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Aquinox Pharmaceuticals Inc. Completes US\$14.5 million Series A financing

Ventures West Capital leads strong cross-border syndicate

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Aquinox Pharmaceuticals Inc., a Vancouver-based privately-held pharmaceutical company developing targeted small molecule therapeutics for the treatment of cancer and inflammatory disease, has raised US\$14.5 million in a Series A venture capital financing. The financing was led by Ventures West Capital Ltd. and included new investors, Johnson & Johnson Development Corporation (JJDC) and Baker Brothers Investments. Existing investor, BC Advantage Funds, managed by Lions Capital Corp., also participated in the financing.

Aquinox was incorporated in 2004 as a spin-off company from the University of British Columbia and the BC Cancer Agency, and based on the research of four founding scientists: Dr. Raymond Andersen, Dr. Gerald Krystal, Dr. Alice Mui and Dr. Christopher Ong. The scientific founders discovered highly selective drugs that target a unique and patented biochemical enzyme called "SHIP" (SH2-containing inositol phosphatase) which regulates the PI3 kinase (PI3K) pathway. The PI3K pathway is essential in regulating cell growth, survival and immune cell activation, and is one of the most studied pathways for the development of new therapeutic agents. SHIP is unique in that it exclusively regulates blood cells and can be harnessed in the treatment of disorders such as multiple myeloma, leukemia, lymphoma, inflammation, allergy and autoimmune diseases while having no, or minimal, effect on non-blood tissues.

"The activation or inhibition of SHIP and similar enzymes can support a rich pipeline of potential therapeutic programs in the areas of cancer, autoimmune, inflammatory and allergic diseases," said David J. Main, Chairman, President and CEO of Aquinox Pharmaceuticals Inc. "This significant financing from a strong cross-border syndicate will allow us to advance the development of our lead product candidate into clinical studies in 2008 for an oncology indication while advancing another pre-clinical drug candidate in the area of inflammatory disease."

Concurrently with the Series A financing, Mr. Chris Laird, Vice President at Ventures West and Dr. Asish Xavier, Principal at JJDC, will join existing independent directors, Dr. Kevin Leslie and Mr. Kenneth Galbraith on the Board of Directors of Aquinox.

"Aquinox has assembled a world-class scientific and management team," commented Chris Laird. "It has established a strong intellectual property position covering SHIP, closely related enzymes and a number of drug candidates that they are advancing through further development. They are poised to become a leader in this field."

About Aquinox Pharmaceuticals

Formed in 2004, Aquinox Pharmaceuticals Inc. is a privately-held pharmaceutical company developing targeted small molecule therapeutics for the treatment of cancer and inflammatory disease. The Company has a strong intellectual property portfolio and library of pre-clinical drug candidates that target a unique biochemical enzyme called "SHIP" (SH2-containing inositol phosphatase) which regulates the PI3 kinase (PI3K) pathway. The Company is based on the research of its four key scientific founders from the University of British Columbia and the BC Cancer Agency in Vancouver. For more information, visit <http://www.agxpharma.com>.

About Ventures West

Ventures West Capital Ltd., a private venture capital investment group, is one of Canada's leading investors in early stage technology companies. Since its founding in 1968, Ventures West has formed eight venture capital funds which total over \$700 million and has invested in more than 150 companies. Ventures West has the people, the expertise, and the capital to help entrepreneurs develop emerging technology companies into market leaders. For more information, visit <http://www.ventureswest.com>.

About Johnson & Johnson Development Corporation

Organized in 1973, Johnson & Johnson Development Corporation (JJDC) is the venture capital subsidiary of Johnson & Johnson. JJDC makes private equity investments in venture funded healthcare companies. Portfolio investments include those in the field of pharmaceuticals, biotechnology, medical devices, diagnostics and consumer products. For more information, visit www.jjdevcorp.com.

About Baker Brothers Investments

Managed by Mr. Julian Baker and Dr. Felix Baker, Baker Brothers Investments is a family of long-term investment funds for major university endowments and foundations which are focused on publicly-traded and privately-held life science companies.

About Lions Capital Corporation

As fund manager of BC Advantage Funds (VCC) Ltd. and the Lions Liquidity Investment Fund I LP, Lions Capital currently manages more than \$ 50 million of investment capital. Lions Capital also provides financing and merger and acquisitions services to life science and technology companies.

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