

**PFIC Annual Information Statement**

This statement is provided for shareholders who are United States persons. It is not relevant to other persons. In order to assist you in the preparation of Form 8621, we provide the following information:

- (1) This Information Statement applies to the taxable year of Aquinox Pharmaceuticals (Canada) Inc. beginning on January 1, 2014 and ending on December 31, 2014 ("Taxable Year").
- (2) Your pro-rata share of the ordinary earnings and net capital gain of Aquinox Pharmaceuticals (Canada) Inc. for the taxable year of Aquinox Pharmaceuticals (Canada) Inc. specified in paragraph (1):

Ordinary Earnings: NONE  
Net Capital Gain: NONE

- (3) The amount of cash and the fair market value of other property distributed or deemed distributed by Aquinox Pharmaceuticals (Canada) Inc. during the taxable year specified in paragraph (1) is as follows:

Cash: NONE  
Fair Market Value of Property: NONE

- (4) Aquinox Pharmaceuticals (Canada) Inc. will permit the shareholders, to the extent required by U.S. federal income tax law, to inspect and copy Aquinox Pharmaceuticals (Canada) Inc.'s permanent books of account, records, and such other documents as may be maintained by Aquinox Pharmaceuticals (Canada) Inc. that are necessary to establish the PFIC ordinary earnings and net capital gain, as provided in Section 1293(e) of the code, are computed in accordance with U.S. income tax principles and to verify the amounts and your pro rata share thereof.

**THIS INFORMATION STATEMENT IS PROVIDED IN ORDER TO ASSIST THOSE U.S. SHAREHOLDERS WHO HAVE MADE A QEF ELECTION WITH RESPECT TO AQUINOX PHARMACEUTICALS (CANADA) INC. IN FILING FORM 8621, AND DOES NOT CONSTITUTE TAX ADVICE. THOSE U.S. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE OVERALL TAX CONSEQUENCES OF THE OWNERSHIP OF COMMON SHARES OF AQUINOX PHARMACEUTICALS (CANADA) INC. ARISING IN THEIR PARTICULAR SITUATIONS UNDER UNITED STATES FEDERAL, STATE OR LOCAL LAW OR ANY FOREIGN LAW.**

**Aquinox Pharmaceuticals (Canada) Inc.**

Date: March 06, 2015

By: 

Title: VP Finance & CFO