

IntelGenx Technologies Corp.
Form 10-Q
May 14, 2015

**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 March 31, 2015

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

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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:

63,465,256 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of May 13, 2015.

IntelGenx Technologies Corp.
Form 10-Q

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IntelGenx Technologies Corp.

Consolidated Interim Financial Statements

March 31, 2015

(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)

	March 31, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents	\$ 3,819	\$ 4,399
Accounts receivable	76	652
Prepaid expenses	72	96
Investment tax credits receivable	122	108
Total Current Assets	4,089	5,255
Leasehold Improvements and Equipment, net	1,361	983
Intangible Assets (note 4)	25	46
Security Deposit	237	-
Total Assets	\$ 5,712	\$ 6,284
Liabilities		
Current		
Accounts payable and accrued liabilities	245	466
Current portion of term loan (note 7)	39	-
Deferred license revenue (note 6)	856	1,245
Total Current Liabilities	1,140	1,711
Term Loan (note 7)	356	-
Total Liabilities	1,496	1,711
Shareholders' Equity		
Capital Stock (note 8)	1	1
Additional Paid-in-Capital (note 9)	22,674	22,654
Accumulated Deficit	(17,902)	(17,848)
Accumulated Other Comprehensive Loss	(557)	(234)
Total Shareholders' Equity	4,216	4,573
	\$ 5,712	\$ 6,284

See accompanying notes

Approved on Behalf of the Board:/s/ Horst G. Zerbe Director/s/ Bernd Melchers Director

IntelGenx Technologies Corp.**Consolidated Statement of Shareholders' Equity****For the Period Ended March 31, 2015****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

	<u>Capital Stock</u>		Additional	Accumulated	Accumulated	Total
	Number	Amount	Paid-In	Deficit	Other	Shareholders'
			Capital		Comprehensive	Equity
					Loss	
Balance -						
December 31,						
2014	63,465,255	\$ 1	\$ 22,654	\$ (17,848)	\$ (234)	4,573
Foreign						
currency						
translation						
adjustment	-	-	-	-	(323)	(323)
Stock-based						
compensation						
(note 9)	-	-	20	-	-	20
Net loss for						
the period	-	-	-	(54)	-	(54)
Balance						
March 31,						
2015	63,465,255	\$ 1	\$ 22,674	\$ (17,902)	\$ (557)	4,216

See accompanying notes

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

	For the Three-Month Period Ended March 31,	
	2015	2014
Revenues		
Royalties	\$ 234	\$ 97
License and other revenue	391	125
Total Revenues	625	222
Expenses		
Cost of royalty and license revenue	84	-
Research and development expense	117	188
Selling, general and administrative expense	393	460
Depreciation of tangible assets	7	7
Amortization of intangible assets	9	9
Total Expenses	610	664
Operating income (loss)	15	(442)
Interest income	10	-
Financing and Interest expense	(79)	-
Net Loss	(54)	(442)
Other Comprehensive Loss		
Foreign currency translation adjustment	(323)	(231)
Comprehensive Loss	\$ (377)	\$ (673)
Basic and Diluted Weighted Average Number of Shares Outstanding	63,465,255	62,064,139
Basic and Diluted Loss Per Common Share (note 11)	\$ (0.00)	\$ (0.01)

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 March 31,	
	2015	2014
Funds Provided -		
Operating Activities		
Net loss	\$ (54)	\$ (442)
Amortization and depreciation	16	16
Stock-based compensation	20	32
	(18)	(394)
Changes in assets and liabilities:		
Accounts receivable	576	118
Prepaid expenses	24	41
Investment tax credits receivable	(14)	(17)
Security deposit	(237)	-
Accounts payable and accrued liabilities	(221)	(309)
Deferred revenue	(389)	(27)
Net change in assets and liabilities	(261)	(194)
Net cash used by operating activities	(279)	(588)
Financing Activities		
Issuance of term loans	395	-
Proceeds from exercise of warrants	-	1,064
Net cash provided by financing activities	395	1,064
Investing Activities		
Additions to property and equipment	(384)	(105)
Net cash used in investing activities	(384)	(105)
Increase (Decrease) in Cash and Cash Equivalents	(268)	371
Effect of Foreign Exchange on Cash and Cash Equivalents	(312)	(210)
Cash and Cash Equivalents		
Beginning of Period	4,399	5,005
End of Period	\$ 3,819	\$ 5,166

See accompanying notes

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

March 31, 2015

(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, 2014. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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

The FASB issued ASU No. 2014-08 which enhances convergence between U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments in the ASU change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expands disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in the ASU were effective in the first quarter of 2015 for public organizations with calendar year ends. 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

March 31, 2015

(Expressed in U.S. Funds)

(Unaudited)

3. Significant Accounting Policies

Recently Issued Accounting Pronouncements

ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis

The amendments in ASU 2015-02 are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The new standard reduces the number of consolidation models and improves current GAAP by:

-Placing more emphasis on risk of loss when determining a controlling financial interest.

-Reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity (VIE).

-Changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs.

The amendments are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. ASU 2015-02 may be applied retrospectively in previously issued financial statements. The adoption of this Statement is not expected to have a material effect on the Company's financial position or results of operations.

ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

The amendments in ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. The FASB heard from stakeholders that the concept of extraordinary items causes uncertainty because it is unclear when an item should be considered both unusual and infrequent. Additionally, some stakeholders said that although users find information about unusual or infrequent events and transactions useful, they do not find the extraordinary item classification and presentation necessary to identify those events and transactions. Other stakeholders noted that it is extremely rare in current practice for a transaction or event to meet the requirements to be presented as an extraordinary item. This ASU will also align more closely U.S. GAAP income statement presentation guidance with IAS 1, *Presentation of Financial Statements*, which prohibits the presentation and disclosure of extraordinary items. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this Statement is not expected to have a material effect on the Company's financial position or results of operations.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

March 31, 2015

(Expressed in U.S. Funds)

(Unaudited)

3. Significant Accounting Policies (Cont d)

ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

The FASB has issued ASU No. 2014-15 which is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. This ASU provides guidance to an organization’s management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

The FASB has issued ASU No. 2014-13 which will apply to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities guidance. The fair value of the financial assets of a collateralized financing entity, as determined under GAAP, may differ from the fair value of its financial liabilities even when the financial liabilities have recourse only to the financial assets. Before this ASU, there was no specific guidance in GAAP on how a reporting entity should account for that difference. The amendments in this ASU provide an alternative to Topic 820, Fair Value Measurement, for measuring the financial assets and the financial liabilities of a consolidated collateralized financing entity to eliminate that difference. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The adoption of this Statement is not expected to have a material effect on the Company’s financial position or results of operations.

ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for shared-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period.

The FASB has issued ASU No. 2014-12 which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, *Compensation – Stock Compensation*, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The adoption of this Statement is not expected to have a material effect on the Company’s financial position or results of operations.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

March 31, 2015

(Expressed in U.S. Funds)

(Unaudited)

3. Significant Accounting Policies (Cont d)

ASU No. 2014-09, Revenues from Contracts with Customers (Topic 606)

The FASB and IASB (the Boards) have issued converged standards on revenue recognition. ASU No. 2014-09 affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition* and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. This ASU is to be applied retrospectively, with certain practical expedients allowed. Early application is not permitted. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

4. Intangible Assets

As of March 31, 2015 NDA acquisition costs of \$25 thousand (December 31, 2014 - \$46 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.

5. Bank indebtedness

The Company's credit facility is subject to review annually and consists of an operating demand line of credit of up to CAD\$250 thousand and corporate credit cards of up to CAD\$55 thousand. Borrowings under the operating demand line of credit bear interest at the Bank's prime lending rate plus 2%. The credit facility and term loan (see note 7) are secured by a first ranking movable hypothec on all present and future movable property of the Company and a 50% guarantee by Export Development Canada, a Canadian Crown corporation export credit agency. The terms of the banking agreement require the Company to comply with certain debt service coverage and debt to net worth financial covenants on an annual basis at the end of the Company's fiscal year. As at March 31, 2015, the Company has not drawn on its credit facility.

IntelGenx Technologies Corp.**Notes to Consolidated Interim Financial Statements****March 31, 2015****(Expressed in U.S. Funds)****(Unaudited)****6. 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.

Pursuant to the execution of a licensing agreement for Forfivo XL®, IntelGenx received an upfront fee from Edgemont Pharmaceuticals (Edgemont) in the first quarter of 2012, which IntelGenx 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.

In the fourth quarter of 2014, Edgemont exercised its right to extend the license for the exclusive marketing of Forfivo XL®. In accordance with the terms for exercising such right, IntelGenx invoiced \$1.25 million to Edgemont and recognized the full amount as deferred revenue, to be amortized in income from October 2014 through September 2015.

As a result of this policy, IntelGenx has a deferred revenue balance of \$856 thousand at March 31, 2015 (December 31, 2014 - \$1,245 thousand) that has not been recognized as revenue.

7. Term loan

The Company's term loan facility consists of CAD\$500 thousand bearing interest at the Bank's prime lending rate plus 2.50%, and CAD\$3 million bearing interest at a fixed rate to be determined at drawdown. The term loan is subject to the same security and financial covenants as the bank indebtedness (see note 5).

The CAD\$3 million tranche of the term loan will be disbursed subsequent to meeting certain conditions based upon the Company's operating cash flow throughout the first six months of 2015 being positive. There is a moratorium on capital repayments for the first 6 months of each drawdown, at which point the term loan will be repayable in monthly instalments over 60 months.

	March 31, 2015	March 31, 2014
	\$	\$
Term loan	395	0
Current portion	39	0
	356	0

IntelGenx Technologies Corp.**Notes to Consolidated Interim Financial Statements****March 31, 2015****(Expressed in U.S. Funds)****(Unaudited)****7. Term loan (Cont d)**

Principal repayments due in each of the next five years are as follows:

2015	\$	20
2016		79
2017		79
2018		79
2019		79
Thereafter		59

8. Capital Stock

	March 31, 2015	December 31, 2014
Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
63,465,255 (December 31, 2014 - 63,465,255) common shares	\$ 635	\$ 635

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

No stock options were exercised during either of the three month periods ended March 31, 2014 or March 31, 2015.

Compensation expenses for stock-based compensation of \$20 thousand and \$32 thousand were recorded during the three-month periods ended March 31, 2015 and March 31, 2014 respectively. The entire amount expensed in each of the first quarters of 2015 and 2014 relates to stock options granted to employees and directors. As at March 31, 2015 the Company has \$53 thousand (2014 - \$194 thousand) of unrecognized stock-based compensation.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

March 31, 2015

(Expressed in U.S. Funds)

(Unaudited)

9. Additional Paid-In Capital (Cont d)

Warrants

No warrants were exercised during the three month period ended March 31, 2015. During the three month period ended March 31, 2014, a total of 1,666,388 warrants were exercised for 1,666,388 common shares having a par value of \$0 thousand in aggregate, for cash consideration of \$1,064 thousand, resulting in an increase in additional paid-in capital of \$1,064 thousand.

10. Related Party Transactions

Included in management salaries are \$1 thousand (2014 - \$15 thousand) for options granted to the Chief Executive Officer and \$11 thousand (2014 - \$11 thousand) for options granted to the Chief Financial Officer under the 2006 Stock Option Plan and \$3 thousand (2014 - \$3 thousand) for options granted to non-employee directors.

Also included in management salaries are director fees of \$40 thousand (2014 - \$22 thousand).

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.

11. 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.

12. Subsequent Events

Subsequent to the end of the quarter, on April 24, 2015 IntelGenx executed an agreement to lease approximately 17,000 square feet in a property located at 6420 Abrams, St-Laurent, Quebec (the Lease). The Lease has a 10 year and 6 month term commencing on September 1, 2015 and IntelGenx has retained two options to extend the Lease, with each option being for an additional five years. Under the terms of the Lease IntelGenx will be required to pay base rent of approximately CAD\$110 thousand (approximately \$87 thousand) per year, which will increase at a rate of CAD\$0.25 (\$0.20) per square foot every two years. IntelGenx plans to use the newly leased space to manufacture its oral film VersaFilm products, to enlarge its research and development capabilities, and for administration purposes.

On April 28, 2015 IntelGenx executed an agreement for the construction of manufacturing facilities, laboratories, and offices within the property located at 6420 Abrams, St-Laurent, Quebec, at an aggregate cost of CAD\$2.9 million (approximately \$2.3 million). IntelGenx plans to fund this project from cash on hand. Construction is anticipated to be completed in Q3, 2015.

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 (MD&A), 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.

Additional information relating to the Company, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the 2014 Form 10-K), is available on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission (the SEC) website at www.sec.gov.

All dollar amounts are expressed in U.S. dollars, unless otherwise noted.

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 up to three 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 continue to develop the existing products in our pipeline and may also perform research and development on other potential products as opportunities arise.

We plan to establish a state-of-the-art manufacturing facility for the future manufacture of our VersaFilm products as we believe that this:

- 1) represents a profitable business opportunity,
- 2) will reduce our dependency upon third-party contract manufacturers, thereby protecting our manufacturing process know-how and intellectual property, and
- 3) allows us to offer our clients and development partners a full service from product conception through to supply of the finished product.

As previously announced, we plan to finance the project from cash in hand and a government-backed bank financing of up to CAD\$3.5 million with BMO Bank of Montreal.

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 VersaFilm manufacturing capability, and increase our research and development activities.

Key developments

Product-related

Anti-depressant tablet, Forfivo XL®

On February 23, 2015 we provided an update on sales and marketing activities for Forfivo XL®, our first FDA-approved product that was launched in the USA in October 2012 under an exclusive commercialization agreement with Edgemont Pharmaceuticals LLC ("Edgemont").

According to Symphony Health Solutions, gross sales of Forfivo XL® totaled \$8.9 million in the year ending December 31st, 2014, compared with sales of \$2.7 million in the preceding year. The number of Forfivo XL® prescriptions filled increased from approximately 13,617 in 2013 to 30,378 in 2014. The average month-on-month growth rate of Forfivo XL® throughout 2014 exceeded 9%.

Forfivo XL® is indicated for 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. The active ingredient in Forfivo XL® is bupropion, the same active ingredient used in the well-known antidepressant product: Wellbutrin XL®.

Corporate

New Manufacturing Facility with increased R&D and Administration space

On April 24, 2015 we entered into an agreement to lease approximately 17,000 square feet in a property located at 6420 Abrams, St-Laurent, Quebec (the Lease). The Lease has a 10 year and 6 month term commencing on September 1, 2015 and we have retained two options to extend the Lease, with each option being for an additional five years. Under the terms of the Lease we are will be required to pay base rent of approximately CAD\$110 thousand (approximately \$87 thousand) per year, which will increase at a rate of CAD\$0.25 (\$0.20) per square foot every two years. We plan to use the newly leased space to manufacture our oral film VersaFilm products, to enlarge our research and development capabilities, and for administration purposes.

On April 29, 2015 we entered into an agreement for the construction of manufacturing facilities, laboratories, and offices within the property located at 6420 Abrams, St-Laurent, Quebec, at an aggregate cost of CAD\$2.9 million (approximately \$2.3 million). The construction agreement was awarded to BTL Construction Inc. (BTL) in Quebec following a tender process that was completed in December 2014. BTL specializes in the renovation of existing buildings for pharmaceutical use and has completed projects for various major pharmaceutical companies. We plan to

fund this project from cash on hand. Construction is anticipated to be completed in Q3, 2015.

On March 16, 2015 we received CAD\$500 thousand (approximately \$430 thousand) in cash as part of a credit facility of up to CAD\$3.5 million (approximately \$3.0 million) negotiated with BMO Bank of Montreal (BMO). The credit facility is supported by a 50% guarantee under the Export Guarantee Program from Export Development Canada, Canada's export credit agency. Management expects disbursement of the remaining CAD\$3.0 million (\$2.6 million) to follow after BMO has reviewed (in August 2015) our operating results for the first 6 months of 2015. The credit facility may be drawn down in multiple disbursements over 12 months and, after a 6 month moratorium on the capital, has a repayment term of up to 60 months. The financial covenants of the credit facility require us to maintain a Minimum Debt Service Coverage ratio of 1.25:1, and a Maximum Total Debt to Tangible Net Worth ratio of 2.5:1. Based upon Management's business forecasts and projections, Management believes that we will be able to fully comply with these financial covenants. We intend to use the funds for the purchase and installation of new equipment for our new, state-of-the-art, manufacturing facility.

On March 16, 2015 we placed an order for 2 packaging machines to be manufactured by Harro Höfliger Verpackungsmaschinen GmbH (Harro Höfliger) and installed in our new, state-of-the-art, manufacturing facility. Harro Höfliger is widely recognized as a high end supplier of production and packaging equipment, primarily to the pharmaceutical and medical device industries, and is noted for providing innovative, custom equipment to meet the needs of customers. Our purchase order consists of one commercial grade packaging machine and one smaller machine for our R&D laboratories. The purchase order, in the aggregate amount of approximately €1.5 million (approximately \$1.6 million), requires immediate payment of a 20% deposit with a further 70% to be paid upon delivery of each machine and the balance of 10% to be paid upon satisfactory completion of a Site Acceptance Test of each machine. The packaging machine for our R&D laboratories is expected to be delivered in Q3, 2015 and the commercial grade packaging machine is expected to be delivered in Q4, 2015. We intend to finance the acquisition of these 2 machines with the credit facility negotiated with BMO, as discussed above.

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. In summary, when comparing the currency rates used to prepare our financial statements for Q1, 2015 with the rates used to prepare our financial statements for Q1, 2014, the strengthened US dollar resulted in an unrealized loss of approximately \$557 thousand on our cash position at March 31, 2015, but reduced our net loss from operations by approximately \$8 thousand for quarter ending March 31, 2015. The following management discussion and analysis takes this into consideration whenever material.

Results of operations for the three month period ended March 31, 2015 compared with the three month period ended March 31, 2014.

In U.S.\$ thousands			Increase/ (Decrease)	Percentage Increase/ (Decrease)
	2015	2014		
Revenue	\$ 625	\$ 222	\$ 403	182%
Cost of Royalty and License Revenue	84	-	84	N/A
Research and Development Expenses	117	188	(71)	(38%)
Selling, General and Administrative Expenses	393	460	(67)	(15%)
Depreciation of tangible assets	7	7	0	0%
Amortization of intangible assets	9	9	0	0%
Operating Income / (Loss)	15	(442)	(427)	(97%)
Net Loss	(54)	(442)	(388)	(885)
Revenue				

Total revenue in the first three months increased from \$222 thousand in 2014 to \$625 thousand in 2015, representing an increase of 182%.

Of the total revenue recorded during the first quarter of 2015, \$625 thousand (2014: \$173 thousand) relates 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. In the fourth quarter of 2014, Edgemont exercised its right to extend the license for the exclusive marketing of Forfivo XL®. In accordance with the terms for exercising such right, we invoiced \$1.25 million to Edgemont and recognized the full amount as deferred revenue, to be amortized in income from October 2014 through September 2015. As a result of this policy, we recognized \$391 thousand (2014 - \$77 thousand) in income during the three months ended March 31, 2015. As at March 31, 2015, we have a deferred revenue balance of \$856 thousand (December 31, 2014: \$1,245 thousand) that has not been recognized as revenue. In addition, in Q1, 2015 we recognized approximately \$234 thousand (2014 - \$96 thousand) of royalty income earned from the sale of Forfivo XL®. Forfivo XL® is indicated for the treatment of MDD and is the only extended-release bupropion HCl product to provide a once-daily, 450mg dose in a single tablet.

The level of sales achieved for Forfivo XL® continues to improve significantly. According to Symphony Health Solutions, gross sales of Forfivo XL® totaled \$4.0 million in the quarter ending March 31st, 2015 compared with \$1.3 million in the same period of last year, representing an increase of 194%. The number of Forfivo XL® prescriptions that were filled increased by 82% from approximately 5,800 in the first quarter of 2014 to approximately 10,600 in the first quarter of 2015.

We expect sales of Forfivo XL® to continue this growth trend for the foreseeable future for the following reasons:

- a) Settlement of the Paragraph IV litigation with Wockhardt Bio AG in November 2014 should prevent the entry of generic competition into the marketplace until early 2018, and
- b) Increased marketing activities undertaken by our commercialization partner, Edgemont, including a recent 3-fold increase in sales staff for the product, should maintain, if not increase, momentum.

Cost of royalty and license revenue

We recorded \$84 thousand for the cost of royalty and license revenue in the first three months of 2015, compared with \$Nil in the same period of 2014. These expenses relate to a Project Transfer Agreement that was executed in May 2010 with one of our former development partners whereby we acquired full rights to, and ownership of, Forfivo XL®, our novel, high strength formulation of Bupropion hydrochloride, the active ingredient in Wellbutrin XL®. Pursuant to the Project Transfer Agreement, and following commercial launch of Forfivo XL® in October 2012, we are required, after recovering an aggregate \$200 thousand for management fees previously paid, to pay our former development partner 10% of net income received from the sale of Forfivo XL®. We recovered the final portion of the management fees in December 2014, thereby invoking payments to our former development partner.

Research and development (R&D) expenses

R&D expenses decreased to \$117 thousand in the three months ended March 31, 2014, representing a decrease of \$71 thousand, or 38%, compared with the amount of \$188 thousand expensed in the same period of last year.

R&D expenses are heavily influenced by the costs of clinical studies, the frequency, timing and size of which vary considerably. We did not perform any clinical studies in the first quarter of 2015, whereas in the first quarter of 2014 we completed a pilot clinical study for our VersaFilm product for erectile dysfunction that indicated bioequivalence with the leading brand reference listed drug Tadalafil.

Included within R&D expenses for the first three months of 2015 are R&D Salaries of \$114 thousand, of which approximately \$3 thousand represents non-cash compensation. This compares to R&D salaries of \$115 thousand in the first three months of 2014, of which approximately \$2 thousand represented non-cash compensation.

In the three months ended March 31, 2015 we recorded estimated Research and Development Tax Credits and refunds of \$24 thousand, compared with \$27 thousand that was recorded in the same period of the previous year.

Selling, general and administrative (SG&A) expenses

SG&A expenses decreased to \$393 thousand in the three months ended March 31, 2015, representing a decrease of \$67 thousand, or 15%, compared with the amount of \$460 thousand expensed in the same period of last year. The decrease is primarily attributable to reduced legal expenses of \$42 thousand due to settlement in November 2014 of the Paragraph IV litigation with Wockhardt Bio AG.

Included in SG&A expenses are approximately \$12 thousand (2014: \$27 thousand) in non-cash compensation from options granted to management and employees in 2013 and 2014, and \$5 thousand (2014: \$3 thousand) in non-cash compensation from options granted to non-employee directors in 2013 and 2014.

Depreciation of tangible assets

In the three months ended March 31, 2015 we recorded an expense of \$7 thousand for the depreciation of tangible assets, compared with an expense of \$7 thousand for the same period of the previous year.

Amortization of intangible assets

The amortization of intangible assets expense for the first three months of 2015 totaled \$9 thousand, compared with \$9 thousand in the same period of last year. This 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 \$20 thousand for the three months ended March 31, 2015, compared with \$32 thousand for the three months ended March 31, 2014.

We expensed approximately \$15 thousand in the first three months of 2015 for options granted to our employees in 2013 and 2014 under the 2006 Stock Option Plan, and approximately \$5 thousand for options granted to non-employee directors in 2013 and 2014, compared with \$29 thousand and \$3 respectively that was expensed in the same period of the previous year.

There remains approximately \$53 thousand in stock based compensation to be expensed in fiscal 2014 and 2015, all of which relates to the issuance of options to our employees and directors during 2013 and 2014. 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	March 31, 2015	December 31, 2014	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Current Assets	\$ 4,089	\$ 5,255	\$ (1,166)	(22%)
Leasehold improvements and Equipment	1,361	983	378	38%
Intangible Assets	25	46	(21)	(46%)
Security Deposit	237	-	237	N/A
Current Liabilities	245	466	(221)	(47%)
Deferred License Revenue	856	1,245	(389)	(31%)
Term Loan	395	-	395	N/A
Capital Stock	1	1	0	0%
Additional Paid-in-Capital	22,674	22,654	20	0%

Current assets

Current assets totaled \$4,089 thousand at March 31, 2015 compared with \$5,255 thousand at December 31, 2014. The decrease of \$1,116 thousand is attributable to a decrease in cash and cash equivalents of approximately \$580 thousand, a decrease in accounts receivable of approximately \$576 thousand and a decrease in prepaid expenses of approximately \$24 thousand, partly offset by an increase in investment tax credits receivable of approximately \$14 thousand.

Cash and cash equivalents

Cash and cash equivalents totaled \$3,819 thousand as at March 31, 2015 representing a decrease of \$580 thousand compared with the balance of \$4,399 thousand as at December 31, 2014. The decrease in cash on hand relates to net cash used by operating activities of \$279 thousand, net cash used in investing activities of \$384 thousand, and an unrealized foreign exchange loss of \$312 thousand, partly offset with net cash provided by financing activities of \$395 thousand.

The cash provided by financing activities derives from the first tranche of a term loan in the amount of CAD\$500 thousand negotiated with BMO Bank of Montreal secured by a first ranking movable hypothec on all present and future movable property of the Company and a 50% guarantee by Export Development Canada, a Canadian Crown corporation export credit agency. A second tranche, in the amount of CAD\$3 million, will be disbursed subsequent to meeting certain conditions based upon the Company's operating cash flow throughout the first six months of 2015 being positive. There is a moratorium on capital repayments for the first 6 months of each drawdown, at which point the term loan will be repayable in monthly instalments over 60 months.

Accounts receivable

Accounts receivable totaled \$76 thousand as at March 31, 2015 representing a decrease of \$576 thousand compared with the balance of \$652 thousand as at December 31, 2014. In Q4, 2014 Edgemont exercised its right to extend the license for the exclusive marketing of Forfivo XL®. In accordance with the terms for exercising such right, IntelGenx invoiced \$1.25 million to Edgemont in Q4, 2014 and received payment of \$650 thousand in December 2014 and the balance of \$600 thousand in February 2015.

Prepaid expenses

As at March 31, 2015 prepaid expenses totaled \$72 thousand compared with \$96 thousand as of December 31, 2014. The decrease in prepaid expenses is attributable to the advance payment in December 2014 of certain expenses that related to services provided in the first quarter of 2015, together with the depreciation of the Canadian dollar by approximately 8.4% between December 31, 2014 and March 31, 2015.

Investment tax credits receivable

R&D investment tax credits receivable totaled approximately \$122 thousand as at March 31, 2015 compared with \$108 thousand as at December 31, 2014. The increase relates to the accrual estimated and recorded for the first quarter of 2015.

Leasehold improvements and equipment

As at March 31, 2015, the net book value of leasehold improvements and equipment amounted to \$1,361 thousand, compared to \$983 thousand at December 31, 2014. In the three months ended March 31, 2015 additions to assets totaled \$384 thousand and comprised \$381 thousand for manufacturing and packaging equipment required for our new, state-of-the-art, VersaFilm manufacturing facility, and \$3 thousand for leasehold improvements related to our new manufacturing facility at 6425 Abrams, St-Laurent, Quebec. In the three months ended March 31, 2015 we recorded depreciation on leasehold improvements and equipment of \$7 thousand and incurred an unrealized foreign exchange gain \$1 thousand.

Intangible assets

As at March 31, 2015 NDA acquisition costs of \$25 thousand (December 31, 2014 - \$46 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 and amortization commenced upon commercial launch of Forfivo XL® in the fourth quarter of 2012.

Security deposit

A security deposit in the amount of CAD\$300 thousand (\$237 thousand) in respect of an agreement to lease approximately 17,000 square feet in a property located at 6420 Abrams, St-Laurent, Quebec was recorded as at March 31, 2015.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities totaled \$245 thousand as at March 31, 2015 (December 31, 2014 - \$466 thousand) and include approximately \$11 thousand related to research and development activities, \$19 thousand related to legal and professional fees, \$22 thousand related to securing our bank financing, \$4 thousand related to our new facility located at 6420 Abrams, St-Laurent, Quebec, \$181 thousand related to accrued payroll liabilities, and \$8 thousand of other liabilities.

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 being amortized in income over the period where sales of Forfivo XL® are expected to be exclusive.

In the fourth quarter of 2014, Edgemont exercised its right to extend the license for the exclusive marketing of Forfivo XL®. In accordance with the terms for exercising such right, IntelGenx invoiced \$1.25 million to Edgemont and recognized the full amount as deferred revenue, to be amortized in income from October 2014 through September 2015.

As a result of this policy, we have a deferred revenue balance of \$856 thousand at March 31, 2015 (December 31, 2014: \$1,245 thousand) that has not been recognized as revenue

Shareholders equity

As at March 31, 2015 we had accumulated a deficit of \$17,902 thousand compared with an accumulated deficit of \$17,848 thousand as at December 31, 2014. Total assets amounted to \$5,712 thousand and shareholders equity totaled \$4,216 thousand as at March 31, 2015, compared with total assets and shareholders equity of \$6,284 thousand and \$4,573 thousand respectively, as at December 31, 2014.

Capital stock

As at March 31, 2015 capital stock amounted to \$635 (December 31, 2014: \$635). 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 \$22,674 thousand at March 31, 2015, as compared to \$22,654 thousand at December 31, 2014. Additional paid in capital increased by \$20 thousand for stock based compensation, all of which is attributable to the amortization of stock options granted to employees and directors

Taxation

As at December 31, 2014, the date of our latest annual tax return, we had Canadian and provincial net operating losses of approximately \$9,530 thousand (December 31, 2013: \$8,874 thousand) and \$9,683 thousand (December 31, 2013: \$9,040 thousand) respectively, which may be applied against earnings of future years. Utilization of the net operating

losses is subject to significant limitations imposed by the change in control provisions. Canadian and provincial losses will be expiring between 2027 and 2034. A portion of the net operating losses may expire before they can be utilized.

As at December 31, 2014, we had non refundable tax credits of \$1,100 thousand (December 31, 2013: \$1,098 thousand) of which \$20 thousand is expiring in 2017, \$194 thousand is expiring in 2018, \$170 thousand is expiring in 2019, \$145 thousand is expiring in 2020, \$154 thousand is expiring in 2021, \$193 thousand is expiring in 2022 and \$129 thousand is expiring in 2023 and \$95 thousand is expiring in 2024. We also had undeducted research and development expenses of \$4,805 thousand (December 31, 2013: \$4,354 thousand) with no expiration date.

The deferred tax benefit of these items was not recognized in the accounts as it has been fully provided for.

Key items from the statement of cash flows

In U.S.\$ thousands	March 31, 2015	March 31, 2014	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Activities	\$ (279)	\$ (588)	\$ (309)	(53%)
Financing Activities	395	1,064	(669)	(63%)
Investing Activities	(384)	(105)	279	266%
Cash and cash equivalents - end of period	3,819	5,166	(1,347)	(26%)

Statement of cash flows

Net cash used by operating activities was \$279 thousand in the three months ended March 31, 2015, compared to \$588 thousand for the three months ended March 31, 2014. In the first three months of 2015, net cash used by operating activities consisted of an operating loss of \$18 thousand (2014: \$394 thousand) and an increase in non-cash operating elements of working capital of \$261 thousand compared with an increase of \$194 thousand in the first three months of 2014.

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 \$395 thousand in the first three months of 2015, compared to \$1,064 thousand provided in the same period of the previous year. The net cash provided in the first three months of 2015 derives from the first tranche of a term loan in the amount of CAD\$500 thousand negotiated with BMO Bank of Montreal, whereas the net cash provided in the first three months of 2014 resulted from the exercise of warrants.

Net cash used in investing activities amounted to \$384 thousand in the three months ended March 31, 2015 compared to \$105 thousand in the same period of 2014. The net cash used in investing activities in the first three months of 2015 relates exclusively to the purchase of fixed assets and comprised \$381 thousand for manufacturing and packaging equipment required for our new, state-of-the-art, VersaFilm manufacturing facility, and \$3 thousand for leasehold improvements related to our new manufacturing facility at 6425 Abrams, St-Laurent, Quebec.

The balance of cash and cash equivalents as at March 31, 2015 amounted to \$3,819 thousand, compared to \$5,166 thousand at March 31, 2014.

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

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: May 14, 2015

By: /s/ Horst G. Zerbe
Horst G. Zerbe
President, C.E.O. and
Director

Date: May 14, 2015

By: /s/ Paul A. Simmons
Paul A. Simmons
Principal Accounting Officer
