

IntelGenx Technologies Corp.  
Form 10-Q  
November 08, 2013

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

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2013**

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 000-31187**

**INTELGENX TECHNOLOGIES CORP.**

(Exact name of small business issuer as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**87-0638336**

(I.R.S. Employer Identification No.)

**6425 Abrams, Ville Saint Laurent, Quebec H4S 1X9, Canada**

(Address of principal executive offices)

**(514) 331-7440**

(Issuer's telephone number)

(Former Name, former Address, if changed since last report)

Indicate by checkmark 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer

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and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

APPLICABLE TO CORPORATE ISSUERS:

53,063,921 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of November 7, 2013.

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IntelGenx Technologies Corp.  
Form 10-Q

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**IntelGenx Technologies Corp.**

**Consolidated Interim Financial Statements**

**September 30, 2013**

**(Expressed in U.S. Funds)**

**(Unaudited)**

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**IntelGenx Technologies Corp.****Consolidated Balance Sheet****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,551	\$ 2,059
Accounts receivable	55	1,282
Prepaid expenses	222	102
Investment tax credits receivable	212	213
<b>Total Current Assets</b>	<b>3,040</b>	<b>3,656</b>
<b>Leasehold Improvements and Equipment, net</b>	<b>608</b>	<b>387</b>
<b>Intangible Assets (note 4)</b>	<b>87</b>	<b>116</b>
<b>Total Assets</b>	<b>\$ 3,735</b>	<b>\$ 4,159</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	313	1,058
Deferred license revenue (note 5)	308	308
<b>Total Current Liabilities</b>	<b>621</b>	<b>1,366</b>
<b>Deferred License Revenue, non-current portion (note 5)</b>	<b>386</b>	<b>615</b>
<b>Total Liabilities</b>	<b>1,007</b>	<b>1,981</b>
<b>Shareholders' Equity</b>		
Capital Stock (note 6)	1	0
Additional Paid-in-Capital	17,919	16,342
Accumulated Deficit	(15,458)	(14,463)
Accumulated Other Comprehensive Income	266	299
<b>Total Shareholders' Equity</b>	<b>2,728</b>	<b>2,178</b>
	<b>\$ 3,735</b>	<b>\$ 4,159</b>

See accompanying notes

**Approved on Behalf of the Board:**/s/ James B. Boudreau Director/s/ Horst G. Zerbe Director

**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity****For the Period Ended September 30, 2013****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

	Capital Stock Number	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
<b>Balance - December 31, 2012</b>	49,890,421	\$ 0	\$ 16,342	\$ (14,463)	\$ 299	\$ 2,178
Foreign currency translation adjustment	-	-	-	-	(33)	(33)
Warrants exercised (note 7)	3,098,500	1	1,464	-	-	1,465
Options exercised (note 7)	75,000	-	31	-	-	31
Stock-based compensation (note 7)	-	-	82	-	-	82
Net loss for the period	-	-	-	(995)	-	(995)
<b>Balance September 30, 2013</b>	<b>53,063,921</b>	<b>\$ 1</b>	<b>\$ 17,919</b>	<b>\$ (15,458)</b>	<b>\$ 266</b>	<b>\$ 2,728</b>

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statement of Comprehensive Income****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

	For the Three-Month Period Ended September 30,		For the Nine-Month Period Ended September 30,	
	2013	2012	2013	2012
<b>Revenues</b>				
Royalties	\$ 28	\$ -	\$ 119	\$ -
License and other revenue	72	-	685	120
<b>Total Revenues</b>	<b>100</b>	<b>-</b>	<b>804</b>	<b>120</b>
<b>Expenses</b>				
Research and development expense	191	287	406	838
Selling, general and administrative expense	491	404	1,341	1,175
Amortization of tangible assets	7	10	24	27
Amortization of intangible assets	10	-	29	-
<b>Total Costs and Expenses</b>	<b>699</b>	<b>701</b>	<b>1,800</b>	<b>2,040</b>
<b>Loss from Operations</b>	<b>(599)</b>	<b>(701)</b>	<b>(996)</b>	<b>(1,920)</b>
<b>Other Income</b>				
Interest and other income	-	3	1	8
<b>Total Other Income</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>8</b>
<b>Net Loss</b>	<b>(599)</b>	<b>(698)</b>	<b>(995)</b>	<b>(1,912)</b>
<b>Other Comprehensive Income (Loss)</b>				
Foreign currency translation adjustment	73	109	(33)	128
<b>Comprehensive Loss</b>	<b>\$ (526)</b>	<b>\$ (589)</b>	<b>\$ (1,028)</b>	<b>\$ (1,784)</b>
<b>Basic and Diluted Weighted Average Number of Shares Outstanding</b>				
	<b>52,687,253</b>	<b>49,711,617</b>	<b>52,474,772</b>	<b>49,553,305</b>
<b>Basic and Diluted Loss Per Common Share (note 9)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
See accompanying notes				

## IntelGenx Technologies Corp.

## Consolidated Statement of Cash Flows

(Expressed in thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)

(Unaudited)

	For the Three-Month Period Ended September 30,		For the Nine-Month Period Ended September 30,	
	2013	2012	2013	2012
<b>Funds Provided (Used) -</b>				
<b>Operating Activities</b>				
Net profit (loss)	\$ (599)	\$ (698)	\$ (995)	\$ (1,912)
Amortization	17	10	53	27
Stock-based compensation	35	14	82	43
	(547)	(674)	(860)	(1,842)
Changes in assets and liabilities				
Accounts receivable	305	245	1,227	118
Prepaid and other assets	(128)	16	(120)	1
Other receivables	56	(34)	1	195
Accounts payable and other accrued liabilities	(23)	(33)	(745)	(416)
Deferred revenue	(74)	-	(228)	1,000
<b>Net change in assets and liabilities</b>	<b>136</b>	<b>194</b>	<b>135</b>	<b>898</b>
<b>Net cash provided (used) by operating activities</b>	<b>(411)</b>	<b>(480)</b>	<b>(725)</b>	<b>(944)</b>
<b>Financing Activities</b>				
Proceeds from exercise of warrants and stock options	714	103	1,496	337
<b>Net cash provided by financing activities</b>	<b>714</b>	<b>103</b>	<b>1,496</b>	<b>337</b>
<b>Investing Activities</b>				
Additions to property and equipment	(99)	(6)	(260)	(248)
<b>Net cash used in investing activities</b>	<b>(99)</b>	<b>(6)</b>	<b>(260)</b>	<b>(248)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>204</b>	<b>(383)</b>	<b>511</b>	<b>(855)</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<b>63</b>	<b>96</b>	<b>(19)</b>	<b>118</b>
<b>Beginning of Period</b>	<b>2,284</b>	<b>3,055</b>	<b>2,059</b>	<b>3,505</b>
<b>End of Period</b>	<b>\$ 2,551</b>	<b>\$ 2,768</b>	<b>\$ 2,551</b>	<b>\$ 2,768</b>

See accompanying notes





**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2013**

**(Expressed in U.S. Funds)**

**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal and recurring nature.

These financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2012. Operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The consolidated financial statements include the accounts of the Company and its subsidiary companies. On consolidation, all inter-entity transactions and balances have been eliminated.

The financial statements are expressed in U.S. funds.

Management has performed an evaluation of the Company's activities through the date and time these financial statements were issued and concluded that there are no additional significant events requiring recognition or disclosure.

**2. Adoption of New Accounting Standards**

**Revenue Recognition and Disclosures**

In December 2011, the FASB issued Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities . The objective of this Update is to provide enhanced disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this Update. The amendments require enhanced disclosures by requiring improved information about derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria or subject to a master netting arrangement or similar agreement. In January 2013, the FASB also issued Update No. 2013-01, which clarifies that ordinary trade receivables and receivables are not in the scope of ASU 2011-11. ASU 2011-11 and ASU 2013-01 are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective disclosure is required for all comparative periods presented. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.



**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2013**

**(Expressed in U.S. Funds)**

**(Unaudited)**

**2. Adoption of New Accounting Standards (Cont d)**

In February 2013, the FASB has issued Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income . This Update has been issued to improve the transparency of reporting these reclassifications. The amendments in this Update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 and 2011-12 for all public and private organizations. The amendments would require an entity to provide additional information about reclassifications out of accumulated other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual), effective for reporting periods beginning after December 15, 2012. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

**3. Significant Accounting Policies**

**Recently Issued Accounting Pronouncements**

In February 2013, the FASB issued Update No. 2013-04, Liabilities (Topic 405) Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date . The amendments in this Update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this Update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments shall be applied retrospectively to all prior periods presented for those obligations that exist at the beginning of the fiscal year of adoption. Early adoption is permitted. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2013**

**(Expressed in U.S. Funds)**

**(Unaudited)**

**3. Significant Accounting Policies (Cont d)**

In March 2013, the FASB issued Update No. 2013-05, Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity . The amendments in this Update resolve the diversity in practice about whether Subtopic 810-10, Consolidation Overall, or Subtopic 830-30, Foreign Currency Matters Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment *in* a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) *within* a foreign entity. In addition, the amendments in this Update resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. For public entities, the amendments in this ASU are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

In April 2013, the FASB issued Update No. 2013-07, Presentation of Financial Statements Liquidation Basis of Accounting . The objective of this Update is to clarify when an entity should apply the liquidation basis of accounting and to provide principles for the measurement of assets and liabilities under the liquidation basis of accounting, as well as any required disclosures. These amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted. The adoption of this amendment is not expected to have a material effect on the Company s financial position or results of operations.

In July 2013, the FASB issued Update No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . The amendments in this ASU provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application is permitted. The adoption of this amendment is not expected to have a material effect on the Company s financial position or results of operations.

**4. Intangible Assets**

As of September 30, 2013 NDA acquisition costs of \$87 thousand (December 31, 2012 - \$116 thousand) were recorded as intangible assets on the Company s balance sheet and represent the net book value of the final progress payment related to the acquisition of 100% ownership of Forfivo XL®. The asset is being amortized over its estimated useful life of 39 months. The Company commenced amortization upon commercial launch of the product in October 2012.



**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****September 30, 2013****(Expressed in U.S. Funds)****(Unaudited)****5. Deferred License Revenue**

Deferred license revenue represents upfront payments received for the granting of licenses to the Company's patents, intellectual property, and proprietary technology, for commercialization. Deferred license revenue is recognized in income over the period where sales of the licensed products will occur.

Upon entering into the licensing agreement with Edgemont Pharmaceuticals the Company received an upfront fee of \$1 million, which the Company recognized as deferred license revenue. The deferred license revenue is being amortized in income over a period of 39 months, which is the minimum period where sales of Forfivo XL® are expected to be exclusive. As a result of this policy, the Company has a deferred revenue balance of \$694 thousand at September 30, 2013 that has not been recognized as revenue.

**6. Capital Stock**

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
53,063,921 (December 31, 2012 - 49,890,421) common shares	<b>\$ 531</b>	<b>\$ 499</b>

**7. Additional Paid-In Capital****Stock options**

On April 24, 2013 the Company granted 480,000 stock options to an officer to purchase common shares. The stock options are exercisable at \$0.65 per share and vest on December 31, 2015. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$157 thousand, using the following assumptions:

Expected volatility	78%
Expected life	3.83 years
Risk-free interest rate	0.34%
Dividend yield	Nil

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****September 30, 2013****(Expressed in U.S. Funds)****(Unaudited)****7. Additional Paid-In Capital (Cont d)**

On April 24, 2013 the Company granted 200,000 stock options to an officer to purchase common shares. The stock options are exercisable at \$0.65 per share and vest over 2 years at 25% every six months. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$59 thousand, using the following assumptions:

Expected volatility	77%
Expected life	3.13 years
Risk-free interest rate	0.34%
Dividend yield	Nil

On August 6, 2013 the Company granted 35,000 stock options to a non-employee director to purchase common shares. The stock options are exercisable at \$0.65 per share and vest over 2 years at 25% every six months. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$10 thousand, using the following assumptions:

Expected volatility	75%
Expected life	3.13 years
Risk-free interest rate	0.62%
Dividend yield	Nil

During the nine month period ended September 30, 2013 a total of 75,000 (2012 - Nil) stock options were exercised for 75,000 (2012 - Nil) common shares having a par value of \$0 thousand in aggregate, for cash consideration of \$31 thousand (2012 - \$Nil), resulting in an increase in additional paid-in capital of \$31 thousand (2012 - \$Nil).

Compensation expenses for stock-based compensation of \$82 thousand and \$43 thousand were recorded during the nine month period ended September 30, 2013 and 2012 respectively. Of the amount expensed in 2013, \$67 thousand (2012 - \$41 thousand) relates to stock options granted to employees and directors, and \$15 thousand (2012 - \$1 thousand) relates to options granted to independent third party consultants. In addition, \$1 thousand was expensed in 2012 related to stock options granted to investor relations firms as compensation for investor relation services. As at September 30, 2013, the Company has \$202 thousand (2012 - \$63 thousand) of unrecognized stock-based compensation.

**Warrants**

During the nine month period ended September 30, 2013 a total of 3,098,500 (2012 - 1,424,981) warrants were exercised for 3,098,500 (2012 - 945,393) common shares having a par value of \$0 thousand in aggregate, for cash consideration of \$1,465 thousand (2012 - \$337 thousand), resulting in an increase in additional paid-in capital of \$1,464 thousand (2012 - \$337 thousand).



**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2013**

**(Expressed in U.S. Funds)**

**(Unaudited)**

**8. Related Party Transactions**

Included in management salaries for the nine months ended September 30, 2013 are \$8 thousand (2012 - \$5 thousand) for options granted to the Chief Executive Officer, \$24 thousand (2012 - \$Nil) for options granted to the Chief Operating Officer and \$19 thousand (2012 - \$4 thousand) for options granted to the Chief Financial Officer under the 2006 Stock Option Plan and \$8 thousand (2012 - \$20 thousand) for options granted to non-employee directors.

Also included in management salaries are director fees of \$63 thousand (2012 - \$80 thousand) for attendance to board meetings and audit committee meetings and \$66 thousand (2012 - \$Nil) for fees paid to a director under a management consultancy agreement.

The above related party transactions have been measured at the exchange amount which is the amount of the consideration established and agreed to by the related parties.

**9. Basic and Diluted Loss Per Common Share**

Basic and diluted loss per common share is calculated based on the weighted average number of shares outstanding during the period. The warrants, share-based compensation and convertible notes have been excluded from the calculation of diluted loss per share since they are anti-dilutive.

**10. Comparative Figures**

Certain reclassifications of September 30, 2012 amounts have been made to facilitate comparison with the current period.

## Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

### Introduction to Management's Discussion and Analysis

The purpose of this section, Management's Discussion and Analysis of Financial Condition and Results of Operations, is to provide a narrative explanation of the financial statements that enables investors to better understand the business of the Company, to enhance the Company's overall financial disclosures, to provide the context within which the Company's financial information may be analyzed, and to provide information about the quality of, and potential variability of, the Company's financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to continuing operations of the Company. Unless otherwise indicated or the context otherwise requires, the words, IntelGenx, Company, we, us, and our refer to IntelGenx Technologies Corp. and its subsidiaries, including IntelGenx Corp. This information should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes thereto.

### Company Background

We are a drug delivery company established in 2003 and headquartered in Montreal, Quebec, Canada. Our focus is on the development of novel oral immediate-release and controlled-release products for the pharmaceutical market. Our business strategy is to develop pharmaceutical products based on our proprietary drug delivery technologies and, once the viability of a product has been demonstrated, to license the commercial rights to partners in the pharmaceutical industry. In certain cases, we rely upon partners in the pharmaceutical industry to fund development of the licensed products, complete the regulatory approval process with the U.S. Food and Drug Administration (FDA) or other regulatory agencies relating to the licensed products, and assume responsibility for marketing and distributing such products.

In addition, we may choose to pursue the development of certain products until the project reaches the marketing and distribution stage. We will assess the potential for successful development of a product and associated costs, and then determine at which stage it is most prudent to seek a partner, balancing such costs against the potential for additional returns earned by partnering later in the development process.

We have also undertaken a strategy under which we will work with pharmaceutical companies in order to develop new dosage forms for pharmaceutical products for which patent protection is nearing expiration. Under §(505)(b)(2) of the Food, Drug, and Cosmetics Act, the FDA may grant market exclusivity for a term of three to five years of exclusivity following approval of a listed drug that contains previously approved active ingredients but is approved in a new dosage, dosage form, route of administration or combination, or for a new use, the approval of which was required to be supported by new clinical trials, other than bioavailability studies, conducted by or for the sponsor.

We are currently continuing to develop the existing products in our pipeline and may also perform research and development on other potential products as opportunities arise.

We currently purchase and/or lease, on an as-needed basis, the equipment necessary for performing research and development activities related to our products.

We plan to hire new personnel, primarily in the areas of research and development, manufacturing, and administration on an as-needed basis as we enter into partnership agreements, establish our pilot plant VersaFilm manufacturing capability, and increase our research and development activities.

## Key Developments

### *ANDA for Buprenorphine/Naloxone Sublingual Film Product for the Treatment of Opiate Addiction:*

On July 22, 2013 we announced that an Abbreviated New Drug Application ( ANDA ) has been submitted to the U.S. Food and Drug Administration ( FDA ) for approval of a generic formulation of buprenorphine and naloxone Sublingual Film, indicated for maintenance treatment of opioid dependence. The ANDA was filed by our U.S. based co-development and commercialization partner for this product, Par Pharmaceutical Companies, Inc.. The reference listed drug is Suboxone® (buprenorphine and naloxone) Sublingual Film.

According to IMS Health, U.S. retail sales of Suboxone® Sublingual Film were approximately \$1.5 billion in 2012.

In accordance with confidentiality clauses contained in the co-development and commercialization agreement, the specifics of the product description and financial terms remain confidential. We will receive a share of the profits of commercialization, in addition to upfront and milestone payments.

The FDA approved Suboxone® Sublingual Film in October of 2002 for use in the treatment of opioid addiction. Suboxone® Sublingual Film is a registered trademark of Reckitt Benckiser Pharmaceuticals. Suboxone® Sublingual Film contains the two active ingredients: buprenorphine and naloxone.

Naloxone is used to block the effect of opioids. Buprenorphine is a partial opioid agonist that stimulates opioid receptors but does not produce the same effects as an opioid. In other words it does not produce a euphoric "high" effect. The combination of these two actives has been shown to be efficacious in managing the treatment of opioid addiction. Suboxone® Sublingual Film is most often taken sublingually (dissolved under the tongue). Taken properly, it can reduce opioid use, help patients to be successfully managed in an addiction rehabilitation program, and suppress the symptoms of opioid withdrawal. Suboxone® Sublingual Film is the most commonly prescribed medication that is administered to patients during the maintenance phase of treatment. Unlike methadone, Suboxone® Sublingual Film has a lower potential for overdose and abuse. This enables Certified Doctors, in certain circumstances, to prescribe take home supplies of Suboxone® Sublingual Film.

On August 26, 2013 we announced that, in response to filing of the ANDA, we were named as a codefendant in a lawsuit pursuant to Paragraph IV litigation filed by Reckitt Benckiser Pharmaceuticals and Monosol RX in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent Nos. 8,475,832 and 8,017,150, each of which relate to Suboxone® Sublingual Film. We believe the ANDA product does not infringe those or any other patents, and will vigorously defend ourselves in this matter. Since Paragraph IV litigation is a regular part of the ANDA process, we do not expect any unanticipated impact on our already planned development schedule. In accordance with the terms of the co-development and commercialization agreement, the costs of defending this litigation will be borne by Par Pharmaceutical Inc.

On October 8, 2013 we received confirmation that Actavis plc has filed an ANDA with the FDA seeking approval to market Buprenorphine Hydrochloride and Naloxone Hydrochloride Sublingual Film 2 mg/0.5 mg and 8 mg/2 mg. Reckitt Benckiser Pharmaceuticals, Inc., RB Pharmaceuticals Limited and MonoSol Rx, LLC filed suit against Actavis on October 8, 2013, in the U.S. District Court for the District of Delaware seeking to prevent Actavis from commercializing its ANDA product prior to the expiration certain of U.S. patents. The lawsuit was filed under the provisions of the Hatch-Waxman Act, resulting in a stay of final FDA approval of Actavis' ANDA for up to 30 months from the date the plaintiffs received notice of Actavis' ANDA filing or until final resolution of the matter before the court, whichever occurs sooner, subject to any other exclusivities. Based on available information, including a submission date listed on FDA's Paragraph IV Patent Certifications web site that is consistent with the date of Actavis' ANDA filing, Actavis believes it may be a "first applicant" to file an ANDA for a generic version of Suboxone® Sublingual Film and, should its ANDA be approved, may be entitled to 180 days of generic market exclusivity.



**NDA for Anti-Migraine VersaFilm Oral Film Product:**

On June 18, 2013 we announced that the FDA has assigned a Prescription Drug User Fee Act ("PDUFA") action date of February 3, 2014 for the review of our New Drug Application ("NDA") for the marketing approval of our anti-migraine VersaFilm oral film product. We had previously announced that, together with our co-development partner RedHill Biopharma Ltd ("RedHill"), we had submitted a 505(b)(2) NDA to the FDA for a novel, oral thin-film formulation, based on our proprietary VersaFilm technology containing Rizatriptan, the active drug in Merck & Co ("Merck") Maxalt-MLT® orally disintegrating tablets. According to Merck's most recent annual report, sales of Maxalt® were \$638 million in 2012. The FDA confirmed that our application is sufficiently complete to permit a substantive review in accordance with the FDA's "standard" classification process.

**Forfivo XL®:**

On August 22, 2013 we announced receipt of a Paragraph IV Certification Letter from Wockhardt Bio AG, advising of the submission of an ANDA to the FDA requesting authorization to manufacture and market generic versions of Forfivo XL® 450 mg capsules in the United States.

IntelGenx intends to vigorously enforce its intellectual property rights for Forfivo XL® and will pursue all available legal and regulatory pathways in defense of Forfivo XL®, which is currently protected by an issued patent listed in the FDA's Approved Drug Products List (Orange Book).

**Currency rate fluctuations**

Our operating currency is Canadian dollars, while our reporting currency is U.S. dollars. Accordingly, our results of operations and balance sheet position have been affected by currency rate fluctuations. The following management discussion and analysis takes this into consideration whenever material.

**Results of Operations for the nine month period ended September 30, 2013 compared with the nine month period ended September 30, 2012.**

In U.S.\$ thousands			Increase/ (Decrease)	Percentage Increase/ (Decrease)
	2013	2012		
Revenue	\$ 804	\$ 120	\$ 684	570%
Research and Development Expenses	406	838	(432)	(52%)
Selling, General and Administrative Expenses	1,341	1,175	166	14%
Amortization of tangible assets	24	27	(3)	(11%)
Amortization of intangible assets	29	-	29	N/A
Net Loss	(995)	(1,912)	(917)	(48%)

## Revenue

Total revenue in the first nine months of 2013 increased to \$804 thousand, compared with \$120 thousand in the same period of 2012, and represents an increase of \$684 thousand, or 570%.

Revenue for the 9 months ended September 30, 2013 includes \$256 thousand related to a development milestone for our VersaFilm buprenorphine/naloxone product for the treatment of opiate addiction. The milestone became due following the successful completion of the pivotal bioequivalence study.

Also included in revenue for the first nine months of 2013 is \$201 thousand related to a development milestone for our anti-migraine VersaFilm oral film product. The milestone became due following confirmation that our NDA submission to the FDA is sufficiently complete to permit a substantive review in accordance with the FDA's "standard" classification process.

Revenue recorded in the first 9 months of 2013 also includes \$347 thousand related to Forfivo XL®, our first FDA approved product, which was launched in October 2012 under a licensing partnership with Edgemont Pharmaceuticals LLP ( Edgemont ). Upon entering into the licensing agreement, Edgemont paid us an upfront fee of \$1 million, which we recognized as deferred license revenue. The deferred license revenue is amortized in income over the period where sales of Forfivo XL® are expected to be exclusive. As a result of this policy, we recognized \$230 thousand in income during the first nine months of 2013. In addition, we recognized approximately \$117 thousand of royalty income earned from the sale of Forfivo XL®. The royalties relate to sales of Forfivo XL® by Edgemont during the first nine months post product launch. Forfivo XL® is indicated for the treatment of Major Depressive Disorder ( MDD ) and is the only extended-release bupropion HCl product to provide a once-daily, 450mg dose in a single tablet.

Sales levels achieved for Forfivo XL®, and related royalty income, have been lower than anticipated in the first nine months of 2013. Management is actively taking steps to accelerate sales growth of Forfivo XL®.

Revenue for the nine months ended September 30, 2012 included a \$100 thousand development milestone in respect of our anti-migraine VersaFilm oral film product. The milestone became due following the successful completion of the pivotal bioequivalence study.

## Research and Development ( R&D ) Expenses

R&D expenses, net of R&D investment tax credits, totaled \$406 thousand in the nine months ended September 30, 2013. This represents a decrease of \$432 thousand, or 52%, to the net amount of \$838 thousand expensed in the same period of last year.

The decrease in R&D expenses is primarily related to i) approximately \$229 thousand of costs incurred in 2012 that were associated with pilot clinical studies that were not repeated in 2013, ii) the reversal of approximately \$112 thousand of costs accrued for the technical transfer of activities in preparation for manufacturing of Forfivo XL® to our Contract Manufacturing Organization that were recorded in fiscal 2012 and, following negotiation, subsequently reversed in April 2013, and iii) reduced salaries costs of \$42 thousand.

Included within R&D expenses for the first nine months of 2013 are R&D salaries of \$427 thousand, of which approximately \$6 thousand represents non-cash compensation. This compares to R&D salaries of \$469 thousand in the first nine months of 2012, of which approximately \$11 thousand represented non-cash compensation. The decrease in R&D salaries relates to a reduction of one headcount since Q4, 2012, together with a temporary vacancy during the second quarter of 2013.

In the nine months ended September 30, 2013 we recorded estimated research and development tax credits and refunds of \$102 thousand, compared with \$75 thousand recorded in the same period of the previous year.



### **Selling, General and Administrative ( SG&A ) Expenses**

SG&A expenses were \$1,341 thousand in the first nine months of 2013 compared with \$1,175 thousand in the same period of the previous year. The increase is primarily attributable to the addition of Dr. Rajiv Khosla to our management team initially in a consulting capacity through to April, and thereafter as an executive of the Company.

Included in SG&A expenses are approximately \$53 thousand (2012: \$9 thousand) in non-cash compensation from options granted to management employees in 2011, 2012 and 2013, \$20 thousand (2012: \$13 thousand) in non-cash compensation from options granted to non-employee directors in 2011, and \$15 thousand (2012: \$Nil) in non-cash compensation from options granted to consultants in 2012.

### **Amortization of intangible assets**

The expense recorded to amortize intangible assets during the first nine months of 2013 totaled \$29 thousand, compared with \$Nil during the same period of last year. The expense relates to the amortization of NDA acquisition costs in respect of the final progress payment to acquire 100% ownership of Forfivo XL®. Commercialization of Forfivo XL® in October 2012 triggered amortization of the asset over its estimated useful life of 39 months.

### **Share-Based Compensation Expense, Warrants and Stock Based Payments**

Share-based compensation expense, warrants and share-based payments totaled \$82 thousand for the nine months ended September 30, 2013, compared with \$43 thousand for the nine months ended September 30, 2012.

We expensed approximately \$59 thousand in the first nine months of 2013 for options granted to our employees in 2011, 2012 and 2013 under the 2006 Stock Option Plan, and approximately \$8 thousand for options granted to non-employee directors in 2011, compared with \$22 thousand and \$20 respectively that was expensed in the same period of the previous year.

We also expensed \$15 thousand in the first nine months of 2013 for options granted to consultants and \$1 thousand in the first nine months of 2012 for options granted to investor relation firms for investor relation services.

There remains approximately \$202 thousand in stock based compensation to be expensed in fiscal 2013 through 2015, of which \$200 thousand relates to the issuance of options to employees and directors of the Company during 2011, 2012 and 2013 and \$2 thousand relates to the issuance of options to consultants in 2012. We anticipate the issuance of additional options and warrants in the future, which will continue to result in stock-based compensation expense.



**Key items from the Balance Sheet**

In U.S.\$ thousands	September 30, 2013	December 31, 2012	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Current Assets	\$ 3,040	\$ 3,656	\$ (616)	(17%)
Leasehold improvements and Equipment	608	387	221	57%
Intangible Assets	87	116	(29)	(25%)
Current Liabilities	621	1,366	(745)	(55%)
Deferred License Revenue	386	615	(229)	(37%)
Capital Stock	1	0	1	N/A
Additional Paid-in-Capital	17,919	16,342	1,577	10%

**Current Assets**

Current assets totaled \$3,040 thousand as at September 30, 2013 compared with \$3,656 thousand at December 31, 2012. The decrease of \$616 thousand is attributable to a decrease in accounts receivable of approximately \$1,227 thousand and a decrease in investment tax credits receivable of approximately \$1 thousand, partly offset by an increase in cash and cash equivalents of approximately \$492 thousand and an increase in prepaid expenses of approximately \$120 thousand.

Cash and cash equivalents totaled \$2,551 thousand as at September 30, 2013 representing an increase of \$492 thousand compared to the balance of \$2,059 thousand as at December 31, 2012. The increase in cash on hand relates to net cash provided by financing activities of \$1,496 thousand, partly offset with net cash used by operating activities of \$725 thousand, net cash used in investing activities of \$260 thousand, and an unrealized foreign exchange loss of \$19 thousand.

Accounts receivable totaled \$55 thousand as at September 30, 2013 compared with \$1,282 thousand as at December 31, 2012. Included within the accounts receivable balance as at December 31, 2012 is a project development milestone of \$1 million that was invoiced to Edgemont Pharmaceuticals in the fourth quarter of 2012 for the launch of Forfivo XL®. We received payment against this invoice in February 2013.

As of September 30, 2013, prepaid expenses totaled \$222 thousand compared with \$102 thousand as of December 31, 2012. The increase relates to amounts paid for the preparation of our financing activities, which are expected to conclude in the fourth quarter of 2013.

R&D investment tax credits receivable totaled \$212 thousand as at September 30, 2013 compared with \$213 thousand as at December 31, 2012.

**Leasehold Improvements and Equipment**

As at September 30, 2013, the net book value of leasehold improvements and equipment amounted to \$608 thousand, compared to \$387 thousand at December 31, 2012. In the nine months ended September 30, 2013 additions to assets totaled \$260 thousand and comprised \$252 thousand for pilot plant manufacturing equipment for our VersaFilm products, \$5 thousand for equipment in our R&D laboratories, and \$3 thousand for computer equipment. Depreciation on leasehold improvements and equipment in the nine months ended September 30, 2013 amounted to \$24 thousand and an unrealized foreign exchange loss of \$15 thousand was recorded.

### **Intangible Assets**

As at September 30, 2013 NDA acquisition costs of \$87 thousand (December 31, 2012 - \$116 thousand) were recorded as intangible assets on our balance sheet and are related to the acquisition of 100% ownership of Forfivo XL®. The asset is being amortized over its expected useful life of 39 months. Amortization commenced upon commercial launch of Forfivo XL® in the fourth quarter of 2012.

### **Current Liabilities**

Current liabilities totaled \$621 thousand as at September 30, 2013 (December 31, 2012 - \$1,366 thousand) and consisted of accounts payable and accrued liabilities of \$313 thousand (December 31, 2012 - \$1,058 thousand) and the current portion of deferred license revenue of \$308 thousand (December 31, 2012 - \$308 thousand).

Accounts payable and accrued liabilities of \$313 thousand as at September 30, 2013 (December 31, 2012 - \$1,058 thousand) include approximately \$39 thousand related to research and development activities, approximately \$123 thousand relates to professional fees, and approximately \$135 thousand relates to accrued payroll liabilities. The decrease in accounts payable and accrued liabilities as at September 30, 2013, compared with December 31, 2012, primarily relates to the payment in the first quarter of 2013 of invoices received during the fourth quarter of 2012 that were outstanding as at December 31, 2012 in respect of R&D activities.

### **Deferred License Revenue**

Pursuant to the execution of a licensing agreement for Forfivo XL®, we received an upfront fee from Edgemont Pharmaceuticals in the first quarter of 2012, which we recognized as deferred license revenue. The deferred license revenue is amortized in income over the period where sales of Forfivo XL® are expected to be exclusive. As a result of this policy, we have a deferred revenue balance of \$694 thousand at September 30, 2013 (December 31, 2012: \$923 thousand) that has not been recognized as revenue, with \$386 thousand recognized as the non-current portion and \$308 thousand recognized in current assets as the current portion, compared with \$615 thousand and \$308 thousand respectively as at December 31, 2012.

### **Shareholders Equity**

As at September 30, 2013 we had accumulated a deficit of \$15,458 thousand compared with an accumulated deficit of \$14,463 thousand as at December 31, 2012. Total assets amounted to \$3,735 thousand and shareholders equity totaled \$2,728 thousand as at September 30, 2013, compared with total assets and shareholders equity of \$4,159 thousand and \$2,178 thousand respectively, as at December 31, 2012.

### **Capital Stock**

As at September 30, 2012 capital stock amounted to \$531 compared to \$499 at December 31, 2012. The increase reflects the issuance of 3,098,500 shares and 75,000 shares related to the exercise of warrants and stock options respectively, with all shares issued at par value of \$0.00001. Capital stock is disclosed at its par value with the excess of proceeds shown in Additional Paid-in-Capital.

### **Additional Paid-in-Capital**

Additional paid-in capital totaled \$17,919 thousand at September 30, 2013, compared with \$16,342 thousand at December 31, 2012. The increase relates in part to \$82 thousand for stock based compensation, of which \$15 thousand is attributable to the amortization of stock options granted to consultants, and \$67 thousand is attributable to the amortization of stock options granted to employees and directors. Additional paid-in capital increased further by \$1,464 thousand for warrants exercised, and by \$31 thousand for options exercised.



**Key items from the Statement of Cash Flows**

In U.S.\$ thousands	September 30, 2013	September 30, 2012	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Activities	\$ (725)	\$ (944)	\$ (219)	(23%)
Financing Activities	1,496	\$ 337	\$ 1,159	344%
Investing Activities	(260)	(248)	12	5%
Cash and cash equivalents - end of period	2,551	2,768	(217)	(8%)

**Statement of cash flows**

Net cash used by operating activities was \$725 thousand in the nine months ended September 30, 2013, compared with \$944 thousand for the nine months ended September 30, 2012. In the first nine months of 2013, net cash used by operating activities consisted of an operating loss of \$860 thousand (2012 - \$1,842 thousand) net of non-cash related expenses of approximately \$135 thousand (2012 - \$70 thousand), and an increase in non-cash operating elements of working capital of \$135 thousand (2012 - \$898 thousand).

Operating activities will continue to consume our available funds until we are able to generate increased revenues.

The net cash provided by financing activities was \$1,496 thousand in the first nine months of 2013, compared with \$337 thousand provided in the same period of the previous year. The net cash provided in the nine months ending September 30, 2013 resulted from the exercise of warrants (\$1,465 thousand) and options (\$31 thousand), whereas the cash provided in the same period of the previous year resulted entirely from the exercise of warrants.

Net cash used in investing activities amounted to \$260 thousand in the nine months ended September 30, 2013 compared with \$248 thousand in the same period of the previous year. Included within the use of funds in the first nine months of 2013 is an investment of approximately \$252 thousand in new equipment for our VersaFilm technology, compared with an investment of approximately \$207 thousand in the first nine months of 2012.

The balance of cash and cash equivalents as at September 30, 2013 amounted to \$2,551 thousand, compared with \$2,768 thousand at September 30, 2012.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**Forward-Looking and Cautionary Statements**

This report contains certain forward-looking statements that involve risks and uncertainties relating to, among other things, our future financial performance or future events. Forward-looking statements give management's current expectations, plans, objectives, assumptions or forecasts of future events. All statements other than statements of current or historical fact contained in this Form 10Q, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as anticipate, estimate, plans, potential, projects, ongoing, expects, management believes, we believe, similar expressions. These statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause actual results to differ materially from the results set forth in this Annual Report. You should not place undue reliance on these forward-looking statements. You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors such as:

- continued development of our technology;
- lack of product revenues

successful completion of clinical trials and obtaining regulatory approval to market  
ability to protect our intellectual property  
dependence on collaborative partners  
ability to generate positive cash flow  
ability to raise additional capital if and when necessary  
dependence on key personnel;  
competitive factors;  
the operation of our business; and  
general economic conditions.

These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward looking statements. These forward-looking statements speak only as of the date on which they are made, and except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**Item 3. Controls and Procedures.**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to cause the material information required to be disclosed by us in the reports that we file or submit under the Exchange Act to be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors which could significantly affect internal controls subsequent to the date we carried out our evaluation.

**PART II**

**Item 1. Legal Proceedings**

This Item is not applicable

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

This Item is not applicable.

**Item 3. Defaults Upon Senior Securities**

This Item is not applicable.

**Item 4. (Reserved)**

**Item 5. Other Information**

This Item is not applicable.

**Item 6. Exhibits**

Exhibit 31.1 Certification of C.E.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification of C.E.O. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**INTELGENX TECHNOLOGIES CORPORATION**

Date: November 8, 2013

By: /s/ Horst Zerbe

Horst G. Zerbe  
President, C.E.O. and Director

Date: November 8, 2013

By: /s/ Paul Simmons

Paul A. Simmons  
Principal Accounting Officer