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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 7, 2018

XENON PHARMACEUTICALS INC.

(Exact name of Registrant as Specified in Its Charter)

Canada	**001-36687**	**98-0661854**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

200-3650 Gilmore Way **Burnaby, British Columbia, Canada** **(Address of Principal Executive Offices)**	**V5G 4W8** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (604) 484-3300

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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. ☒

Item 1.01 Entry into a Material Definitive Agreement.

On September 7, 2018 (the "Effective Date"), Xenon Pharmaceuticals Inc. (the "Company") entered into a Milestone and Royalty Buy-Out Agreement (the "Agreement") with Valeant Pharmaceuticals Luxembourg S.a.r.l. and Valeant Pharmaceuticals Ireland Limited, indirect subsidiaries of Bausch Health Companies Inc., (together, "Bausch Health"), pursuant to which the Company will buy out all milestone payments and royalties with respect to XEN1101 (previously known as 1OP2198 or VRX621698) that may become owed to Bausch Health under the Asset Purchase Agreement dated October 30, 2015 (the "1st Order APA") between Bausch Health and 1st Order Pharmaceuticals, Inc. ("1st Order"). The Company assumed the financial responsibilities owed to Bausch Health under the 1st Order APA pursuant to the Asset Purchase Agreement dated April 25, 2017 between the Company and 1st Order (the "Xenon APA"). The Agreement terminates all financial, recordkeeping and reporting obligations to Bausch Health, including up to $39.6 million in potential clinical development, regulatory and sales-based milestones and a mid-to-high single digit percentage royalty on commercial sales in exchange for a one-time payment of $6.0 million payable to Bausch Health by the Company within 14 days of the Effective Date.

Pursuant to the Xenon APA, the Company remains responsible for future potential payments to 1st Order of $0.5 million in clinical development milestones, up to $6.0 million in regulatory milestones and $1.5 million in other milestones, which may be payable pre-commercially. There are no royalty obligations to 1st Order under the Xenon APA.

The foregoing summary of the Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 8.01 Other Events.

A press release issued by the Company on September 10, 2018 regarding the execution of the Agreement and the Company's clinical development pipeline is attached hereto as Exhibit 99.1 and is incorporated herein by reference, except for the information set forth under the heading "Xenon's Cash Runway Guidance," which information is furnished herewith.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	**Description**
10.1	Milestone and Royalty Buy-Out Agreement, dated September 7, 2018, by and among Xenon Pharmaceuticals Inc., Valeant Pharmaceuticals Ireland Limited and Valeant Pharmaceuticals Luxembourg S.a.r.l.
99.1	Press Release issued by Xenon Pharmaceuticals Inc. dated September 10, 2018.

The information set forth in Exhibit 99.1 attached hereto under the heading "Xenon's Cash Runway Guidance" is furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

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 hereunto duly authorized.

Xenon Pharmaceuticals Inc.

Date: September 11, 2018

By: /s/ *Ian Mortimer*

Ian Mortimer

President & Chief Financial Officer

Exhibit 10.1

MILESTONE AND ROYALTY BUY-OUT AGREEMENT

This Milestone and Royalty Buy-Out Agreement (this "**Agreement**") is entered into as of this 7th day of September, 2018, by and between Xenon Pharmaceuticals Inc. (hereinafter "**Xenon**"), Valeant Pharmaceuticals Ireland Limited (hereinafter "**VPIL**") and Valeant Pharmaceuticals Luxembourg S.a.r.l. (hereinafter "**VPL**"), each referred to herein individually as a "Party," and collectively as the "Parties."

RECITALS

A. WHEREAS, VPL and 1st Order Pharmaceuticals, Inc. ("**1st Order**") previously entered into an Asset Purchase Agreement dated October 30, 2015 (the "**APA**") pursuant to which 1st Order purchased from VPL rights to an investigational compound known as VRX621698 and certain related assets as described in the APA;

B. WHEREAS, 1st Order previously entered into an Intellectual Property Assignment Agreement between 1st Order and Valeant Pharmaceuticals International ("**VPI**") dated February 8, 2017, pursuant to which VPI assigned to 1st Order additional intellectual property assets (the "**IP Assignment Agreement**");

C. WHEREAS, the APA provides, among other things, for the payment of certain milestones and royalties by 1st Order to VPL;

D. WHEREAS, 1st Order subsequently sold to Xenon all of its right, title and interest in and to all assets purchased by 1st Order pursuant to the APA and the IP Assignment Agreement, including without limitation, all rights with respect to the investigational compound known as 1OP-2198 (previously VRX621698 and now referred to as XEN1101) (the "**Compound**"), and any variant forms thereof, including as salt, freebase or pro-drug, and all other assets of 1st Order related thereto pursuant to that certain Asset Purchase Agreement dated April 25, 2017 between 1st Order and Xenon (the "**Xenon APA**").

E. WHEREAS, pursuant to the Xenon APA, Xenon undertook to pay to VPL any relevant milestone and royalty payments due to VPL from 1st Order arising under Sections 2.4 and 2.5 of the APA.

F. WHEREAS, the Parties desire to enter into this Agreement for Xenon to buy out any past, present and future milestone payment and royalties that have or may become owed to VPL under the APA in exchange for the payment by Xenon of US $6,000,000 to VPIL as described herein;

Now, therefore, for valuable consideration, the receipt of which is hereby acknowledged, Xenon, VPL and VPIL (VPL and VPIL collectively, "**Valeant Parties**") agree as follows:

1. *Milestone and Royalty Buy-Out.* Xenon shall buy out all past, present and future milestone payments and royalties owed to VPL under Sections 2.4 and 2.5 of the APA for the sum of Six Million US Dollars (US $6,000,000.00) (the "**Milestone and Royalty Buy-Out Amount**"). Payment of the Milestone and Royalty Buy-Out Amount in the form of a wire transfer shall be delivered to VPIL pursuant to written instructions provided to Xenon, within fourteen (14) days from the date that this Agreement is fully executed by Xenon and the Valeant Parties. Upon such payment of the Milestone and Royalty Buy-Out Amount, Xenon and 1st Order shall be and are hereby fully and forever discharged and relieved of past, present and future payments of any amounts to be paid to VPL described in Sections 2.4 or 2.5 of the APA. 1st Order is an intended third party beneficiary of the foregoing sentence and such sentence is for the benefit of and enforceable by 1st Order (provided however that Xenon and the Valeant Parties may modify or amend this Agreement by agreement between Xenon and the Valeant Parties without the consent of 1st Order).

2. *No Further Accounting Obligations*. As a result of this Agreement, neither Xenon nor 1st Order shall have any further obligations to VPL under Section 2.5(d) of the APA, including but not limited obligations to keep records or make reports, and the Valeant Parties fully and forever discharge and relieve 1st Order and Xenon from any such obligations.

3. *Taxes.* Notwithstanding anything in this Agreement to the contrary, the Valeant Parties agree to pay as due all withholding taxes imposed by the Canadian Revenue Agency (the "CRA") in respect of the Milestone and Royalty Buy-Out Amount (the "Taxes") regardless of whether such Taxes are assessed or would ordinarily be assessed against either or both Valeant Parties or Xenon. In the event that the CRA contacts Xenon regarding such Taxes and/or demands that Xenon pays them, Xenon shall promptly notify the Valeant Parties. In the event that Xenon pays such Taxes, VPIL shall promptly reimburse Xenon within 60 days from the date Xenon makes written demand therefor.

4. *Other Terms and Provisions of APA*. All other terms and provisions of the APA, except those expressly discharged herein, shall remain in full force and effect. For clarity, the Valeant Parties acknowledge and agree that Article 5 of the APA has terminated and no longer has any force or effect.

5. *Representation and Warranty.*

a) Each Party represents and warrants to the other Party, and acknowledges that the other Party is relying on such representations and warranties it has all necessary corporate power and authority to execute and deliver this Agreement and to complete the transactions contemplated herein. It has duly and validly executed and delivered this Agreement and this Agreement constitutes the legal and valid binding obligation enforceable in accordance with its terms. No notice to, or consent or approval from, any authority is required in connection with its execution and performance of this Agreement. The execution and performance of this Agreement by it will not violate any applicable law, any organizational documents by which it is bound or any agreements to which it is bound.

b) The Valeant Parties represent and warrant that (i) the Valeant Parties have the sole right and interest under the APA to obtain the payments described in Section 2.4 and 2.5 of the APA, (ii) such right and interest has not been transferred to any other entity and (iii) the payment of the Milestone and Royalty Buy-Out Amount to VPIL by Xenon as described in this Agreement fully and forever discharges and relieves Xenon and 1st Order of past, present and future payments of any amounts to be paid under Sections 2.4 or 2.5 of the APA.

6. *Authority.* Each person and entity executing this Agreement does hereby personally represent that he/she has the authority to execute this Agreement on behalf of, and fully bind, such purported principal.

7. *Governing Law.* This Agreement shall in all respects be interpreted, enforced and governed by and under the laws of the State of Delaware without giving effect to any choice of law or conflict of laws rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. Any legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement may be brought or otherwise commenced only in any state or federal court located in the State of Delaware. Each party to this Agreement: (i) irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the state and federal courts located in State of Delaware; (ii) agrees that each state and federal court located in the State of Delaware shall be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such legal proceeding commenced in any state or federal court located in the State of Delaware, any claim that such party is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such legal proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

8. *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective predecessors, successors, assigns, partners, partnerships, joint ventures, parents, subsidiaries, affiliated and related entities, officers, directors, principals, agents, servants, employees, representatives and all persons, firms, associations, and/or corporations connected with them.

9. *Counterparts.* This Agreement may be executed in any number of counterparts, and any party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto. The Parties agree that the delivery of this Agreement may be effected by means of an exchange of facsimile or other electronic signatures.

10. *Additional Documents*. The Parties agree to cooperate fully and execute any and all supplementary documents and to take all additional actions which may be necessary or appropriate to give full force and effect to the basic terms and intent of this Agreement.

11. *Confidentiality; Press Release*. Each Party shall hold the terms and conditions of this Agreement in strict confidence, and neither Party shall issue any press release concerning the subject matter of this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Except as provided in this Section 11, nothing in this Agreement shall restrict or otherwise limit the Xenon's ability or right to issue any press release or make any public statement regarding its operations or the Purchased Assets (as defined in the APA), including, among other things, the development and commercialization of the Compound. Notwithstanding the foregoing, each Party shall be permitted to disclose the terms and conditions of this Agreement (a) to its actual or potential acquisition partners, licensees, collaborators or private investors, and others on a need to know basis and subject to written agreements containing confidentiality obligations at least as restrictive as this Section 11; or (b) to the extent necessary to comply with applicable laws and court orders (including securities laws or regulations and the applicable rules of any public stock exchange).

12. *Entire Agreement*. This Agreement constitutes the entire understanding between and among the Parties with regard to the matters herein set forth. There are no representations, warranties, arrangements, or undertakings, oral or written, between or among the Parties relating to the subject matter of this Agreement which are not fully expressed in this Agreement. This Agreement may not be amended or modified except upon a written agreement signed by the Parties.

[*intentionally left blank – signature page follows*]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Milestone and Royalty Buy-Out Agreement to be executed by their duly authorized representatives as of the date first written above.

VALEANT PHARMACEUTICALS LUXEMBOURG S.A.R.L.

By */s/ Michael Kennan*
Name: Michael Kennan
Title: Manager

By */s/ Franck Deconinck*
Name: Franck Deconinck
Title: Manager

VALEANT PHARMACEUTICALS IRELAND LIMITED

By */s/ Graham Jackson*
Name: Graham Jackson
Title: Director

XENON PHARMACEUTICALS INC.

By */s/ Ian Mortimer*
Name: Ian Mortimer
Title: President & CFO

By */s/ Robin Sherrington*
Name: Robin Sherrington
Title: EVP, Business and Corporate Development

XENON

Exhibit 99.1

NEWS RELEASE

Xenon Enters into Agreement to Buy Out Milestones and Royalties Related to its XEN1101 Program

BURNABY, British Columbia, September 10, 2018 -- Xenon Pharmaceuticals Inc. (Nasdaq:XENE), a clinical stage, neurology-focused biopharmaceutical company, today announced it has signed an agreement with Valeant Pharmaceuticals Luxembourg S.a.r.l. and Valeant Pharmaceuticals Ireland Limited, indirect subsidiaries of Bausch Health Companies Inc., (together, Bausch Health) to buy out all milestone payments and royalties with respect to XEN1101, which is a Kv7 potassium channel opener being developed by Xenon for the treatment of epilepsy.

Dr. Simon Pimstone, Xenon's Chief Executive Officer, said, "Based on our exciting progress and the strength of the positive data from the XEN1101 Phase 1 clinical trial and Phase 1b transcranial magnetic stimulation (TMS) study, we negotiated a one-time payment that terminates all of our future milestone and royalty payment obligations to Bausch Health. This transaction underscores our confidence in the potential of XEN1101 as a treatment of epilepsy and possibly other neurological indications and further solidifies our proprietary pipeline."

In April 2017, Xenon acquired XEN1101 (previously known as 1OP2198) from 1st Order Pharmaceuticals, Inc. (1st Order) pursuant to an asset purchase agreement. In accordance with that agreement, Xenon assumed certain financial and other responsibilities owed to Bausch Health pursuant to 1st Order's previous acquisition of 1OP2198. The agreement announced today terminates all of Xenon's future financial obligations to Bausch Health, including up to $39.6 million in potential clinical development, regulatory and sales-based milestones and a mid-to-high single digit percentage royalty on commercial sales in exchange for a one-time payment of $6.0 million.

Xenon remains responsible for future potential payments to 1st Order of $0.5 million in clinical development milestones, up to $6.0 million in regulatory milestones for multiple indications and $1.5 million in other milestones, which may be payable pre-commercially. There are no royalty obligations to 1st Order.

Dr. Pimstone added, "Our robust pipeline of proprietary and highly differentiated anti-epileptic drugs continues to generate a tremendous amount of momentum. We view our recently announced XEN496 program as the most expedited route to exploring a precision medicine approach to treating children with KCNQ2 epilepsy. We see XEN1101 as a novel Kv7 potassium channel opener and look forward to initiating a Phase 2 clinical trial in adult patients with focal seizures in the fourth quarter of this year. We are also developing XEN901, a potent, highly selective Nav1.6 sodium channel inhibitor that could potentially achieve higher levels of seizure freedom with an improved side effect profile than other currently marketed non-selective sodium channel anti-epileptic drugs. In addition, we are currently evaluating various development strategies for XEN007, a Cav2.1 calcium channel inhibitor, including the support of investigator-sponsored clinical trials."

Xenon's Cash Runway Guidance

Based on current assumptions, which include the payment to Bausch Health announced today and fully supporting the planned clinical development of XEN1101, XEN901 and XEN496, Xenon anticipates having sufficient cash to fund operations into mid-2020, excluding any revenue generated from existing partnerships or potential new partnering arrangements.

About Xenon Pharmaceuticals Inc.

We are a clinical stage, neurology-focused biopharmaceutical company focused on developing innovative therapeutics to improve the lives of patients with neurological disorders. Building upon our extensive knowledge of human genetics and diseases caused by mutations in ion channels, known as channelopathies, we are advancing – both independently and with our collaborators – a novel product pipeline of central nervous system, or CNS, therapies to address areas of high unmet medical need, such as epilepsy, migraine and pain. For more information, please visit www.xenon-pharma.com.

Safe Harbor Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995 and Canadian securities laws. These forward-looking statements are not based on historical fact, and include statements regarding our expectations regarding the sufficiency of our cash to fund operations into mid-2020, regarding the timing of and results from clinical trials and pre-clinical development activities, including those related to XEN1101, XEN901, XEN496, XEN007, and our other product candidates, the plans of our collaboration partners, the potential efficacy, safety profile, future development plans, addressable market, regulatory success and commercial potential of XEN1101, XEN901, XEN496, XEN007, and our other product candidates, the anticipated timing of IND, or IND equivalent, submissions and the initiation of future clinical trials for XEN1101, XEN901, XEN496, XEN007, and our other product candidates, the efficacy of our clinical trial designs, our ability to successfully develop and achieve milestones in the XEN1101, XEN901, XEN496, XEN007, and other development programs, and the design of our clinical trials and anticipated enrollment, the progress and potential of our other ongoing development programs. These forward-looking statements are based on current assumptions that involve risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties, many of which are beyond our control, include, but are not limited to: clinical trials may not demonstrate safety and efficacy of any of our or our collaborators' product candidates; our assumptions regarding our planned expenditures and sufficiency of our cash to fund operations may be incorrect; our efforts to expand our current pipeline may not be successful; any of our or our collaborators' product candidates may fail in development, may not receive required regulatory approvals, or may be delayed to a point where they are not commercially viable; we may not achieve additional milestones in our proprietary or partnered programs; regulatory agencies may not permit XEN007, XEN496 or other product candidates to advance directly into a Phase 2 or later clinical trial; the impact of competition; the impact of expanded product development and clinical activities on operating expenses; adverse conditions in the general domestic and global economic markets; as well as the other risks identified in our filings with the Securities and Exchange Commission and the securities commissions in British Columbia, Alberta and Ontario. These forward-looking statements speak only as of the date hereof and we assume no obligation to update these forward-looking statements, and readers are cautioned not to place undue reliance on such forward-looking statements.

Xenon Investor/Media Contact:
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