers and employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Retention and any future recruitment of qualified scientific, technical, clinical, manufacturing and sales and marketing personnel will also be critical to our success. In addition, we will need to 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 key senior managers and 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. The reduction in workforce announced in January 2022 may also make retention of our current personnel both more important and more challenging. Intense competition for attracting key skill-sets and the impact of inflationary pressure on wages may limit our ability to attract, retain and motivate 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 business strategy will be limited.

***As we advance our development and commercialization plans and strategies, we may need to grow or modify our organization, and we may experience difficulty in managing such change, which could disrupt our operations.***

As of June 30, 2022, we had 284 full-time employees. In January 2022, we announced a plan to reduce employee headcount by at least 25% by the end of 2022. As of March 31, 2022, we exceeded that 25% target. However, as we advance our development and commercialization plans and strategies in the future, we anticipate that we may need to expand or modify our employee base. Additionally, as our product candidates enter and advance through preclinical studies and any clinical trials, we may 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 any necessary growth activities. We may not be able to effectively manage an 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. Any 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 any needed 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**

***Our share price is likely to be volatile and the market price of our common shares may drop below the price paid by shareholders.***

Investors should consider an investment in our common shares as risky and invest only if they can withstand a significant loss and wide fluctuations in the market value of their investment. Investors may be unable to sell their common shares at or above the price they paid for such shares due to fluctuations in the market price of our common shares arising from changes in our operating performance or prospects. Some of the factors that may cause the market price of our common shares to fluctuate or decrease 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 that cover our common shares;
- fluctuations in the valuation of companies in the biotechnology industry or otherwise perceived by investors to be comparable to us;
- additional actions by All Blue Falcons, including any subsequent proposals to acquire our company;
- claims or litigation related to the Rights Plan;
- 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 common shares;
- additions or departures of key personnel, including developments relating to our reduction in workforce announced in January 2022;
- whether we are able to consummate the proposed Redomicile Transactions;
- our ability to execute on our key strategic priorities announced in January 2022;
- changes in the structure of health care payment systems in the United States or other countries;
- failure of any of our product candidates, if approved, to achieve commercial success;
- economic and other external factors or other disasters or crises, such as the COVID-19 pandemic;

- 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;
- potential disagreements or disputes with certain of our shareholders;
- overall fluctuations in U.S. equity markets; and
- other factors that may be unanticipated or out of our control.

In addition, the stock market in general, and the stock of biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the relevant companies, including recently in connection with the ongoing COVID-19 pandemic, which has resulted in increased volatility and decreased stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. Broad market and industry factors, including potentially worsening economic conditions and other adverse effects or developments relating to the ongoing COVID-19 pandemic, may negatively affect the market price of our common shares, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks, including those described in this "Risk Factors" section, could have a material adverse effect on the market price of our common shares.

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

An active trading market for our common shares may not 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 common shares or sell their common shares at or above the prices at which they acquired their common shares or sell their common shares at the time they would like to sell. Any inactive trading market for our common shares may also impair our ability to raise capital to continue to fund our operations by selling common shares and may impair our ability to acquire other companies or technologies by using our common shares as consideration.

***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.

***Our management team has broad discretion to use the net proceeds from public and private and debt financings and its investment of these proceeds may not yield a favorable return. They may invest the proceeds in ways with which our shareholders disagree.***

Our management team has broad discretion in the application of the net proceeds we received pursuant to our January 2022 public offering of common shares and pre-funded warrants to purchase common shares, as well as net proceeds we may receive from future fundraising efforts, including pursuant to our "at-the-market" equity offering program and we could spend or invest the proceeds in ways with which our shareholders disagree. Accordingly, shareholders will need to rely on our management team's judgment with respect to the use of these proceeds. However, 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 from our fundraising efforts. 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 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 do not anticipate paying cash dividends for the foreseeable future, 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 business and do not anticipate that we will declare or pay any cash dividends on our common shares in the foreseeable future. As a result, capital appreciation, if any, of our common shares will be the sole source of gain on investment in our common shares for the foreseeable future. Investors seeking cash dividends should not invest in our common shares.

***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.***

We are governed by the BCBCA and other relevant Canadian 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 ("DGCL") that may have the greatest such effect include the following: (i) for certain corporate transactions (such as mergers and amalgamations or amendments to our articles) the BCBCA generally requires the voting threshold to be a special resolution approved by 66 2/3% of shareholders, or as set out in the articles, as applicable, whereas DGCL generally only requires a majority vote; and (ii) under the BCBCA a holder of 5% or more of our common shares can requisition a special meeting of shareholders, whereas such right does not exist under the DGCL. Investors may 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 our Annual Report on Form 10-K.***

We are governed by the BCBCA and our principal place of business is in Canada. Certain of our directors and officers, as well as certain experts named in our Annual Report on Form 10-K, reside outside of the United States, and all or a substantial portion of their assets as well as all or a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us and such directors, officers and experts or to enforce judgments obtained against us or such persons, in U.S. courts, in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws or any other laws of the United States. Additionally, rights predicated solely upon civil liability provisions of U.S. federal securities laws or any other laws of the United States may not be enforceable in original actions, or actions to enforce judgments obtained in U.S. courts, brought in Canadian courts, including courts in the Province of British Columbia. Furthermore, provisions in our articles provide that, unless we consent in writing to the selection of an alternative forum, the Supreme Court of British Columbia and the appellate courts therefrom, to the fullest extent permitted by law, will be the sole and exclusive forum for certain actions or proceedings brought against us, our directors and/or our officers. These provisions may limit our shareholders' ability to bring a claim against us in a judicial forum that our shareholders consider favorable or convenient for such disputes and may discourage lawsuits with respect to such claims.

***U.S. holders of our common shares may suffer adverse U.S. federal income tax consequences if we are characterized as a passive foreign investment company.***

Generally, we will be a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes for any taxable year if either (i) at least 75% of our gross income is passive income or (ii) at least 50% of the average quarterly value of our assets is attributable to assets that produce passive income or are held for the production of passive income. For purposes of these tests, passive income generally includes dividends, interest, gains from the sale of investment property, and certain rents and royalties. If we are a PFIC for any taxable year during which a U.S. holder holds our common shares, such U.S. holder may suffer adverse U.S. federal income tax consequences. Additionally, if we are a PFIC for any taxable year during which a U.S. holder holds our common shares, we will generally continue to be treated as a PFIC with respect to such U.S. holder for all succeeding taxable years during which such U.S. holder holds our common shares (unless certain elections are made), even if we cease to satisfy the PFIC tests described above.

We believe that we were not classified as a PFIC for the taxable year ended December 31, 2021. However, whether we are a PFIC for the current taxable year or any future taxable year is a fact-intensive determination made on an annual basis and based on the

application of complex U.S. federal income tax rules that are subject to differing interpretations. U.S. holders should consult their own tax advisors regarding the tax consequences if we are a PFIC for any taxable year.

***Our principal shareholders, in aggregate, could exert 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.***

Our principal shareholders, being our shareholders that beneficially own (or upon exercise of convertible securities would own) 10% or more of our common shares, together with their affiliates and related persons, in aggregate, own or could acquire (contingent upon the exercise of convertible securities they own, and without taking into account any ownership limitation contained in such convertible securities) approximately 24.2% of our outstanding common shares as of June 30, 2022 (12.9% excluding the exercise of convertible securities). Our directors and named executive officers beneficially own, in the aggregate, approximately 1.6% of our outstanding common shares as of June 30, 2022. Our principal shareholders, if acting together (with or without our directors and named executive officers), may have the ability to exert substantial control over the outcome of matters submitted to our shareholders for approval, including the election and removal of directors and any merger or sale of all or substantially all of our assets. In addition, our principal shareholders, if acting together (with or without our directors and named executive officers), may have the ability to exert substantial control over the management and affairs of our company. Accordingly, this concentration of ownership could harm the market price of our common shares by:

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

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

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

- shareholders cannot amend our articles unless such amendment is approved by shareholders holding at least a special majority (two-thirds) of the votes cast on such proposal;
- 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.

***We have recently qualified as a smaller reporting company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to such companies could make our common shares less attractive to investors***.

As a result of our public float (the market value of our common shares held by non-affiliates) as of June 30, 2022, we qualify as a "smaller reporting company," as defined under the Exchange Act. In addition, beginning with our Annual Report on Form 10-K for the year ending December 31, 2022, we will be a "non-accelerated filer" as defined under the Exchange Act. For as long as we continue to be a smaller reporting company or a non-accelerated filer, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies that are not smaller reporting companies or non-accelerated

filers, as applicable, including, but not limited to, an exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. If we choose not to obtain such attestation from our independent registered public accounting firm, it may have a detrimental impact on our ability to maintain the adequacy of our internal control over financial reporting, and any failure to maintain adequacy, or inability to produce accurate financial statements or other reports on a timely basis, could increase our operating costs and could materially impair our ability to operate our business.

If we choose to rely on any of these disclosure exemptions, the information we provide shareholders will be different than the information that is available with respect to other public companies. Moreover, 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 the market price of our common shares may be more volatile.

**General Risk Factors**

***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.***

Under the Sarbanes-Oxley Act of 2002, we are required to establish and maintain effective internal control over financial reporting and adequate disclosure controls and procedures. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses or significant deficiencies with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. 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. Furthermore, if we cannot provide reliable financial reports or prevent fraud, including as a result of remote working by our employees in connection with COVID-19 and related public health safety measures, our business and results of operations would likely be materially and adversely affected.

***We are at risk of securities class action litigation.***

Securities class action litigation has often been brought against companies following a decline in the market price of their 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.

***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 that analysts will cover us or provide accurate or favorable coverage. If one or more of the analysts who cover us downgrade our stock or change their opinion of our common shares negatively, 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. Moreover, the research and reports that analysts publish may suggest a price for our common shares that does not fully or accurately reflect the true value of our company. Furthermore, even if such analyst publications are favorable, these reports could have negative consequences for us.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 2.1 | Transaction Agreement by and between the Company, Zymeworks Delaware Inc., Zymeworks CallCo ULC and Zymeworks ExchangeCo Ltd., dated July 14, 2022 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K originally filed with the SEC on July 15, 2022). |
| 3.1 | Notice of Articles of the Company. |
| 3.2 | Articles of the Company. |
| 4.1 | Specimen common share certificate (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K, originally filed with the SEC on February 24, 2022). |
| 4.2 | Preferred Shares Rights Agreement, dated as of June 9, 2022, by and between the Company and Computershare Trust Company, N.A., as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 10, 2022). |
| 10.1 | Lease Amending Agreement, dated April 1, 2022, by and between the Company and 130 E 4th Partnership. |
| 10.2 † | Notice of Assignment of Lease, dated January 1, 2022 from 5th & Main Partnership, 2000 Main Holdings Inc. and Mount Pixel Projects Limited Partnership to the Company. |
| 10.3* | Third Amendment to Collaboration and Cross License Agreement, effective June 6, 2022, by and between the Company and Daiichi Sankyo Co., Ltd. |
| 10.4#, † | Employment Agreement by and between the Company, Zymeworks Biopharmaceuticals Inc. and Paul Moore, dated July 18, 2022. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 32.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2022, formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) Interim Condensed Consolidated Balance Sheets at June 30, 2022 (unaudited) and December 31, 2021 (audited), (ii) Interim Condensed Consolidated Statements of Loss and Comprehensive Loss for the three and six month periods ended June 30, 2022 and 2021 (unaudited), (iii) Interim Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and six month periods ended June 30, 2022 and 2021 (unaudited), (v) Interim Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2022 and 2021 (unaudited) and (vi) Notes to the Interim Condensed Consolidated Financial Statements (unaudited) |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

\# Indicates management contract or compensatory plan.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K, but a copy will be furnished supplementally to the SEC upon request.

* Certain portions of this exhibit (indicated by "[…***…]") have been omitted in accordance with Item 601(b)(10) of Regulation S-K because the omitted information is not material and the Company customarily and actually treats such omitted information as private or confidential.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ZYMEWORKS INC.**

By: /s/ Kenneth Galbraith

| | |
|---|---|
| Name: | Kenneth Galbraith |
| Title: | Chair of the Board of Directors and Chief Executive Officer (Principal Executive Officer) |
| Date: | August 4, 2022 |

By: /s/ Christopher Astle

| | |
|---|---|
| Name: | Christopher Astle |
| Title: | Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |
| Date: | August 4, 2022 |

BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

CERTIFIED COPY
Of a Document filed with the Province of
British Columbia Registrar of Companies

T.K. SPARKS

# Notice of Articles

BUSINESS CORPORATIONS ACT

This Notice of Articles was issued by the Registrar on: June 10, 2022 01:32 PM Pacific Time

Incorporation Number: C1117210

Recognition Date and Time: Continued into British Columbia on May 2, 2017 09:30 AM Pacific Time

## NOTICE OF ARTICLES

Name of Company:

ZYMEWORKS INC.

## REGISTERED OFFICE INFORMATION

Mailing Address:
SUITE 2600, THREE BENTALL CENTRE
595 BURRARD STREET, P.O. BOX 49314
VANCOUVER BC V7X 1L3
CANADA

Delivery Address:
SUITE 2600, THREE BENTALL CENTRE
595 BURRARD STREET, P.O. BOX 49314
VANCOUVER BC V7X 1L3
CANADA

## RECORDS OFFICE INFORMATION

Mailing Address:
SUITE 2600, THREE BENTALL CENTRE
595 BURRARD STREET, P.O. BOX 49314
VANCOUVER BC V7X 1L3
CANADA

Delivery Address:
SUITE 2600, THREE BENTALL CENTRE
595 BURRARD STREET, P.O. BOX 49314
VANCOUVER BC V7X 1L3
CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Cox, Troy

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Sacks, Natalie

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Zoth, Lota

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Galbraith, Kenneth

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Renton, Hollings C,

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Mahony, Susan

| Mailing Address: | Delivery Address: |
|---|---|
| 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA | 114 EAST 4TH AVENUE, SUITE 800<br>VANCOUVER BC V5T 1G4<br>CANADA |

Last Name, First Name, Middle Name:
Neu, Kelvin

Mailing Address:
114 EAST 4TH AVENUE, SUITE 800
VANCOUVER BC V5T 1G4
CANADA

Delivery Address:
114 EAST 4TH AVENUE, SUITE 800
VANCOUVER BC V5T 1G4
CANADA

Last Name, First Name, Middle Name:
Hillan, Kenneth J.

Mailing Address:
114 EAST 4TH AVENUE, SUITE 800
VANCOUVER BC V5T 1G4
CANADA

Delivery Address:
114 EAST 4TH AVENUE, SUITE 800
VANCOUVER BC V5T 1G4
CANADA

RESOLUTION DATES:

Date(s) of Resolution(s) or Court Order(s) attaching or altering Special Rights and Restrictions attached to a class or a series of shares:

June 9, 2022

AUTHORIZED SHARE STRUCTURE

| | | | |
|---|---|---|---|
| 1. | No Maximum | Common Shares | Without Par Value<br><br>Without Special Rights or Restrictions attached |
| 2. | No Maximum | Preferred Shares | Without Par Value<br><br>With Special Rights or Restrictions attached |
| 1. | No Maximum | Series A Participating Preferred | Special Rights or Restrictions are attached |

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Continuation number: C1117210

*BUSINESS CORPORATIONS ACT*

**ARTICLES**

**of**

**ZYMEWORKS INC.**

**ARTICLE 1**
**INTERPRETATION**

1.1 **Definitions.** In these Articles (the "**Articles**"), unless the context otherwise requires:

"**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the written rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each province and territory of Canada;

"**appropriate person**" has the meaning set forth in the *Securities Transfer Act*;

"**board of directors**", "**directors**" and "**board**" mean the directors of the Company for the time being;

"***Business Corporations Act***" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

"**Interpretation Act**" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto;

"**legal personal representative**" means the personal or other legal representative of a shareholder;

"**protected purchaser**" has the meaning set forth in the *Securities Transfer Act*;

"**registered address**" of a shareholder means the shareholder's address as recorded in the central securities register;

"**seal**" means the seal of the Company, if any;

"***Securities Act***" means the *Securities Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act; and

"***Securities Transfer Act***" means the *Securities Transfer Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act.

1.2 **Business Corporations Act and Interpretation Act Definitions Applicable.** The definitions in the *Business Corporations Act* and the definitions and rules of construction in the

*Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

## ARTICLE 2
## SHARES AND SHARE CERTIFICATES

**2.1 Authorized Share Structure.** The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

**2.2 Form of Share Certificate.** Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

**2.3 Shareholder Entitled to Certificate or Acknowledgement.** Unless the shares of which the shareholder is the registered owner are uncertificated shares within the meaning of the *Business Corporations Act*, each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgement of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

**2.4 Delivery by Mail.** Any share certificate or non-transferable written acknowledgement of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company (including the Company's transfer agent or legal counsel) is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

**2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement.** If the directors are satisfied that a share certificate or a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgement, as the case may be, and on such other terms, if any, as they think fit:

(a) order the share certificate or acknowledgement, as the case may be, to be cancelled; and

(b) issue a replacement share certificate or acknowledgement, as the case may be.

**2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgement.** If a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgement, as the case may be, must be issued to the person entitled to that share certificate or acknowledgement, as the case may be, if the directors receive:

(a) proof satisfactory to them that the share certificate or acknowledgement is lost, stolen or destroyed; and

(b) any indemnity the directors consider adequate.

**2.7 Splitting Share Certificates.** If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

**2.8 Certificate Fee.** There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

**2.9 Recognition of Trusts.** Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## ARTICLE 3
## ISSUE OF SHARES

**3.1 Directors Authorized.** Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

**3.2 Commissions and Discounts.** The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

**3.3 Brokerage.** The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

**3.4 Conditions of Issue.** Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(a) consideration is provided to the Company for the issue of the share by one or more of the following:

  (i) past services performed for the Company;

  (ii) property;

  (iii) money; and

(b) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

**3.5 Share Purchase Warrants and Rights.** Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in

conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

## ARTICLE 4
## SHARE REGISTERS

**4.1 Central Securities Register.** As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register, which may be kept in electronic form. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

**4.2 Closing Register.** The Company must not at any time close its central securities register.

## ARTICLE 5
## SHARE TRANSFERS

**5.1 Registering Transfers.** A transfer of a share of the Company must not be registered unless:

(a) a duly signed instrument of transfer in respect of the share has been received by the Company;

(b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and

(c) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgement has been surrendered to the Company.

**5.2 Form of Instrument of Transfer.** The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

**5.3 Transferor Remains Shareholder.** Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

**5.4 Signing of Instrument of Transfer.** If a shareholder, or other appropriate person or an agent who has actual authority to act on behalf of that person, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgements deposited with the instrument of transfer:

(a) in the name of the person named as transferee in that instrument of transfer; or

(b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

**5.5 Enquiry as to Title Not Required.** Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgement of a right to obtain a share certificate for such shares.

**5.6 Transfer Fee.** There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

## ARTICLE 6
## TRANSMISSION OF SHARES

**6.1 Legal Personal Representative Recognized on Death.** In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

**6.2 Rights of Legal Personal Representative.** The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

## ARTICLE 7
## PURCHASE OF SHARES

**7.1 Company Authorized to Purchase or Otherwise Acquire Shares.** Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series, the *Business Corporations Act* and the Applicable Securities Laws, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

**7.2 Purchase When Insolvent.** The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(a) the Company is insolvent; or

(b) making the payment or providing the consideration would render the Company insolvent.

**7.3 Sale and Voting of Purchased, Redeemed, or Otherwise Acquired Shares.** If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(a) is not entitled to vote the share at a meeting of its shareholders;

(b) must not pay a dividend in respect of the share; and

(c) must not make any other distribution in respect of the share.

## ARTICLE 8
## BORROWING POWERS

**8.1 Borrowing Powers.** The Company, if authorized by the directors, may:

(a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;

(b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

(c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## ARTICLE 9
## ALTERATIONS

**9.1 Alteration of Authorized Share Structure.** Subject to Articles 9.2 and 9.3, the *Business Corporations Act* and the special rights and restrictions attached to the shares of any class or series, the Company may:

(a) by ordinary resolution:

(i) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(ii) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(iii) if the Company is authorized to issue shares of a class of shares with par value:

(A) decrease the par value of those shares; or

(B) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(iv) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(v) alter the identifying name of any of its shares; or

(vi) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*;

and, if applicable, alter its Notice of Articles and Articles accordingly, or

(b) by resolution of the directors, subdivide, or consolidate all or any of its unissued, or fully paid issued, shares and, if applicable, alter its Notice of Articles and Articles accordingly.

**9.2 Special Rights and Restrictions.** Subject to Article 9.3, the special rights or restrictions attached to any class or series of shares and the *Business Corporations Act*, the Company may by ordinary resolution:

(a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued;

and alter its Articles or Notice of Articles accordingly.

**9.3 No Interference with Class or Series Rights without Consent.** A right or special right attached to issued shares must not be prejudiced or interfered with under the *Business Corporations Act*, the Notice of Articles or these Articles unless the holders of shares of the class or series of shares to which the right or special right is attached consent by a special separate resolution of the holders of such class or series of shares.

**9.4 Change of Name.** The Company may by director's resolution or ordinary resolution authorize an alteration of its Notice of Articles in order to change its name.

**9.5 Other Alterations.** If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

## ARTICLE 10
## MEETINGS OF SHAREHOLDERS

**10.1 Annual General Meetings.** Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

**10.2 Resolution Instead of Annual General Meeting.** If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

**10.3 Calling of Meetings of Shareholders.** The directors may, whenever they think fit, call a meeting of shareholders, to be held at such time and place as may be determined by the directors.

**10.4 Notice for Meetings of Shareholders.** The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(a) if and for so long as the Company is a public company, 21 days;

(b) otherwise, 10 days.

**10.5 Record Date for Notice.** The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(a) if and for so long as the Company is a public company, 21 days;

(b) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

**10.6 Record Date for Voting.** The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

**10.7 Failure to Give Notice and Waiver of Notice.** The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**10.8 Notice of Special Business at Meetings of Shareholders.** If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

(a) state the general nature of the special business; and

(b) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

(i) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

(ii) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

**10.9 Class Meetings and Series Meetings of Shareholders.** Unless otherwise specified in these Articles, the provisions of these Articles relating to a meeting of shareholders will apply, with the necessary changes and so far as they are applicable, to a class meeting or series meeting of shareholders holding a particular class or series of shares.

**10.10 Meetings by Telephone or Other Communications Medium.** The directors may determine that a meeting of shareholders shall be held entirely by means of telephonic, electronic or other communication facilities that permit all participants to communicate with each other during the meeting. A meeting of shareholders may also be held at which some, but not necessarily all, persons entitled to attend may participate by means of such communications facilities, if the directors determine to make them available. A person participating in a meeting by such means is deemed to be present at the meeting.

**10.11 Advance Notice of Nominations of Directors.**

(a) Nomination Procedures - Subject only to the *Business Corporations Act*, Applicable Securities Law and these Articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if the election of directors is a matter specified in the notice of meeting,

(i) by or at the direction of the board, including pursuant to a notice of meeting;

(ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the *Business Corporations Act*, or a requisition of the shareholders made in accordance with the provisions of the *Business Corporations Act*; or

(iii) by any person (a "**Nominating Shareholder**") who (A) at the close of business on the date of the giving of the notice provided for in this Article 10.11 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Company, and (B) has given timely notice in proper written form as set forth in this Article 10.11.

(b) Manner of timely notice - To be timely, a Nominating Shareholder's notice must be received by the corporate secretary of the Company at the principal executive office or registered office of the Company:

(i) in the case of an annual meeting (including an annual and special meeting) of shareholders, not later than the close of business on the 30th day prior to the date of the meeting; provided, however, that in the event that the meeting is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

(ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the meeting was made.

(c) Proper form of notice - To be in proper written form, a Nominating Shareholder's notice must comply with this Article 10.11 and must set forth:

(i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:

(A) their name, age, business and residential address, and principal occupation or employment for the past five years;

(B) their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Company, including the number or principal amount; and

(C) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the *Business Corporations Act* or Applicable Securities Laws; and

(ii) as to each Nominating Shareholder giving the notice:

(A) their name, business and residential address;

(B) any direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Company, including the number or principal amount;

(C) any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its Affiliates or Associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Company or the nomination of directors to the board; and

(D) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* or as required by Applicable Securities Laws.

References to "Nominating Shareholder" in this Article 10.11 shall be deemed to refer to each shareholder that nominates a person for election as a director in the case of a nomination proposal where more than one shareholder is involved in making such nomination proposal.

(d) Currency of information - All information to be provided in a timely notice pursuant to this Article 10.11 shall be provided as of the record date for determining shareholders

entitled to vote at the meeting (if such date shall then have been publicly announced) and as of the date of such notice. The Nominating Shareholder shall update such information to the extent necessary so that it is true and correct as of the date that is ten (10) business days prior to the date of the meeting, or any adjournment or postponement thereof.

(e) Power of the chair - The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(f) Delivery of notice - Notwithstanding any other provision of these Articles, notice given to the corporate secretary of the Company pursuant to this Article 10.11 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time on the Company's website for general inquiries), and shall be deemed to have been given and made only at the time it is served by personal delivery to the corporate secretary at the address of the principal executive offices of the Company, email (at the address as aforesaid and provided that confirmation of receipt of such email has been received) or sent by facsimile transmission (provided that receipt of the confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

(g) Exclusive Means – For the avoidance of doubt, this Article 10.11 shall be the exclusive means for any person to bring nominations for election to the board at or in connection with any annual or special meeting of the shareholders of the Company.

(h) Waiver - Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 10.11.

(i) Definitions - For purposes of this Article 10.11,

"**Affiliate**", when used to indicate a relationship with a specific person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person;

"**Associate**", when used to indicate a relationship with a specified person, shall mean (i) any body corporate or trust of which such person beneficially owns, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such body corporate or trust for the time being outstanding, (ii) any partner of that person, (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity, (iv) a spouse of such specified person, (v) any person of either sex with whom such specified person is living in conjugal relationship outside marriage or (vi) any relative of such specified person or of a person mentioned in clauses (iv) or (v) of this definition if that relative has the same residence as the specified person;

"**beneficially owns**" or "**beneficially owned**" means, in connection with the ownership of shares in the capital of the Company by a person, (i) any such shares as to which such person or any of such person's Affiliates or Associates owns at law or in equity, or has the right to acquire or become the owner at law or in equity, where such right is

exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, upon the exercise of any conversion right, exchange right or purchase right attaching to any securities, or pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (ii) any such shares as to which such person or any of such person's Affiliates or Associates has the right to vote, or the right to direct the voting, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (iii) any such shares which are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty's Affiliates or Associates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives Contract) to which such person or any of such person's Affiliates or Associates is a Receiving Party; provided, however that the number of shares that a person beneficially owns pursuant to this clause (iii) in connection with a particular Derivatives Contract shall not exceed the number of Notional Securities with respect to such Derivatives Contract; provided, further, that the number of securities owned beneficially by each Counterparty (including their respective Affiliates and Associates) under a Derivatives Contract shall for purposes of this clause be deemed to include all securities that are owned beneficially, directly or indirectly, by any other Counterparty (or any of such other Counterparty's Affiliates or Associates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty's Affiliates or Associates) is a Receiving Party and this proviso shall be applied to successive Counterparties as appropriate; and (iv) any such shares which are owned beneficially within the meaning of this definition by any other person with whom such person is acting jointly or in concert with respect to the Company or any of its securities;

"**close of business**" means 5:00 p.m. (Vancouver time) on a business day in British Columbia, Canada;

"**Derivatives Contract**" shall mean a contract between two parties (the "**Receiving Party**" and the "**Counterparty**") that is designed to expose the Receiving Party to economic benefits and risks that correspond substantially to the ownership by the Receiving Party of a number of shares in the capital of the Company or securities convertible into such shares specified or referenced in such contract (the number corresponding to such economic benefits and risks, the "**Notional Securities**"), regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, shares in the capital of the Company or securities convertible into such shares or other property, without regard to any short position under the same or any other Derivatives Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate governmental authority shall not be deemed to be Derivatives Contracts; and

"**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

## ARTICLE 11
## PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

**11.1 Special Business.** At a meeting of shareholders, the following business is special business:

(a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(b) at an annual general meeting, all business is special business except for the following:

(i) business relating to the conduct of or voting at the meeting;

(ii) consideration of any financial statements of the Company presented to the meeting;

(iii) consideration of any reports of the directors or auditor;

(iv) the setting or changing of the number of directors;

(v) the election or appointment of directors;

(vi) the appointment of an auditor;

(vii) the setting of the remuneration of an auditor;

(viii) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;

(ix) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

**11.2 Special Majority.** The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

**11.3 Quorum.** Subject to the special rights and restrictions attached to the shares of any class or series of shares and Article 11.4, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 30% of the issued shares entitled to be voted at the meeting.

**11.4 One Shareholder May Constitute Quorum.** If there is only one shareholder entitled to vote at a meeting of shareholders:

(a) the quorum is one person who is, or who represents by proxy, that shareholder, and

(b) that shareholder, present in person or by proxy, may constitute the meeting.

**11.5 Other Persons May Attend.** In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the officers, any lawyer for the Company, the auditor of the Company, any other persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the *Business Corporations Act* or these Articles to be present at the meeting; but if any of those persons

does attend the meeting, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

**11.6 Requirement of Quorum.** No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

**11.7 Lack of Quorum.** If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(a) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(b) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

**11.8 Lack of Quorum at Succeeding Meeting.** If, at the meeting to which the meeting referred to in Article 11.7(b) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

**11.9 Chair.** The following individual is entitled to preside as chair at a meeting of shareholders:

(a) the chair of the board, if any; or

(b) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

**11.10 Selection of Alternate Chair.** If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

**11.11 Adjournments.** The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

**11.12 Notice of Adjourned Meeting.** It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

**11.13 Decision by Show of Hands or Poll.** Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands, or the functional equivalent of a show of hands by means of electronic, telephonic or other communications facility unless

a poll, before or on the declaration of the result of the vote by show of hands or the functional equivalent of a show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

**11.14 Declaration of Result.** The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands (or its function equivalent) or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

**11.15 Motion Need Not be Seconded.** No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

**11.16 Casting Vote.** In the case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

**11.17 Manner of Taking Poll.** Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

(a) the poll must be taken:

(i) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(ii) in the manner, at the time and at the place that the chair of the meeting directs;

(b) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(c) the demand for the poll may be withdrawn by the person who demanded it.

**11.18 Demand for Poll on Adjournment.** A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

**11.19 Chair Must Resolve Dispute.** In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

**11.20 Casting of Votes.** On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

**11.21 No Demand for Poll on Election of Chair.** No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

**11.22 Demand for Poll Not to Prevent Continuance of Meeting.** The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**11.23 Retention of Ballots and Proxies.** The Company or its agent must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the

meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxy holder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

## ARTICLE 12
## VOTES OF SHAREHOLDERS

**12.1 Number of Votes by Shareholder or by Shares.** Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

**12.2 Votes of Persons in Representative Capacity.** A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

**12.3 Votes by Joint Holders.** If there are joint shareholders registered in respect of any share:

(a) any one of the joint shareholders may vote at any meeting of shareholders, personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(b) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

**12.4 Legal Personal Representatives as Joint Shareholders.** Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

**12.5 Representative of a Corporate Shareholder.** If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(a) for that purpose, the instrument appointing a representative must be received:

(i) at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting or adjourned or postponed meeting; or

(ii) at the meeting or any adjourned or postponed meeting, to the chair of the meeting or adjourned or postponed meeting or by a person designated by the chair of the meeting or adjourned or postponed meeting;

(b) if a representative is appointed under this Article 12.5:

(i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company or its transfer agent by written instrument, fax or any other method of transmitting legibly recorded messages.

**12.6 Proxy Provisions Do Not Apply to All Companies.** Articles 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

**12.7 Appointment of Proxy Holders.** Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

**12.8 Alternate Proxy Holders.** A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

**12.9 When Proxy Holder Need Not Be Shareholder.** A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(a) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;

(b) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or

(c) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

**12.10 Deposit of Proxy.** A proxy for a meeting of shareholders must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting;

(b) unless the notice provides otherwise, be provided, at the meeting or any adjourned meeting, to the chair of the meeting or to a person designated by the chair of the meeting; or

(c) be received in any other manner determined by the board or the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages or by using such available internet or telephone voting services as may be approved by the directors.

**12.11 Validity of Proxy Vote.** A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(a) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(b) at the meeting or any adjourned meeting by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

**12.12 Form of Proxy.** A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

*Zymeworks Inc.*
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the shareholder): _____.

Signed this _____ day of _____, _____.

_____
(Signature of shareholder)

_____
(Name of shareholder - printed)

**12.13 Revocation of Proxy.** Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is received:

(a) at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(b) at the meeting or any adjourned meeting, by the chair of the meeting or any adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

**12.14 Revocation of Proxy Must Be Signed.** An instrument referred to in Article 12.13 must be signed as follows:

(a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

**12.15 Chair May Determine Validity of Proxy.** The chair of any meeting of shareholders may determine whether or not a proxy deposited for use at the meeting, which may not strictly comply with the requirements of this Article 12 as to form, execution, accompanying documentation, time of filing or otherwise, shall be valid for use at the meeting, and any such determination made in good faith shall be final, conclusive and binding upon the meeting.

**12.16 Production of Evidence of Authority to Vote.** The directors or the chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## ARTICLE 13
## DIRECTORS

**13.1 Number of Directors.** The number of directors, excluding additional directors appointed under Article 14.13, is set at:

(a) if the Company is a public company, the greater of three and the most recently set of:

(i) the number of directors set by the board of directors of the Company; and

(ii) the number of directors set under Article 14.9;

(b) if the Company is not a public company, the most recently set of:

(i) the number of directors set by the board of directors of the Company; and

(ii) the number of directors set under Article 14.9.

**13.2 Change in Number of Directors.** If the number of directors is set under Article 13.1(a)(i) or 13.1(b)(i):

(a) the shareholders may elect the directors needed to fill any vacancies in the board of directors up to that number;

(b) if the shareholders do not elect the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

**13.3 Directors' Acts Valid Despite Vacancy.** An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

**13.4 Qualifications of Directors.** Notwithstanding any other provision of these Articles, a director is not required to hold a share in the capital of the Company as qualification for his or her office

but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

**13.5 Remuneration of Directors.** The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

**13.6 Reimbursement of Expenses of Directors.** The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

**13.7 Special Remuneration for Directors.** If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of, or not in his or her capacity as, a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

**13.8 Gratuity, Pension or Allowance on Retirement of Director.** Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## ARTICLE 14
## ELECTION AND REMOVAL OF DIRECTORS

**14.1 Definitions.** For purposes of this Article 14, the following defined terms shall apply:

(a) "**Continuation Date**" means the date that the Company is continued as a British Columbia company, as indicated on a Certificate of Continuation for the Company; and

(b) "**End Date**" means the first to occur of the following:

(i) if and for so long as the Company is listed on the Toronto Stock Exchange, the later of:

(A) the date of the third annual general meeting of the Company following the Continuation Date; and

(B) such date as may be determined by the Toronto Stock Exchange in writing and notified to the Company prior to the date of such third annual general meeting of the Company following the Continuation Date; and

(ii) if the Company ceases to be listed on the Toronto Stock Exchange before the occurrence of an "End Date" under Article 14.1(b)(i), or does not list on the Toronto Stock Exchange, then June 30, 2117.

**14.2 Application.** The provisions of this Article 14 will be automatically applied as follows, without any further act or formality:

(a) from and after the Continuation Date and up to and including the End Date, the provisions of Articles 14.3-14.5 will govern and apply and the provisions of Article 14.6 will have no force or effect; and

(b) commencing on the first day after the End Date, the provisions of Article 14.6 will govern and apply and the provisions of Articles 14.3-14.5 will have no force or effect, and the term of every director in office on the first day after the End Date shall expire and be deemed to expire on the first annual general meeting of the Company following the occurrence of the End Date notwithstanding any terms or conditions to the contrary that were in effect prior to the End Date and at the time of their election or appointment, and thereafter the terms of office of the directors shall expire at the times contemplated in Article 14.6(a).

**14.3 Staggered Terms**. Subject to Article 14.2(b), and for purposes of facilitating staggered terms on the board, the following provisions shall apply from the Continuation Date to the End Date:

(a) effective on the Continuation Date, three directors (or such lesser number if the number of directors as determined under Article 13.1 is less than three) shall initially hold office for a one-year term expiring on the first annual general meeting of the Company following the Continuation Date, as approved by ordinary resolution of the shareholders of the Company prior to the Continuation Date;

(b) effective on the Continuation Date, three directors (or such lesser number if the number of directors as determined under Article 13.1 is less than six) shall initially hold office for a two-year term expiring on the second annual general meeting of the Company following the Continuation Date, as approved by ordinary resolution of the shareholders of the Company prior to the Continuation Date; and

(c) effective on the Continuation Date, the remaining number of directors (if the number of directors as determined under Article 13.1 is more than six) shall initially hold office for a three-year term expiring on the third annual general meeting of the Company following the Continuation Date, as approved by ordinary resolution of the shareholders of the Company prior to the Continuation Date,

and upon the expiry of the directors' initial terms of office as set forth above, the directors shall be elected in the manner provided in Article 14.4 to hold office for three-year terms expiring on the third annual general meeting following their election.

**14.4 Election at Annual General Meeting.** From the Continuation Date to the End Date, and subject to Article 14.2(b), at every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(a) all of the directors whose terms expire shall cease to hold office immediately before the election or appointment of directors under Article 14.4(b) below, but are eligible for re-election or re-appointment; and

(b) the shareholders entitled to vote at the annual general meeting for the election of directors may elect, or in the unanimous resolution appoint, the number of directors required to fill the following vacancies, such that the staggered terms are maintained as contemplated in Article 14.3:

(i) the vacancies created by the expiry of any directors' terms under these Articles, to hold office for three-year terms expiring on the third annual general meeting following their election; and

(ii) any vacancies created before the expiry of any directors' terms under these Articles, to hold office until the remainder of the unexpired portion of the term of the departed directors for whom the new directors are replacing.

**14.5 Election or Appointment between Annual General Meetings.** From the Continuation Date to the End Date, and Subject to Article 14.2(b), a director may be:

(a) elected or appointed under Articles 14.10, 14.12, 14.15, and 14.16 to hold office until the remainder of the unexpired portion of the term of the departed director for whom the new director is replacing;

(b) appointed under Article 14.13 for a three-year term expiring on the third annual general meeting of the Company following the director's appointment under Article 14.13.

For greater certainty, following the expiry of the term of any director appointed under Articles 14.10, 14.12, 14.13, 14.15, and 14.16, that director is eligible for re-election or re-appointment under these Articles.

**14.6 Election at Annual General Meeting.** Following the End Date, at every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(a) all the directors cease to hold office immediately before the election or appointment of directors under Article 14.6(b), but are eligible for re-election or re-appointment; and

(b) the shareholders entitled to vote at the annual general meeting for the election of directors may elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles.

**14.7 Consent to be a Director.** No election, appointment or designation of an individual as a director is valid unless:

(a) that individual consents to be a director in the manner provided for in the *Business Corporations Act*; or

(b) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director.

**14.8 Failure to Elect or Appoint Directors.** If:

(a) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2 on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(b) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(c) the date on which his or her successor is elected or appointed; and

(d) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

**14.9 Places of Retiring Directors Not Filled.** If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, then those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, then the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

**14.10 Directors May Fill Casual Vacancies.** Any casual vacancy occurring in the board of directors may be filled by the directors, subject to these Articles.

**14.11 Remaining Directors Power to Act.** The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, then the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

**14.12 Shareholders May Fill Vacancies.** If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, then the shareholders may elect or appoint directors to fill any vacancies on the board of directors, subject to these Articles.

**14.13 Additional Directors.** Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors subject to these Articles, but the number of additional directors appointed under this Article 14.13 must not at any time exceed one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.13. Except as provided otherwise under these Articles or the *Business Corporations* Act, any director so appointed:

(a) before the End Date shall cease to hold office at the end of a three-year term expiring on the third annual general meeting of the Company following the director's appointment, subject to Article 14.2(b); and

(b) after the End Date shall cease to hold office immediately before the next election or appointment of directors under Article 14.6(b);

but is eligible for re-election or re-appointment.

**14.14 Ceasing to be a Director.** A director ceases to be a director when:

(a) the term of office of the director expires;

(b) the director dies;

(c) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(d) the director is removed from office pursuant to Articles 14.15 or 14.16.

**14.15 Removal of Director by Shareholders.** The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy, subject to these Articles. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy, subject to these Articles.

**14.16 Removal of Director by Directors.** The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy, subject to these Articles.

**14.17 Amendment.** An amendment to these Articles providing for the deletion of Articles 14.1-14.5 may be effected by a directors' resolution or by an ordinary resolution of the shareholders.

## ARTICLE 15
## POWERS AND DUTIES OF DIRECTORS

**15.1 Powers of Management.** The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

**15.2 Appointment of Attorney of Company.** The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

## ARTICLE 16
## DISCLOSURE OF INTEREST OF DIRECTORS

**16.1 Obligation to Account for Profits.** A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

**16.2 Restrictions on Voting by Reason of Interest.** A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

**16.3 Interested Director Counted in Quorum.** A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

**16.4 Disclosure of Conflict of Interest or Property.** A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act.*

**16.5 Director Holding Other Office in the Company.** A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

**16.6 No Disqualification.** No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

**16.7 Professional Services by Director or Officer.** Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

**16.8 Director or Officer in Other Corporations.** A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## ARTICLE 17
## PROCEEDINGS OF DIRECTORS

**17.1 Meetings of Directors.** The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

**17.2 Voting at Meetings.** Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

**17.3 Chair of Meetings.** The following individual is entitled to preside as chair at a meeting of directors:

(a) the chair of the board, if any;

(b) in the absence of the chair of the board, the president, if any, if the president is a director; or

(c) any other director chosen by the directors if:

(i) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(ii) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or

(iii) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

**17.4 Meetings by Telephone or Other Communications Medium.** A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

**17.5 Calling of Meetings.** A director may, and the corporate secretary or an assistant corporate secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

**17.6 Notice of Meetings.** Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

**17.7 When Notice Not Required.** It is not necessary to give notice of a meeting of the directors to a director if:

(a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(b) the director has waived notice of the meeting.

**17.8 Meeting Valid Despite Failure to Give Notice.** The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

**17.9 Waiver of Notice of Meetings.** Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to such director and all meetings of the directors so held are

deemed not to be improperly called or constituted by reason of notice not having been given to such director.

Attendance of a director at a meeting of the directors is a waiver of notice of the meeting, unless that director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**17.10 Quorum.** The quorum necessary for the transaction of the business of the directors is a majority of the number of directors in office or such greater number as the directors may determine from time to time.

**17.11 Validity of Acts Where Appointment Defective.** Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

**17.12 Consent Resolutions in Writing.** A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document (which may include an electronic signature, as permitted by the *Electronic Transactions Act* (British Columbia), fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

## ARTICLE 18
## EXECUTIVE AND OTHER COMMITTEES

**18.1 Appointment and Powers of Executive Committee.** The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

**18.2 Appointment and Powers of Other Committees.** The directors may, by resolution:

(a) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(b) delegate to a committee appointed under paragraph (a) any of the directors' powers, except:

(i) the power to fill vacancies in the board of directors;

(ii) the power to remove a director;

(iii) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(iv) the power to appoint or remove officers appointed by the directors; and

(c) make any delegation referred to in paragraph (b) subject to the conditions set out in the resolution or any subsequent directors' resolution.

**18.3 Obligations of Committees.** Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must:

(a) conform to any rules that may from time to time be imposed on it by the directors; and

(b) report every act or thing done in exercise of those powers at such times as the directors may require.

**18.4 Powers of Board.** The directors may, at any time, with respect to a committee appointed under Articles 18.1 or 18.2:

(a) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(b) terminate the appointment of, or change the membership of, the committee; and

(c) fill vacancies in the committee.

**18.5 Committee Meetings.** Subject to Article 18.3(a) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

(a) the committee may meet and adjourn as it thinks proper;

(b) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(c) a majority of the members of the committee constitutes a quorum of the committee; and

(d) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

## ARTICLE 19
## OFFICERS

**19.1 Directors May Appoint Officers.** The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

**19.2 Functions, Duties and Powers of Officers.** The directors may, for each officer:

(a) determine the functions and duties of the officer;

(b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

**19.3 Qualifications.** No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

**19.4 Remuneration and Terms of Appointment.** All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## ARTICLE 20
## INDEMNIFICATION

**20.1 Definitions.** In this Article 20:

(a) "**eligible party**", in relation to a Company, means an individual who:

(i) is or was a director or officer of the Company,

(ii) is or was a director or officer of another corporation (A) at a time when the corporation is or was an affiliate of the Company, or (B) at the request of the Company, or

(iii) at the request of the Company, is or was, or holds or held a position equivalent to that of, a director of officer of a partnership, trust, joint venture or other unincorporated entity,

and includes, to the extent permitted by the Act, the heirs and personal or other legal representatives of that individual;

(b) "**eligible penalty**" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(c) "**eligible proceeding**" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director or former director of the Company

(an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of the Company:

(i) is or may be joined as a party; or

(ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(d) "**expenses**" has the meaning set out in the *Business Corporations Act*.

**20.2 Mandatory Indemnification of Directors and Former Directors.** Subject to the *Business Corporations Act*, the Company must indemnify an eligible party against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

**20.3 Indemnification of Other Persons.** Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

**20.4 Non-Compliance with *Business Corporations Act*.** The failure of a director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Article 20.

**20.5 Company May Purchase Insurance.** The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(a) is or was a director, officer, employee or agent of the Company;

(b) is or was a director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(c) at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;

(d) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

## ARTICLE 21
## DIVIDENDS

**21.1 Payment of Dividends Subject to Special Rights.** The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

**21.2 Declaration of Dividends.** Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the directors may from time to time declare and authorize payment of such dividends as they consider appropriate.

**21.3 No Notice Required.** The directors need not give notice to any shareholder of any declaration under Article 21.2.

**21.4 Record Date.** The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

**21.5 Manner of Paying Dividend.** A resolution declaring a dividend may direct payment of the dividend wholly or partly in money or by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

**21.6 Settlement of Difficulties.** If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(a) set the value for distribution of specific assets;

(b) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(c) vest any such specific assets in trustees for the persons entitled to the dividend.

**21.7 When Dividend Payable.** Any dividend may be made payable on such date as is fixed by the directors.

**21.8 Dividends to be Paid in Accordance with Number of Shares.** All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

**21.9 Receipt by Joint Shareholders.** If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

**21.10 Dividend Bears No Interest.** No dividend bears interest against the Company.

**21.11 Fractional Dividends.** If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

**21.12 Payment of Dividends.** Any dividend or other distribution payable in money in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

**21.13 Capitalization of Surplus.** Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

**21.14 Unclaimed Dividends.** Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the

Company. The Company shall not be liable to any person in respect of any dividend which is forfeited to the Company or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

## ARTICLE 22
## DOCUMENTS, RECORDS AND REPORTS

**22.1 Recording of Financial Affairs.** The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

**22.2 Inspection of Accounting Records.** Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## ARTICLE 23
## NOTICES

**23.1 Method of Giving Notice.** Unless the *Business Corporations Act* or these Articles provide otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(a) mail addressed to the person at the applicable address for that person as follows:

(i) for a record mailed to a shareholder, the shareholder's registered address;

(ii) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(iii) in any other case, the mailing address of the intended recipient;

(b) delivery at the applicable address for that person as follows, addressed to the person:

(i) for a record delivered to a shareholder, the shareholder's registered address;

(ii) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(iii) in any other case, the delivery address of the intended recipient;

(c) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(d) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(e) physical delivery to the intended recipient;

(f) creating and providing a record posted on or made available through a generally-accessible electronic source and providing written notice by any of the foregoing methods of the availability of such record; or

(g) as otherwise permitted by any securities legislation (together with all regulations and rules made and promulgated thereunder and all administrative policy statements, blanket orders, and rulings, notices, and other administrative directions issued by securities commissions or similar authorities appointed thereunder) in any province or territory of Canada or in the federal jurisdiction of the United States or in any state of the United States that is applicable to the Company.

**23.2 Deemed Receipt.** A notice, statement, report or other record that is:

(a) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing;

(b) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed;

(c) e-mailed to a person to the e-mail address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was e-mailed on the day it was e-mailed; and

(d) delivered in accordance with Article 23.1(f), is deemed to be received by the person on the day such written notice is sent.

**23.3 Certificate of Sending.** A certificate signed by the corporate secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 23.1 is conclusive evidence of that fact.

**23.4 Notice to Joint Shareholders.** A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

**23.5 Notice to Legal Personal Representatives and Trustees.** A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(a) mailing the record, addressed to them:

(i) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(ii) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(b) if an address referred to in paragraph (a)(ii) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

**23.6 Undelivered Notices.** If, on two consecutive occasions, a notice, statement, report or other record is sent to a shareholder pursuant to Article 23.1 and on each of those occasions any such record is returned because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

## ARTICLE 24
## SEAL AND EXECUTION OF DOCUMENTS

**24.1 Who May Attest Seal.** Except as provided in Articles 24.2 and 24.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(a) any two directors;

(b) any officer, together with any director;

(c) if the Company only has one director, that director; or

(d) any one or more directors or officers or persons as may be determined by the directors.

**24.2 Sealing Copies.** For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.1, the impression of the seal may be attested by the signature of any director or officer or the signature of any other person as may be determined by the directors.

**24.3 Mechanical Reproduction of Seal.** The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and such persons as are authorized to attest the Company's seal may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

**24.4 Execution of Documents Generally.** The Directors may from time to time by resolution appoint any one or more persons, officers or Directors for the purpose of executing any instrument, document or agreement in the name of and on behalf of the Company for which the seal need not be affixed, and if no such person, officer or Director is appointed, then any one officer or Director of the Company may execute such instrument, document or agreement.

## ARTICLE 25
## PROHIBITIONS

**25.1 Definitions.** In this Article 25:

(a) "**designated security**" means:

(i) a voting security of the Company;

(ii) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or

(iii) a security of the Company convertible, directly or indirectly, into a security described in paragraph (i) or (ii);

(b) "**security**" has the meaning assigned in the *Securities Act* (British Columbia);

(c) "**voting security**" means a security of the Company that:

(i) is not a debt security, and

(ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

**25.2 Application.** Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

**25.3 Consent Required for Transfer of Shares or Designated Securities.** No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## ARTICLE 26
## FORUM SELECTION

**26.1 Forum for Adjudication of Certain Disputes.** Unless the Company consents in writing to the selection of an alternative forum, the Supreme Court of British Columbia, Canada and the appellate Courts therefrom, shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Company to the Company; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the *Business Corporations Act* or these Articles (as either may be amended from time to time); or (iv) any action or proceeding asserting a claim otherwise related to the relationships among the Company, its affiliates and their respective shareholders, directors and/or officers, but this paragraph (iv) does not include claims related to the business carried on by the Company or such affiliates. If any action or proceeding the subject matter of which is within the scope of the preceding sentence is filed in a Court other than a Court located within the Province of British Columbia (a "**Foreign Action**") in the name of any securityholder, such securityholder shall be deemed to have consented to (i) the personal jurisdiction of the provincial and federal Courts located within the Province of British Columbia in connection with any action or proceeding brought in any such Court to enforce the preceding sentence and (ii) having service of process made upon such securityholder in any such action or proceeding by service upon such securityholder's counsel in the Foreign Action as agent for such securityholder.

## ARTICLE 27
## SPECIAL RIGHTS OR RESTRICTIONS

**27.1 Preferred Shares.** The special rights or restrictions attached to the Preferred Shares shall be as follows:

Issuable in Series

(a) The Preferred Shares may at any time and from time to time be issued in one or more series.

(b) Subject to Article 9.3 and the *Business Corporations Act*, the board may from time to time, by directors' resolution, if none of the Preferred Shares of any particular series are issued, alter these Articles and authorize the alteration of the Notice of Articles of the Company, as the case may be, to do one or more of the following:

(i) determine the maximum number of shares of any of those series of Preferred Shares that the Company is authorized to issue, determine that there is no such maximum number, or alter any determination made under this paragraph (i) or otherwise in relation to a maximum number of those shares;

(ii) create an identifying name by which the shares of any of those series of Preferred Shares may be identified, or alter any identifying name created for those shares; and

(iii) attach special rights or restrictions to the shares of any of those series of Preferred Shares or alter any special rights or restrictions attached to those shares, including, but without limiting or restricting the generality of the foregoing, special rights or restrictions with respect to:

(A) the rate, amount, method of calculation and payment of any dividends, whether cumulative, partly cumulative or non-cumulative, and whether such rate, amount, method of calculation or payment is subject to change or adjustment in the future;

(B) any rights upon a dissolution, liquidation or winding-up of the Company or upon any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs;

(C) any rights of redemption, retraction or purchase for cancellation and the prices and terms and conditions of any such rights;

(D) any rights of conversion, exchange or reclassification and the terms and conditions of any such rights;

(E) any voting rights and restrictions;

(F) the terms and conditions of any share purchase plan or sinking fund; and

(G) any other special rights or restrictions, not inconsistent with these share provisions, attaching to such series of Preferred Shares.

(c) No special rights or restrictions attached to any series of Preferred Shares will confer upon the shares of that series a priority over the shares of any other series of Preferred Shares in respect of dividends or a return of capital in the event of the dissolution of the Company or on the occurrence of any other event that entitles the shareholders holding the shares of all series of the Preferred Shares to a return of capital. The Preferred Shares of each series will, with respect to the payment of dividends and the distribution of assets or return of capital in the event of dissolution or on the occurrence of any other event that entitles the shareholders holding the shares of all series of the Preferred Shares to a return of capital, rank on a parity with the shares of every other series.

Class Rights or Restrictions

(a) Holders of Preferred Shares will be entitled to preference with respect to payment of dividends over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to payment of dividends.

(b) In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Preferred Shares will be entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the Preferred Shares.

(c) The Preferred Shares may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be fixed by directors' resolution as to the respective series authorized to be issued.

DATED May 2, 2017.

SIGNATURE OF A DIRECTOR OF THE COMPANY

ARTICLE 27.2 Special Rights and Restrictions for Series A Participating Preferred Shares

1. Designation and Amount. The shares of this series will be designated as "Series A Participating Preferred Shares", will be without par value, and will be unlimited in number.

2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any other class of shares ranking prior and superior to the Series A Participating Preferred Shares with respect to dividends, the holders of Series A Participating Preferred Shares, in preference to the holders of Common Shares (the "Common Shares"), of the Company, and in parity with any other series of Preferred Shares, will be entitled to receive, when, as and if declared by the Board out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Series A Participating Preferred Share or fraction of a Series A Participating Preferred Share, in an amount per share (rounded to the nearest cent) equal to the greater of (i) US$1.00 and (ii) subject to any provision for adjustment in this Article 27.2, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in Common Shares or a subdivision of the outstanding Common Shares (by reclassification or otherwise), declared on the Common Shares since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of a Series A Participating Preferred Share or fraction of a Series A Participating Preferred Share. If the Company at any time after June 9, 2022 (the "Rights Dividend Declaration Date") (A) declares and pays any dividend on the Common Shares payable in the form of Common Shares, (B) subdivides the outstanding Common Shares or (C) combines or consolidates the outstanding Common Shares into a smaller number of shares, then in each such case the amount to which holders of Series A Participating Preferred Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence will be adjusted by multiplying such amount by a fraction, the numerator of which will be the total number of Common Shares outstanding immediately after the occurrence of such event and the denominator of which will be the total number of Common Shares that were outstanding immediately prior to the occurrence of such event.

(b) The Company will declare a dividend or distribution on the Series A Participating Preferred Shares as provided in Section 2(a) immediately after it declares a dividend or distribution on the Common Shares (other than a dividend payable in Common Shares), except that if no dividend or distribution has been declared on the Common Shares during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, then a dividend of US$1.00 per share on the Series A Participating Preferred Shares will nevertheless be payable on such

subsequent Quarterly Dividend Payment Date (it being understood that the actual payment of such dividend may be deferred if prohibited under any of the Company's debt instruments).

(c) Dividends will begin to accrue and be cumulative on outstanding Series A Participating Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Participating Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares will begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Participating Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends will begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends will not bear interest. Dividends paid on the Series A Participating Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares will be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of Series A Participating Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date will be no more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of Series A Participating Preferred Shares will have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Participating Preferred Shares will entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the Company. If the Company at any time after the Rights Dividend Declaration Date (i) declares any dividend on the Common Shares payable in Common Shares, (ii) subdivides the outstanding Common Shares or (iii) combines or consolidates the outstanding Common Shares into a smaller number of shares, then in each such case the number of votes per share to which holders of Series A Participating Preferred Shares were entitled immediately prior to such event will be adjusted by multiplying such number by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

(b) Except as otherwise provided in this Article 27.2, in the special rights and restriction for any other Preferred Shares or any similar shares, the Notice of Articles or the Articles of the Company, or by law, the holders of Series A Participating Preferred Shares and the holders of Common Shares and any other share in the capital of the Company having general voting rights will vote together as one class on all matters submitted to a vote of shareholders of the Company.

(c) Except as set forth in this Article 27.2 or as required by law, the holders of Series A Participating Preferred Shares will have no special voting rights and

their consent will not be required (except to the extent that holders of Series A Participating Preferred Shares are entitled to vote with holders of Common Shares as set forth in this Article 27.2) for taking any corporate action.

4. Certain Restrictions.

(a) The Company will not declare any dividend on, make any distribution on, or purchase or otherwise acquire for consideration any Common Shares after the first issuance of a Series A Participating Preferred Share or fraction of a Series A Participating Preferred Share unless concurrently therewith it will declare a dividend on the Series A Participating Preferred Shares as required by Section 2.

(b) Whenever quarterly dividends or other dividends or distributions payable on the Series A Participating Preferred Shares as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Participating Preferred Shares outstanding will have been paid in full, the Company will not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Shares, other than (A) redemptions or purchases that may be deemed to occur upon the exercise of share options, warrants or similar rights or the grant, vesting or lapse of restrictions on the grant of any performance shares, restricted shares, restricted share units or other equity awards to the extent that such shares represent all or a portion of (1) the exercise or purchase price of such options, warrants or similar rights or other equity awards and (2) the amount of withholding taxes owed by the recipient of such award in respect of such grant, exercise, vesting or lapse of restrictions; or (B) the repurchase, redemption, or other acquisition or retirement for value of any such shares from employees, former employees, directors, former directors, consultants or former consultants of the Company, or their respective estate, spouse, former spouse or family member, pursuant to the terms of the agreements pursuant to which such shares were acquired;

(ii) declare or pay dividends, or make any other distributions, on any shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Shares, except dividends paid ratably on the Series A Participating Preferred Shares and all such parity shares on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Preferred Shares, it being understood that the Company may at any time redeem, purchase or otherwise acquire any such junior shares in exchange for shares of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Participating Preferred Shares; or

(iv) redeem or purchase or otherwise acquire for consideration any Series A Participating Preferred Shares, or any shares ranking on a parity with the Series A Participating Preferred Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, will determine in good faith will result in fair and equitable treatment among the respective series or classes.

(c) The Company will not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of the Company unless the Company could, pursuant to Section 4(a), purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Preferred Shares. Any Series A Participating Preferred Shares purchased or otherwise acquired by the Company in any manner whatsoever will be retired and canceled promptly after the acquisition thereof. All such shares will upon their cancellation become part of the authorized but unissued share capital of the Company.

6. Liquidation, Dissolution or Winding Up.

(a) Upon any liquidation, dissolution or winding up of the Company, voluntary or otherwise, no distribution will be made to the holders of shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Preferred Shares unless, prior thereto, the holders of Series A Participating Preferred Shares will have received an amount per share (the "Series A Liquidation Preference") equal to the greater of (i) US$1.00 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment or (ii) the Adjustment Number multiplied by the per share amount of all cash and other property to be distributed in respect of the Common Shares upon such liquidation, dissolution or winding up of the Company. The "Adjustment Number" will initially be 1,000. If the Company at any time after the Rights Dividend Declaration Date (A) declares and pays any dividend on the Common Shares payable in the form of Common Shares, (B) subdivides the outstanding Common Shares or (C) combines or consolidates the outstanding Common Shares into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event will be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

(b) If there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other classes and series of Preferred Shares, if any, that rank on a parity with the Series A Participating Preferred Shares, then the assets available for distribution will be distributed ratably to the holders of the Series A Participating Preferred Shares and such parity shares in proportion to their respective liquidation preferences.

(c) None of the merger, amalgamation, arrangement or consolidation of the Company into or with another entity or the merger, amalgamation, arrangement or consolidation of any other entity into or with the Company will be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6.

7. Consolidation, Merger, etc. If the Company enters into any consolidation, merger, amalgamation, arrangement, combination, conversion, share exchange or other transaction in which the Common Shares are exchanged for or changed into other shares, securities, cash or any other property (payable in kind), then in any such case the Series A Participating Preferred Shares will at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to the Adjustment Number multiplied by the aggregate amount of shares, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Shares is changed or exchanged.

8. No Redemption. The Series A Participating Preferred Shares will not be redeemable.

9. Ranking. The Series A Participating Preferred Shares will rank in parity to all other series of the Preferred Shares as to the payment of dividends and the distribution of assets,, and will rank senior to the Common Shares as to such matters.

10. Amendment. At any time when any Series A Participating Preferred Shares are outstanding, neither the Articles nor this Article 27.2 will be amended in any manner that would materially alter or change the special rights and restrictions of the Series A Participating Preferred Shares so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding Series A Participating Preferred Shares, voting separately as a class.

11. Fractional Preferred Shares. Series A Participating Preferred Shares may be issued in fractions of a share that will entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Participating Preferred Shares.

**LEASE AMENDING AGREEMENT**

THIS AGREEMENT dated for reference April 1, 2022,

BETWEEN:

**130 E 4TH PARTNERSHIP**

(the **"Landlord")**

AND:

**ZYMEWORKS INC.**

(the **"Tenant")**

WITNESSES THAT WHEREAS:

A. Pursuant to a lease dated for reference January 25, 2019 (the **"Original Lease")** between 5th & Main Partnership (the **"Original Landlord"),** as landlord, and the Tenant, as tenant, the Original Landlord leased to the Tenant certain premises (the **"Premises")** comprising a portion of the second floor and the fifth, sixth, seventh and eighth floors of the building situate at 114 East 4th Avenue, Vancouver, British Columbia and legally described as Parcel Identifier: 030-712-181, Lot A Block 24 District Lot 200A Group 1 New Westminster District Plan EPP83574, which Premises are more particularly described in the Lease;

B. Pursuant to letter dated June 27, 2019 (the **"First Modification"),** the Tenant exercised its expansion option pursuant to Section 10.1 of the Original Lease;

C. Pursuant to a lease expansion and modification agreement dated for reference April 16, 2020 (the **"Second Modification"),** the Original Landlord and the Tenant agreed to modify the lease on the terms and conditions therein contained;

D. Pursuant to a third lease modification agreement dated for reference February 17, 2021 (the **"Third Modification"),** the Original Landlord and the Tenant agreed to modify the lease on the terms and conditions therein contained;

E. Pursuant to a fourth lease modification agreement dated for reference May 7, 2021 (the **"Fourth Modification"),** the Original Landlord and the Tenant agreed to modify the lease on the terms and conditions therein contained;

F. Pursuant to an assignment of lease dated with effect January 1, 2022 (the **"First Assignment"),** the Original Landlord assigned its interest in and to the Original Lease to 2000 Main Holdings Inc. and Mount Pixel Projects Limited Partnership (together, the **"Subsequent Landlord"),** each as to an undivided 50% interest, all on the terms and conditions therein contained;

G. Pursuant to an assignment of lease dated with effect January 1, 2022 (the "**Second Assignment**"), the Subsequent Landlord assigned its interest in and to the Original Lease to the Landlord, all on the terms and conditions therein contained;

H. The Original Lease, the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the First Assignment and the Second Assignment are hereinafter collectively referred to as the "Lease";

I. The Landlord and the Tenant have agreed to amend the Lease and wish to confirm the “Commencement Date” for the purposes of the Lease all on the terms and conditions herein contained.

NOW THEREFORE, IN CONSIDERATION of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby confirmed by each of the parties hereto, the parties hereto agree as follows:

**1. ACKNOWLEDGEMENT**

Each of the parties acknowledges, confirms and agrees to and with the other that the above Recitals are true in substance and in fact.

**2. DEFINITIONS**

For the purposes of this Agreement:

(a) words or phrases defined herein will have the meanings as defined; and

(b) other capitalized words or phrases defined in the Lease will have the meanings set out in the Lease.

**3. CONFIRMATION AND AMENDMENTS**

(A) The Landlord and Tenant confirm that the “Commencement Date” under the Lease is determined as February 25, 2022.

(B) The Landlord and the Tenant agree that the Lease is hereby amended by deleting Schedule B in its entirety and replacing it with Schedule B attached hereto.

**4. CONTINUING EFFECT**

As and from the date hereof, this Agreement will be read and construed along with the Lease and treated as a part thereof; and the Lease, as hereby amended, will continue to be of full force and effect; and the Landlord and the Tenant confirm and ratify the Lease as hereby amended. The parties agree that all agreements, covenants, conditions and provisos contained in the Lease, except as amended or altered herein, will be and remain unaltered and in full force and effect during the remainder of the term of the Lease, as extended or renewed from time to time.

**5. ENTIRE AGREEMENT**

No verbal, written, express, or implied representations, warranties, guarantees, covenants or agreements of either the Landlord or the Tenant will survive the signing of this Agreement except if they are set out in the Lease or this Agreement. This Agreement and the Lease constitute the entire agreement between the Landlord and the Tenant.

**6. TENANT'S REPRESENTATION AND WARRANTY**

The Tenant represents and warrants that it has the right, full power and authority to agree to these amendments to the Lease and other provisions contained in this Agreement.

**7. COUNTERPARTS**

This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts will be construed together and will constitute one and the same original document.

**8. EXECUTION BY FACSIMILE OR E-MAIL**

This Agreement may be executed by the parties and transmitted by facsimile or e-mail and if so executed and transmitted, this Agreement will be for all purposes as effective as if the parties had delivered an executed original agreement.

**SIGNATURE PAGE FOLLOWS**

**9. ENUREMENT**

This Agreement and everything herein contained will enure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

LANDLORD:

**130 E 4TH PARTNERSHIP,** by its partners:

**2000 MAIN HOLDINGS INC.**

Per: /s/ Judy Leung
Authorized Signatory

**MOUNT PIXEL PROJECTS LIMITED PARTNERSHIP,**
by its general partner, 1038324 B.C. LTD.

Per: /s/ Ryan Holmes
Authorized Signatory

TENANT:

**ZYMEWORKS INC.**

Per: /s/ Neil A. Klompas
Authorized Signatory

**SCHEDULE B**

**MUNICIPAL AND LEGAL DESCRIPTION OF THE LANDS**

1. Civic Address: 2015 Main Street, Vancouver, British Columbia

| | |
|---|---|
| Parcel Identifier:<br>Legal Description: | 030-389-437<br>Lot A Block 24 District Lot 200A New Westminster District Plan EPP80624 |

2. Civic Address: 108 5th Avenue East, Vancouver, British Columbia

| | |
|---|---|
| Parcel Identifier:<br>Legal Description: | 031-439-829<br>Lot 1 Block 30 District Lot 200A Group 1 New Westminster District Plan EPP100170 |

3. Civic Address: 114 East 4th Avenue, Vancouver, British Columbia

| | |
|---|---|
| Parcel Identifier:<br>Legal Description: | 030-712-181<br>Lot A Block 24 District Lot 200A Group 1 New Westminster District Plan EPP83574 |

4. Civic Address: 111 East 5th Avenue, Vancouver, British Columbia

| | | |
|---|---|---|
| | Parcel Identifier:<br>Legal Description: | 004-908-767<br>Lot 12 Block 24 District Lot 200A New Westminster District Plan VAP197 |
| | Parcel Identifier:<br>Legal Description: | 004-909-143<br>Lot 13 Block 24, District Lot 200A New Westminster District Plan VAP197 |
| | Parcel Identifier:<br>Legal Description: | 004-909-259<br>Lot 14 Block 24 District Lot 200A New Westminster District Plan VAP197 |
| | Parcel Identifier:<br>Legal Description: | 004-909-275<br>Lot 15 Block 24 District Lot 200A New Westminster District Plan VAP197 |
| | Parcel Identifier:<br>Legal Description: | 004-909-291<br>Lot 16 Block 24 District Lot 200A New Westminster District Plan VAP197 |

Exhibit 10.2

**NOTICE OF ASSIGNMENT OF LEASE**

**DATE:** January 1, 2022

**TO:** Zymeworks Inc. (the **"Tenant")**

**FROM:** 5th & Main Partnership (the **"Assignor**");

2000 Main Holdings Inc. and Mount Pixel Projects Limited Partnership (together, the **"Interim Owner**"); and

130 E 4th Partnership (the **"Assignee**")

**RE:** Lease dated for reference January 25, 2019, as amended and modified from time to time (collectively, the **"Lease**"), between the Assignor, as landlord, and the Tenant, as tenant, the Assignor leased to the Tenant certain premises comprising a portion of the second floor and the fifth, sixth, seventh and eighth floors of the building situate at 114 East 4th Avenue, Vancouver, British Columbia and legally described as Parcel Identifier: 030-712
181, Lot A Block 24 District Lot 200A Group 1 New Westminster District Plan EPP83574
(the "**Property**")

**TAKE NOTICE** that:

1. Effective as of the date of this Notice, the Assignor transferred (the **"First Transfer**") to the Interim Owner, all of the Assignor's beneficial right, title and interest in and to the Property, each as to an undivided 50% interest.

2. In connection with the First Transfer, the Assignor transferred to the Interim Owner all of the Assignor's right, title and interest in and to the Lease. A copy of the assignment agreement is attached hereto as Schedule A.

3. Effective as of the date hereof, the Interim Owner transferred (the **"Second Transfer**") to the Assignee, all of the Interim Owner's beneficial right, title and interest in and to the Property.

4. In connection with the Second Transfer, the Interim Owner transferred to the Assignee all of the Interim Owner's right, title and interest in and to the Lease. A copy of the assignment agreement is attached hereto as Schedule B.

5. The Assignee has accepted the assignment of the Lease and all of the right, title, interest, obligations, duties and liabilities of the landlord arising under the Lease from and after the effective date of the assignment, and covenants and agrees with the Tenant to perform any such obligations and duties and discharge such liabilities in accordance with the provisions of the Lease.

6. From and after the date of this Notice, the Assignee is entitled to: (i) receive all rents and other payments due under your lease; and (ii) be named as your landlord in any insurance policy

required to be maintained by you under your lease and you are hereby directed to instruct your insurers of the interest of the Assignee in your insurance policy or policies.

7. Until further written notice from the Assignee, you are hereby authorized and directed to make all rent and other payments falling due under your lease from and after the date hereof payable to "130 E 4th Partnership", or as the Assignee may in writing further direct, at the address set out below:

600 – 1067 West Cordova Street, Vancouver, B.C. V6C 1C7

and this shall constitute your sole, sufficient and irrevocable authority for doing so.

This Notice may be executed by electronic signatures and delivered by electronic means. Such electronic copy will be deemed an original and may be used as evidence of execution.

**SIGNATURE PAGES FOLLOW**

Dated as of the date first above written.

ASSIGNOR:

**5TH & MAIN PARTNERSHIP,** by its partners:

**2000 MAIN HOLDINGS INC.**

Per: /s/ Judy Leung
Authorized Signatory

**MOUNT PIXEL PROJECTS LIMITED PARTNERSHIP,**
by its general partner, **1038324 B.C. LTD.**

Per: /s/ Ryan Holmes
Authorized Signatory

INTERIM OWNER:

**2000 MAIN HOLDINGS INC.**

Per: /s/ Judy Leung
Authorized Signatory

**MOUNT PIXEL PROJECTS LIMITED PARTNERSHIP,**
by its general partner, **1038324 B.C. LTD.**

Per: /s/ Ryan Holmes
Authorized Signatory

ASSIGNEE:

**130 E 4TH PARTNERSHIP**, by its partners:

**2000 MAIN HOLDINGS INC.**

Per: /s/ Judy Leung
Authorized Signatory

**MOUNT PIXEL PROJECTS LIMITED PARTNERSHIP,**
by its general partner, **1038324 B.C. LTD.**

Per: /s/ Ryan Holmes
Authorized Signatory

**TENANT'S ACKNOWLEDGEMENT**

The Tenant hereby acknowledges receipt of this Notice and covenants to perform and observe all of the obligations of the Tenant as set out in the Lease or established at law arising during the term of the Lease and any renewal or extension thereof including, without limiting the generality of the foregoing, the obligation to pay rent and all other amounts payable under the Lease by the Tenant to the Assignee, now owing or to become due in the future and whether characterized as rent or not, and all other obligations of the Tenant whether constituting conditions, covenants, provisos, representations, undertakings or warranties.

Acknowledged this 14th day of February, 2022. **ZYMEWORKS INC.**

Per: /s/ Neil Klompas
Authorized Signatory

**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO ZYMEWORKS INC. IF PUBLICLY DISCLOSED. INFORMATION THAT HAS BEEN OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK "[…***…]".**

***CONFIDENTIAL***
***EXECUTION COPY***

# THIRD AMENDMENT TO COLLABORATION AND CROSS LICENSE AGREEMENT

This Third Amendment (the "**Amendment**") to the Agreement (as defined below), is entered into as of June 6, 2022 (the "**3rd Amendment Effective Date**"), **DAIICHI SANKYO COMPANY, LIMITED**, a corporation organized and existing under the laws of Japan, with its principal business office located at 3-5-1, Nihonbashi honcho, Chuo-ku, Tokyo, 103-8426, Japan ("**DS**") and **ZYMEWORKS INC**., a corporation organized and existing under the laws of British Columbia, having an address at Suite 800, 114 East 4th Avenue, Vancouver, BC, Canada V5T 1G4 ("**Zymeworks**"). Zymeworks and DS are each referred to individually as a "**Party**" and together as the "**Parties**".

## BACKGROUND

A. DS and Zymeworks entered into that certain Collaboration and Cross License Agreement dated September 26, 2016, as amended on September 25, 2018 and July 2, 2021 (the "**Agreement**") pursuant to which DS granted certain licenses under the DS Intellectual Property (as defined in the Agreement) and Zymeworks granted certain licenses to DS under the Zymeworks Intellectual Property (as defined in the Agreement).

B. The Parties now desire to amend the Agreement to reflect the Parties' agreement that to expand the license granted to Zymeworks to include up to six (6) […***…][1] Products (as defined in the Agreement), all as set forth herein.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein below, the sufficiency of which is acknowledged by both Parties, the Parties agree as follows as of the 3rd Amendment Effective Date:

## AGREEMENT

1. **Definitions**. Unless otherwise defined in this Amendment, initially capitalized terms used herein shall have the meanings given to them in the Agreement.

2. **Section 2.2.2(a) […***…][2] License**. The second sentence of Section 2.2.2(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

   "Zymeworks may commercialize up to six (6) […***…][3] Products pursuant to the foregoing license."

3. **No Other Modifications**. Except as specifically set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect. No waiver of any obligation under this Amendment shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Amendment may be amended or modified other than by a written document signed by authorized representatives of each Party.

[1] Competitive Information – Commercially Sensitive Terms.
[2] Competitive Information – Commercially Sensitive Terms.
[3] Competitive Information – Commercially Sensitive Terms.

4. **Miscellaneous**. This Amendment, together with the Agreement, sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other communications between the Parties with respect to such subject matter. This Amendment may be executed by electronic signature and in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Amendment shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws. This Amendment was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Amendment.

[*Remainder of page left blank intentionally; signature page to follow.*]

**IN WITNESS WHEREOF**, the Parties intending to be bound have caused this Amendment to be executed by their duly authorized representatives.

**ZYMEWORKS INC.**

By: /s/ Ken Galbraith
Name: Ken Galbraith
Title: Chair and CEO

**DAIICHI SANKYO COMPANY, LIMITED**

By: /s/ Toshinori Agatsuma
Name: Toshinori Agatsuma, Ph.D.
Title: Corporate Officer, Vice President, Oncology Research Laboratories I

**EMPLOYMENT AGREEMENT**

THIS AGREEMENT is made and effective as of July 18, 2022 (the "Effective Date").

BETWEEN:

**PAUL MOORE**, an individual having a residence at […***…][1].

(the "Employee"), on the one hand

AND, on the other hand:

**ZYMEWORKS BIOPHARMACEUTICALS INC**., a corporation registered in the State of Washington and having its principal place of business at 2100-1215 Fourth Avenue, Seattle, WA, 98161, USA

(the "Company")

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

("Parent")

WHEREAS

A. The Company is a wholly-owned subsidiary of Parent;

B. The Company is a clinical-stage biopharmaceutical company dedicated to the development of next-generation multifunctional biotherapeutics;

C. The Employee has experience and/or related skills and expertise and wishes to contribute such experiences to the development and growth of the Company's business; and

D. 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 promises 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:

[1] Personal Information – Contact Information.

(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 or Parent 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 or more of its affiliates (including, without limitation, Parent), by one or more of its clients or suppliers, or by any 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 corporate strategy, market research, market strategies, marketing plans, public relations strategies, product pricing and strategies, advertising sources, lists and information concerning current and prospective customers, billing information, suppliers, packaging, merchandizing, distribution, methods of production, manufacturing, pending projects or proposals, margins and hourly rates for staff and information regarding the financial, legal and corporate affairs of the Company, including business plans and projections and information regarding the Company's financial condition, operations, assets and liabilities, financial data, business structures, business ventures, existing or contemplated businesses, products, or services;

(iii) employee information, contacts, and wage information (other than Employee's own); and

(iv) technical and business information of, or regarding, the Company's Associates.

The above list is not exhaustive, and Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used;

(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 meets the following requirements:

*an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless*

*(i) the invention relates (A) directly to the business of the employer, or (B) to the employer's actual or demonstrably anticipated research or development, or*

*(ii) the invention results from any work performed by the employee for the employer.*

(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 Scientific 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 Scientific Officer, represents a breach of this contract.

(b) Employment Duties. Subject to the direction and control of management of the Company and/or Parent ("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. Employee's employment with the Company may involve duties to Parent. The salary, benefits, and other compensation provided to the Employee hereunder are intended to compensate the Employee for all work performed by the Employee for the Company, Parent, and of their respective affiliates. Management may

alter the duties Employee is expected to perform 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 and Parent;

(b) devote him/herself in a full-time capacity to the business and affairs of the Company and Parent;

(c) adhere to all applicable policies and procedures of the Company and Parent as in effect and as amended from time to time, including but not limited to the Company's and Parent's Codes of Business Conduct and Ethics;

(d) exercise the degree, diligence and skill that a reasonably prudent Chief Scientific Officer would exercise in comparable circumstances;

(e) refrain from engaging in any activity which will in any manner, directly or indirectly, compete with the trade or business of the Company and/or Parent except in accordance with Sections 2.4 and 2.6 herein and as outlined under the Conflict of Interest guidelines in Zymeworks Inc.'s corporate policies and procedures as in effect and as amended from time to time; and

(f) 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 and/or Parent. Management will determine, in its sole discretion, whether the activity in question constitutes a conflict of interest or competition with the Company and/or Parent. 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(f) 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 Parent's Board of Directors (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 Parent and that concurrent employment outside the Company may detract from those objectives.

2.6 Notwithstanding Sections 2.3, 2.4 and 6.4, the Employee is not restricted from nor is required to obtain the consent of the Company to make passive investments constituting an ownership interest of 5% or less 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.

2.8 For purposes of federal immigration law, Employee will be required to provide to the Company documentary evidence of Employee's identity and eligibility for employment in the United States. Such valid documentation must be provided within three (3) business days of the start of Employee's employment, or Employee's employment relationship with the Company may be terminated, which such termination would constitute a termination for "Cause".

2.9 Employee's employment hereunder is contingent on Employee providing satisfactory affirmative proof of full COVID-19 vaccination status in accordance with the Company's policy regarding COVID-19 vaccination, or otherwise requesting and receiving approval for an exemption in accordance with such policy and applicable law, prior to the Effective Date.

2.10 Work Location and Relocation. During the first 12 months of Employee's employment with the Company, Employee shall initially work from Employee's home office in Maryland, provided that Employee may be required to travel to Parent's headquarters in Vancouver, British Columbia, as determined by Management in its discretion (the "Travel Requirement"). No later than the 18-month anniversary of the Effective Date, Employee shall be required to permanently relocate to the Vancouver, British Columbia metropolitan area (the "Relocation Requirement"). Reimbursement of relocation expenses shall be governed by Section 3.12 below. Upon or as requested by the Company and/or Parent within a reasonable period of time prior to the foregoing relocation, and as a material condition of this Agreement, Employee acknowledges and agrees that Employee shall be required to enter into new employment agreement(s) with Parent or an affiliate of Parent to reflect Employee's employment in Canada, in form and substance as prescribed by Parent, and which will reflect the material terms of Employee's employment as in effect at the time (the "Canada Agreement Requirement"). For reference only, Parent's a current sample form of employment agreement for Canada-based executives is attached hereto as Appendix "D", but Employee understands that such agreement is subject to change or supplementation in Parent's discretion, including, for example, to reflect intervening modifications adopted by Parent or its affiliates, changes in applicable law, compliance with applicable law, terms that may be required to reflect Employee's status as an existing employee of the Company and as a United States citizen working in Canada, and other changes deemed necessary by Parent or its affiliates. Subject to Employee's continued employment with the Company, the Company and Parent will take reasonable steps related to sponsoring authorization for Employee to engage in employment in Canada, and Employee shall cooperate with the Company and Parent and take all steps necessary to obtain such authorizations as required by applicable immigration law. Reimbursement for costs associated with obtaining such authorization shall be governed by Section 3.7 below (and, for the avoidance of doubt, any such expenses must be pre-approved by the Company before being incurred).

**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 at the rate of $425,000 (USD) per annum. The base salary will be paid semi-monthly, in equal instalments, less statutory and other authorized deductions and withholdings.

3.2 Signing Bonus. The Employee shall receive a cash Signing Bonus of $42,500 (USD) (less applicable withholdings) to be paid no later than the first of regular Company payroll date that occurs at least five (5) business days after the Effective Date, provided Employee remains employed on such date. The Signing Bonus shall be repayable to the Company if the Employee's employment with the Company terminates due to Employee's resignation or a termination by the Company for Cause, in either case within one (1) year of the Effective Date.

3.3 Stock Options. Subject to approval by the Board, the Employee shall be granted 200,000 options to acquire common shares of Parent (the "Shares"), provided the Employee is employed by the Company on the grant date (the "Options"). The exercise price of the Options will be set in accordance with the terms of the Zymeworks Inc. Amended and Restated Stock Option and Equity Compensation Plan, as it may hereinafter be amended or the applicable inducement equity award agreement approved by the Board, as applicable (in either case, the "Equity Compensation Plan"). Subject to the Employee's continued employment with the Company through the applicable vesting date, the Options will vest and become exercisable as to 25% of the Options one year from the grant date and 1/36$^{th}$ of the remaining Options each month thereafter in accordance with the terms of the applicable Equity Compensation Plan. A copy of the Zymeworks Inc. Inducement Stock Option and Equity Compensation Plan in effect as of the Effective Date is attached hereto as Appendix "B".

3.4 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 (including target annual bonus as described in Section 3.6) (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. A copy of the Zymeworks Inc. Amended and Restated Employee Stock Purchase Plan in effect as of the Effective Date is attached hereto as Appendix "C".

3.5 Target Annual Bonus. In accordance with the Company's Executive Incentive Compensation Plan, and subject to Management and/or Board discretion based on factors determined by Management and/or the Board, including Company performance, the Employee will be eligible to earn an annual cash bonus, with an initial target amount of 40% of base salary. The achieved portion (if any) of the annual cash bonus will be payable, less applicable tax withholdings, and subject to the Employee's continued employment through the applicable payment date. For the year of hire, the Employee will be eligible to receive a prorated bonus, if any, with the proration calculated based on the number of fully completed months of service between the Effective Date and the end of the calendar year.

3.6 Performance and Salary Review. The Company will review the Employee's performance, base salary, and equity participation level under the terms of any Incentive Plans annually beginning in December 2022, or as otherwise approved by the Compensation Committee. The timing of performance and salary reviews may from time to time be amended by the Company in its sole discretion.

3.7 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.

3.8 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.

3.9 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 People policies, vacation time in excess of ten (10) days not taken during the year in which it is earned may not be carried forward into the subsequent year without the written pre-approval of Management. Unused vacation time 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 prorated 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 Employees 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 ten (10) days paid sick leave per calendar year, earned pro rata at a rate of 0.83 days per completed 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 but up to 56 hours of unused paid sick days, or a higher cap if required by applicable laws, may be carried forward into the subsequent year. This benefit is intended to comply with any applicable state or local sick leave laws and should be interpreted in accordance with any such requirements. For employees based in jurisdictions where paid sick leave laws apply, Sick Leave may be used for any purpose authorized by the applicable law.

3.12 Relocation Expenses. The Company will reimburse the Employee up to a maximum of $150,000 (USD) for reasonable and customary relocation costs that Employee incurs between the Effective Date and the 18-month anniversary thereof, in connection with the Relocation Requirement. Employee will be reimbursed for such relocation costs only if Employee remains an employee of the Company through the date of reimbursement by the Company and only if the expenses are substantiated in writing and submitted to the Company (by valid receipts or any other reasonable method of invoicing, showing proof of payment for an eligible relocation cost) within thirty (30) days after such expense is incurred. Any such expense that is properly substantiated in accordance with the previous sentence will be reimbursed to Employee, less applicable withholdings, via check or electronic funds transfer by the thirtieth (30th) day following the date of receipt by the Company of Employee's written substantiation (and in no event later than March 15 of the year following the year in which it is incurred). Employee acknowledges that relocation reimbursements may be taxable to Employee and subject to withholding.

3.13 Temporary Accommodation. Based on need (as determined in the Company's discretion), the Company will secure for the Employee suitable rental accommodations (as determined in the Company's discretion) in the Vancouver, British Columbia metropolitan area, for the Employee's initial twelve (12) months of employment. Company will pay the rent for such temporary accommodations but Employee will be responsible for all additional costs that may arise including, but not limited to, incidentals, violation fees, charges for damages and other expenses associated with temporary accommodation. Employee acknowledges that the Company's payment for such rental accommodations may be taxable to Employee and imputed as income to Employee.

3.14 Tax Preparation Support. For the period beginning on the Effective Date and ending on the two-year anniversary of Employee's permanent relocation to the Vancouver, British Columbia metropolitan area in compliance with the Relocation Requirement, the Company will reimburse Employee up to a maximum of $5,000 (USD) per year for the reasonable additional expenses Employee incurs in such year connection with Employee's tax return preparation as a result of Employee's performing services for the Company and/or Parent in Canada as a United States citizen. Employee will be reimbursed for such expenses only if Employee remains an employee of the Company through the date of reimbursement by the Company and only if the expenses are substantiated in writing and submitted to the Company (by valid receipts or any other reasonable method of invoicing, showing proof of payment for an eligible expense) within thirty (30) days after such expense is incurred. Any such expense that is properly substantiated in accordance with the previous sentence will be reimbursed to Employee, less applicable withholdings, via check or electronic funds transfer by the thirtieth (30th) day following the date of receipt by the Company of Employee's written substantiation (and in no event later than March 15 of the year following the year in which it is incurred). Employee acknowledges that such reimbursements may be taxable to Employee and subject to withholding.

**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 of Employee's employment with the Company by either the Employee or the Company in accordance with Section 4.2 of this Agreement.

4.2 Employment At Will. Employment with the Company is "at-will." This means that either the Company or the Employee may terminate the employment relationship at any time, with or without cause, with or without notice.

4.3 Severance upon Termination of Employment. Although Employee is employed on an at-will basis, the Employee's eligibility for severance payments upon termination of employment is set forth in this Section 4.3.

(a) *Resignation*. In the event that Employee voluntarily resigns employment, the Company will pay Employee all wages earned through the time of termination. With the exception of reimbursement for business expenses in accordance with the Company's policies, the Employee is not entitled to any additional compensation upon resignation of employment. The Company requests – but does not require – that the Employee provide prior written notice to Management of not less than thirty (30) days prior to resignation of employment, or such shorter period as the Employee and Management may agree. If the Employee provides 30 days' notice as requested, 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 instead.

(b) *Termination for Cause*. In the event that Employee's employment is terminated for Cause, the Company will pay the Employee all wages earned through the time of termination. With the exception of reimbursement for business expenses in accordance with the Company's policies, the Employee will not be entitled to any additional compensation of any kind. For purposes of this Agreement, "Cause" shall mean: (i) a material breach by the Employee of any of Employee's material obligations hereunder (which, for the avoidance of doubt, and without limiting the generality of the foregoing, includes, but is not limited to, Employee's failure to comply with the Travel Requirement, the Relocation Requirement, or the Canada Agreement Requirement); (ii) any act of

misappropriation, embezzlement, intentional fraud or similar conduct involving the Company, Parent, or any of their respective affiliates; (iii) the conviction or the plea of *nolo contendere* or the equivalent in respect of a criminal offense that would have a direct and specific negative bearing on Employee's ability to perform the responsibilities of the position; (iv) the Company's or Parent's conclusion, following a reasonable and good-faith investigation, that Employee has violated the Company's and/or Parent's policies with respect to Equal Employment Opportunity or prohibition of harassment, discrimination, or retaliation; or (v) intentional infliction of any damage of a material nature to any property of the Company, Parent, or any of their respective affiliates or employees.

(c) *Termination Without Cause*. If the Company terminates the employment of the Employee without Cause, the Company agrees to provide the Employee with:

(i) written notice or payment in lieu of notice to the Employee as follows:

A. twelve (12) months of notice or the equivalent of twelve (12) months of base salary as of the date notice is given, or any combination thereof that totals twelve (12) months of combined notice and base salary, if termination of employment occurs during the first three years of employment measured from the Effective Date (with any base salary equivalent payable over twelve (12) months), and

B. commencing in the fourth year of employment measured from the Effective Date, an additional one (1) month of notice or the equivalent of one (1) month of base salary as of the date notice is given, or any combination thereof, for each additional completed year of service, up to a total maximum of eighteen (18) months (payable over eighteen (18) months); and

(ii) continuation of group extended health and dental benefits through the applicable notice period stated in Section 4.3(c) herein, which may be provided by the Company paying for or reimbursing the Employee's premium costs for COBRA continuation coverage provided that the Employee timely elects and remains eligible for COBRA continuation coverage (where all other benefits terminate on the last day worked by the Employee) and further subject to Section 4.7 of this Agreement.

(d) *Termination following Change of Control*. Notwithstanding any other provision in this Agreement, if during the period beginning on and ending twelve (12) months following a Change of Control (as defined below), the Employee's employment is terminated by the Company without Cause, the Employee shall receive (x) as severance eighteen (18) months of base salary as of the date of termination (payable over eighteen (18) months), (y) continuation of group extended health and dental benefits provided by the Company paying for the Employee's premium costs for COBRA continuation coverage for up to eighteen (18) months following the Employee's termination date, provided that the Employee timely elects and remains eligible for COBRA continuation coverage, and further subject to Section 4.7 of this Agreement, and (z) full vesting acceleration of all unvested and outstanding Company or Parent stock options or other Company or Parent unvested and outstanding equity grants

made to the Employee as of the date of termination. 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 Parent which, when added to all other common shares of Parent at the time held directly or indirectly by such person or persons acting jointly or in concert constitutes for the first time in the aggregate 40% of more of the outstanding common shares of Parent and such shareholding exceeds the collective shareholding of the current directors of Parent, excluding any directors acting in concert with the acquiring party; or

(ii) the removal, by extraordinary resolution of the shareholders of Parent, of more than 51% of the then incumbent Board of Parent, or the election of a majority of Board members to the Company's board who were not nominees of Parent'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 Parent; or

(iv) the consummation of a reorganization, plan of arrangement, merger, or other transaction which has substantially the same effect as to above.

Payment under Section 4.3(d) herein will be in lieu of and not in addition to payment under Section 4.3(c).

(e) *Severance Pay Timing*. Payments of any severance under Section 4.3(c) or Section 4.3(d) will be paid, or, in the case of installments will commence, on the first Company payroll date following the effective date of the Release (as defined below), provided that if the 60-day period for executing the Release as set forth in Section 4.7 spans two calendar years, any severance payments or benefits that qualify as "nonqualified deferred compensation" (as described in Section 9.9 of this Agreement), will not be paid or otherwise commence until no earlier than January 1 of the second calendar year, and subject to any delay under Section 9.9 of this Agreement. For purposes of compliance with Section 409A of the Internal Revenue Code (described more thoroughly in Section 9.9 of this Agreement), each severance benefit payment under Section 4.3(c) or Section 4.3(d) will be treated as a separate payment, and the right to a series of installment payments under this Agreement will be treated as a right to a series of separate payments.

(f) *Non-Duplication of Benefits.* If the Employee's employment is terminated without Cause during the period within three (3) months prior to a Change in Control, any severance payments and benefits to be provided to the Employee under Section 4(d) will be reduced by any amounts that already were provided to the Employee under Section 4(c).

4.4 Equity Awards on Termination. Except as provided by Section 4.3(d), the vesting and exercise of any outstanding Company or Parent equity award granted to the Employee in the event the Employee's employment with the Company or this Agreement terminates, for any reason, shall be governed by the terms of the applicable Equity Compensation Plan and any

applicable award agreement in effect between the Company and the Employee at the time of termination.

4.5 Benefits Continuation and No Mitigation. The Employee shall not be required to mitigate the amount of any payments provided for in this Section by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section be reduced by any compensation earned by the Employee as the result of employment by another employer after the date of termination, or otherwise. Notwithstanding the forgoing, the Employee is required to report to the Company if he/she obtains replacement benefits coverage through new employment during any period of group extended health and dental benefits continuation contemplated by this Article 4, and such benefits coverage by the Company will cease effective the date the Employee receives such new coverage and the Employee will not be entitled to any payment in respect of such benefits coverage from the Company in respect of any notice period or severance payment contemplated in this Article 4.

4.6 No Additional Payments. Payment of severance, in accordance with Section 4.3(c) or Section 4.3(d) above, to the Employee by the Company will be full and adequate compensation to the Employee with respect to any claim relating to the Employee's employment or termination or manner of termination of the Employee's employment, and the Employee waives any right that he/she may have to claim further payment, compensation or damages from the Company.

4.7 Condition to Payment. Payment of any amount of severance under this Agreement is conditional upon execution by the Employee of a separation agreement and general release of all claims on a form provided by the Company (the "Release") within 60 days of the date of Employee's termination from employment with the Company.

4.8 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, Article 8, and Section 9.10.

**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 and/or Parent. The Company has a legitimate business interest in protecting its Confidential Information, including its trade secrets, as well as its substantial and ongoing customer, industry, and employee relationships. 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 Company and its related entities, parents, subsidiaries, predecessors, successors, and affiliates, may provide and make available to the Employee certain Confidential Information regarding its business. This Confidential Information is of substantial value and highly confidential, is not known to the general public, is the subject of the Company's reasonable efforts to maintain its secrecy, includes professional and trade secrets, and is being provided and disclosed to the Employee solely for use in connection with and during the Employee's employment with the Company. 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 for the benefit of the Company, 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* - Nothing in this Agreement prohibits the Employee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Nothing in this Agreement prohibits the Employee from speaking with law enforcement, the Equal Employment Opportunity Commission, the state division of human rights, a local commission on human rights, or an attorney retained by the Employee. The Employee does not need the prior authorization of the Company to make any such reports or disclosures, and the Employee is not required to notify the Company that he/she has made such reports or disclosures. Nothing in this Agreement limits the Employee's rights to discuss the terms and conditions of employment or the Employee's wages, or to infringe upon the Employee's rights under the National Labor Relations Act ("NLRA"), the Defend Trade Secrets Act ("DTSA") and applicable state law. The Employee is hereby notified that the DTSA protects individuals from criminal or civil liability where the disclosure of a trade secret is made:

(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and the confidential disclosure is made solely for the purpose of reporting or investigating a suspected violation of law; and

(ii) the trade secret disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, and the disclosure is made under seal.

Nothing in this Agreement restricts or impedes the Employee from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court

of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or court order. The Employee shall promptly provide written notice of any such court order to the Chief People Officer and Vice President, Legal of the Company and/or Parent, as applicable.

(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 and/or Parent.

(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 any 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 and Obligations* - 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, Employee represents and warrants that Employee is not bound and will not be bound by any agreement, relationship or commitment, including, without limitation, a non-competition agreement, that conflicts with the provisions or obligations of this Agreement or that would prevent Employee from being employed by or otherwise performing the duties of Employee's position with the Company. Employee covenants that Employee will not violate any non-disclosure, non-compete, non-solicit 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. Employee agrees to fully indemnify the Company and Parent, and each of their respective directors, officers, agents, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations and assigns, for all verdicts, judgments, settlements, and other losses incurred by any of them resulting from Employee's breach of Employee's obligations under any agreement with a third party, as well as any reasonable attorneys' fees and costs if the plaintiff is the prevailing party in such an action.

(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.

5.3 Defend Trade Secrets Act. Pursuant to the *Defend Trade Secrets Act* of 2016, the Employee understands that:

(a) an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that:

(i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(b) Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual:

(i) files any document containing the trade secret under seal; and

(ii) does not disclose the trade secret, except pursuant to court order.

**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 or Parent to leave the employ of the Company or Parent, as applicable.

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 or the United States, provide any professional services to any person or entity that can be reasonably viewed as a competitor to the Business of the Company or Parent, 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.

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 or Parent'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 or Parent 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 and/or Parent 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;

(b) in the event the Employee breaches any covenant contained herein, the one (1) year period provided for in Sections 6.1 and the six (6) month period provided for in Section 6.2 will be extended for a period of three (3) months from the date any such breach is cured; and

(c) 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 Maryland without regards to Maryland's conflicts of law rules that may result in the application of the laws of any jurisdiction other than Maryland. 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 State for any lawsuit filed against the Employee 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.

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 State of Maryland, 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 AND ARBITRATION**

8.1 Agreement to Arbitrate Claims. Except as set forth in Section 8.4 below, both the Employee and the Company agree that any claim that the Employee may have against the Company, Parent, or their respective owners, directors, officers, managers, employees, agents, and other parties affiliated with the Company and its employee benefit and health plans (all of the above, collectively, "Affiliated Persons"), or the Company, Parent or such Affiliated Persons may have against the Employee, shall be submitted to and determined exclusively in the County in which the Employee primarily worked for the Company, by a single neutral arbitrator, through to final and binding arbitration pursuant to the Federal Arbitration Act ("FAA"), and not to any court, in accordance with the JAMS Employment Arbitration Rules & Procedures (the "JAMS Rules") then in effect except as modified by this Agreement. The JAMS arbitrator shall be chosen by mutual agreement of the parties or if the parties cannot agree, in accordance with the JAMS arbitration selection procedure. A copy of the current JAMS Rules can be obtained at the following website: https://www.jamsadr.com/rules-employment-arbitration/english or by requesting in writing a copy from the Company's People Team.

8.2 Claims Covered by This Agreement. The claims that are to be arbitrated under this Agreement are any and all claims that arise between the Employee and the Company or Parent or any Affiliated Person except as excluded by this Agreement in Section 8.4 below (the "Claims"). The Claims include but are not limited to any dispute relating to the Employee's employment or the termination of employment with the Company (pre-hire through post-termination), including but not limited to claims arising out of or related to tort, bad faith, contract, wages and benefits, liabilities, debts, obligations, damages, compensatory damages, punitive damages, penalties, liquidated damages, costs, attorneys' fees, expenses, actions and causes of action in any way related to the Employee's employment with the Company or the termination of the Employee's employment. The Claims also include but are not limited to any claims for wrongful discharge or breach of the covenant of good faith and fair dealing, any and all claims under federal, state, and local laws, ordinances, regulations or orders, charges of discrimination, retaliation, or harassment on account of race, color, religion, sex, sexual orientation, age, citizenship, national origin, mental or physical disability, medical condition, marital status, pregnancy, gender identity or perception, or any other protected classification, and all other employment-related claims. The Claims further include any dispute arising out of or relating to the interpretation or application of this Agreement including the enforceability, revocability, or validity of this Agreement, and the Parties delegate authority to decide those issues solely to the arbitrator. Both the Employee and the Company are giving up any right that either might have to have a judge or jury decide the Claims.

8.3 Class Action, Collective Action, and Representative Action Waiver. Both the Employee and the Company agree that any proceedings pursuant to this Agreement will be conducted on an individual basis only and that Claims by the Employee or by the Company may only be brought in the party's individual capacity may not be brought on a class action,

collective action, or representative basis, and may not be consolidated with other persons or entities. Further, the Employee and the Company agree to waive their respective rights to participate in any and all class actions, collective actions, and/or other representative actions, including participating as a named plaintiff or as a member of a class action, collective action, and/or other representative action. Accordingly, there shall be no right or authority for any Claims subject to this Agreement to be brought, heard or arbitrated as a class action, collective action, or representative action ("Class Action Waiver"). The Class Action Waiver shall be severable at the option of the Employee or the Company from this Agreement in any case in which both of the following are true: (a) the Claim is filed or pursued as a class action, collective action, or representative action; and (b) the Class Action Waiver is found to be unenforceable. In such instances, the class action, collective action, or representative action must be litigated in a civil court of competent jurisdiction. The Class Action Waiver shall be severable in any case in which the dispute is filed or pursued as an individual action and severance is necessary to ensure that the individual action proceeds in arbitration.

8.4 Claims Not Covered by the Agreement. To the extent required by law, any and all claims for workers' compensation insurance and unemployment insurance are not covered by this Agreement. Nothing in this agreement prohibits the Employee from filing a claim or charge with the National Labor Relations Board or from filing an administrative charge or complaint of discrimination or harassment with either the Equal Employment Opportunity Commission or any state or local equal employment opportunity agency. Either party may seek from a court any injunctive relief (preliminary or permanent) available under applicable laws for any purpose. The Employee understands that except as provided in this Section and Section 8.11 below, arbitration shall be the only method for resolving all disputes between the Employee and the Company.

8.5 Pre-Arbitration Mediation. The Employee and the Company agree that prior to submitting a Claim for arbitration, the parties will first seek to resolve the dispute through voluntary mediation. Either party may give written notice to the other party requesting mediation of the dispute (the "Mediation Notice"). A single mediator, with experience mediating employment disputes, will be jointly selected by the parties. The Company agrees to pay the mediator's fee for a private mediation, up to one day in length. If mediation is unsuccessful, 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"). The parties agree that any applicable statute of limitations shall be tolled from the date the Mediation Notice is provided until the date the Arbitration Notice is provided, or 30 days following the unsuccessful mediation session, whichever occurs first. Either party may elect to submit a claim for injunctive relief without first utilizing this pre-arbitration mediation process.

8.6 Arbitration Procedure. The Employee and the Company agree that Claims will be submitted to a single, neutral arbitrator, who will make his or her ruling in a signed writing, including findings of fact and law, within thirty days following the arbitration proceeding. The arbitrator alone and not a court shall have jurisdiction to decide his or her jurisdiction, any questions as to the arbitrability of Claims, whether an agreement to arbitrate exists and is valid, and whether the agreement to arbitrate covers the dispute in question. Provided, however, that to the extent any Claims subject to this Agreement are brought as a class action, collective action, or representative action and the arbitrator finds the Class Action Waiver set forth in Section 8.3 is unenforceable, the arbitrator shall not have jurisdiction to hear or arbitrate any such Claims on a class action, collective action, or representative action basis. In such instances, the class action, collective action, or representative action must be litigated in a civil court of a competent jurisdiction. The arbitrator will be permitted to award only those remedies in law or equity that are requested by the parties and allowed by local, state and/or federal substantive law applicable to the Claim(s). The Employee understands and agrees that the

arbitrator's ruling will state the facts and the law on which the decision is based, will be final and binding on both the Employee and the Company and any other party in the arbitration proceeding, and cannot be reviewed for error of law or legal reasoning of any kind. A judgment upon an award rendered by the arbitrator may be entered in any court of competent jurisdiction.

8.7 Administrative Remedies / Statute of Limitations. If either the Employee or the Company fails to make a written request for arbitration within the statute of limitations period applicable to a Claim under applicable law or otherwise fails to comply with the administrative prerequisites to filing certain types of claims, the Employee and/or the Company will have waived the right to raise that claim in any forum. In the event that the Employee or the Company should file an action in court in violation of this Agreement, that court shall require the Parties to arbitrate all Claims and, additionally, shall order the Parties to arbitrate the issue of whether or not the Claims are subject to the arbitration.

8.8 Witnesses and Evidence. The Employee and the Company will have the right to conduct discovery in accordance with Maryland law, and the arbitrator shall have the power to decide any discovery disputes between the parties. The Employee and the Company may also call witnesses, cross-examine the other party's witnesses, and present evidence during the arbitration proceeding in accordance with Maryland's Rules of Civil Procedure, as applied by the arbitrator.

8.9 Cost of Arbitration and Legal Fees. The cost of arbitration will be paid by the Company, except that the Employee will be required to pay the initial filing fee if the Employee initiates arbitration, to the extent that the filing fee does not exceed the fee to file a complaint in state or federal court. The Company will pay for the balance of the arbitrator's fees and all administrative costs related to the arbitration. The parties will each bear their own costs for legal representation, discovery, deposition, expert witnesses, and other legal costs ordinarily borne by a party in litigation, provided, however, that the arbitrator shall have the authority to require one party to pay the costs and fees for the other party's representation during the arbitration, but only to the extent permitted under relevant federal or state laws, as a part of any remedy that may be ordered.

8.10 Confidentiality. The parties shall maintain the confidential nature of the arbitration proceedings and the award including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law. Resolution of the dispute shall be based solely upon the law governing the claims and defenses pleaded, and the arbitrator may not invoke any basis (including but not limited to notions of "just cause") other than such controlling law. The arbitrator(s) shall render an award(s) that shall be based upon a written, reasoned opinion.

8.11 Governing Law/Venue. The interpretation, construction and performance of this Agreement will be governed by the laws of the State of Maryland that are applicable to agreements made and to be performed in Maryland, except that questions concerning the enforceability of this Agreement shall be decided by the arbitrator pursuant to the FAA. Unless the parties otherwise agree, arbitration proceedings will be held in a location within the State of Washington.

**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 inure 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 approved by the Company, set forth in writing, and duly executed by the Employee and a representative of the Company and/or Parent duly authorized to execute such amendment. 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 State of Maryland, except as specified in Articles 5.3 and 8 above.

9.9 Code Section 409A. The parties intend that payments and benefits under this Agreement to be exempt from or comply with Internal Revenue Code Section 409A and the regulations and guidance thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement will be interpreted to be in compliance with Code Section 409A.

(a) To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification will be made in good faith and will, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Employee and the Company of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest or penalty that may be

imposed on the Employee by reason of Code Section 409A or damages for failing to comply with Code Section 409A. For purposes of compliance with Code Section 409A, each payment subject to Code Section 409A (or intended to satisfy an exception under Code Section 409A including payment under Sections 4.3(c) and 4.3(d) of this Agreement) will be treated as a separate payment, and the right to a series of installment payments under this Agreement will be treated as a right to a series of separate payments.

(b) To the extent that payments under the Agreement that are payable upon the Employee's termination of employment constitute "nonqualified deferred compensation" that is subject to Code Section 409A, a termination of employment will not be deemed to have occurred for purposes of any provision of this Agreement providing for any such payment upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms means "separation from service."

(c) Notwithstanding any other payment schedule provided herein to the contrary, if the Employee is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A (or the Company has opted to treat all employees as "specified employees"), then any payment that is considered "nonqualified deferred compensation" under Code Section 409A payable on account of a "separation from service" will not be made until the date which is the earlier of:

(i) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Employee, and

(ii) the date of the Employee's death, to the extent required under Code Section 409A (the delay referred to as the "Delay Period").

(d) Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 9.9 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) will be paid to the Employee in a lump sum (with no accrued interest), and all remaining payments due under this Agreement will be paid or provided in accordance with the normal payment dates specified for them herein.

(e) Any reimbursements by the Company to the Employee of any eligible expenses under this Agreement that are not excludable from the Employee's income for U.S. federal income tax purposes (the "Taxable Reimbursements") shall be made by no later than the last day of the taxable year of the Employee following the year in which the expense was incurred. The amount of any Taxable Reimbursements, and the value of any in-kind benefits to be provided to the Employee, during any taxable year of the Employee shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Employee. The right to Taxable Reimbursement, or in-kind benefits, shall not be subject to liquidation or exchange for another benefit.

9.10 Limitation on Payments.

(a) In the event that the severance or change in control-related or other payments or benefits provided for in this Agreement or otherwise payable to Employee

(collectively, the "Payments") (x) constitute "parachute payments" within the meaning of Section 280G of the Code, and (y) but for this Section 9.10, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments or benefits will be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of Payments, notwithstanding that all or some portion of such Payments may be taxable under Section 4999 of the Code. If a reduction in Payments constituting "parachute payments" is necessary so that Payments are delivered to a lesser extent, reduction will occur in the following order: (i) cancellation of equity awards granted "contingent on a change in ownership or control" (within the meaning of Section 280G of the Code); (ii) a pro rata reduction of (A) cash payments that are subject to Code Section 409A as deferred compensation and (B) cash payments not subject to Code Section 409A; (iii) a pro rata reduction of (A) employee benefits that are subject to Section 409A as deferred compensation and (B) employee benefits not subject to Section 409A; and (iv) a pro rata cancellation of (A) accelerated vesting of equity awards that are subject to Code Section 409A as deferred compensation and (B) equity awards not subject to Code Section 409A. If acceleration of vesting of equity awards is to be cancelled, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Employee's equity awards. In no event will Employee have any discretion with respect to the ordering of payment reductions.

(b) Unless the Company and Employee otherwise agree in writing, any determination required under this Section 9.10 will be made in writing by a nationally recognized firm of independent public accountants selected by the Company (the "Accountant**s**"), whose determination will be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 9.10, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Employee will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 9.10. The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 9.10.

**IN WITNESS WHEREOF** the parties have executed this Agreement as of the date first above written.

**ZYMEWORKS BIOPHARMACEUTICALS INC.**

By: /s/ Kenneth Galbraith
Kenneth Galbraith, *Chief Executive Officer*

**ZYMEWORKS INC.**

By: /s/ Kenneth Galbraith
Kenneth Galbraith, *Chief Executive Officer*

SIGNED AND DELIVERED
by **Employee**:

/s/ Paul Moore
Signature

June 21, 2022
Date

**Exhibit 31.1**

**CERTIFICATION**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth Galbraith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zymeworks Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Kenneth Galbraith

Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher Astle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zymeworks Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Christopher Astle

Chief Financial Officer

**Exhibit 32.1**

**SECTION 906 CERTIFICATION**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Quarterly Report on Form 10-Q of Zymeworks Inc. for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Zymeworks Inc.

/s/ Kenneth Galbraith

| | |
|---|---|
| Name: | Kenneth Galbraith |
| Title: | Chief Executive Officer |
| Date: | August 4, 2022 |

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

**Exhibit 32.2**

**SECTION 906 CERTIFICATION**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) in connection with the Quarterly Report on Form 10-Q of Zymeworks Inc. for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer hereby certifies, to such officer's knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Zymeworks Inc.

/s/ Christopher Astle

| | |
|---|---|
| Name: | Christopher Astle |
| Title: | Chief Financial Officer |
| Date: | August 4, 2022 |

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.