

IntelGenx Technologies Corp.  
Form DEF 14A  
September 04, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  [ X ]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

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[ X ] Definitive Proxy Statement

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**INTELGENX TECHNOLOGIES CORP.**

(Name of Registrant as specified in its charter)

(Name of Person(s) Filing Proxy Statement), if other than Registrant

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**INTELGEX TECHNOLOGIES CORP.**

6425 Abrams  
Ville St-Laurent, Quebec H4S 1X9

September 4, 2009

Dear Shareholder:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of IntelGenx Technologies Corp., which will be held at 10:00 am on October 5, 2009, at the Company's corporate offices located at 6425 Abrams, Ville St-Laurent, Quebec H4S 1X9, Canada. Details of the business to be conducted at the Meeting are provided in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the Meeting, it is important that your shares be represented and voted at the Meeting. Therefore, I urge you to vote your shares as soon as possible. Instructions in the proxy card will tell you how to vote by e-mail, by telephone, or by returning your proxy card by mail. The proxy statement explains more about proxy voting. Please read it carefully.

I look forward to meeting those of you who will be able to attend the Meeting, and I appreciate your continued support of our company.

Sincerely,

*/s/ Horst G. Zerbe*

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Horst G. Zerbe  
Chairman of the Board of Directors and Chief Executive Officer

**INTELGEX TECHNOLOGIES CORP.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON OCTOBER 5, 2009**

**To the Shareholders of IntelGenx Technologies Corp.:**

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting (the Annual Meeting ) of Shareholders of IntelGenx Technologies Corp., a Delaware corporation ( IntelGenx or the Company ), will be held at 10:00 am on October 5, 2009, at the Company's corporate offices located at 6425 Abrams, Ville St-Laurent, Quebec H4S 1X9, Canada for the following purposes:

1.

To elect four directors to the Company's Board of Directors to serve until the next Annual Meeting of Shareholders of the Company and until their successors are duly elected and qualified;

2.

To ratify the appointment of RSM Richter LLP as the Company's Independent Registered Public Accountants for the 2009 fiscal year; and

3.

To consider and transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The foregoing items are more fully described in the Proxy Statement, which is attached and made a part of this Notice.

The Board of Directors has fixed the close of business on September 2, 2009 as the date for determining the shareholders of record entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments thereof.

Dated: September 4, 2009

By Order of the Board of Directors,

*/s/Ingrid Zerbe*

Ingrid Zerbe

Corporate Secretary

**SHAREHOLDERS ARE URGED TO FILL IN, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY BY E-MAIL, MAIL OR FAX (FAX NUMBER: 514-331-0436).**

It is desirable that as many shareholders as possible be represented, in person or by proxy, at the Annual Meeting. Consequently, whether or not you now expect to be present, please execute and return the enclosed proxy. You have the power to revoke your proxy at any time before it is exercised, and the giving of a proxy will not affect your right to vote in person if you attend the Annual Meeting.

**PLEASE NOTE THAT CERTAIN DIRECTORS AND MEMBERS OF MANAGEMENT (THE CONTROLLING SHAREHOLDERS ) CONTROL APPROXIMATELY 46% OF THE COMPANY S STOCK. THE CONTROLLING SHAREHOLDERS HAVE INFORMED THE COMPANY THAT THEY WILL BE VOTING "FOR" ALL OF THE PROPOSALS SET FORTH HEREIN. ACCORDINGLY, THE CONTROLLING SHAREHOLDERS WILL HAVE THE PRACTICAL ABILITY TO ELECT THE ENTIRE BOARD OF DIRECTORS AND TO DETERMINE THE OUTCOME OF MATTERS SUBMITTED TO SHAREHOLDERS FOR APPROVAL.**

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**INTELGEX TECHNOLOGIES CORP.**

6425 Abrams

Ville St-Laurent, Quebec H4S 1X9

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**October 5, 2009**

**Introduction**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of IntelGenx Technologies Corp. (the **Company**) for use at the Company's Annual Meeting of Shareholders to be held on October 5, 2009, and at any adjournment thereof (the **Meeting**). Further, solicitation of proxies may be made personally, or by telephone or facsimile, by regularly employed officers and other employees of the Company, who will receive no additional compensation for such.

Only Shareholders of record (each a **Shareholder** and collectively, the **Shareholders**) at the close of business on September 2, 2009 (the **Record Date**) are entitled to vote at the Meeting. As of the Record Date, there were issued and outstanding 22,350,113 shares of the Company's common stock (the **Common Stock**). Each outstanding share of Common Stock is entitled to one vote on all matters properly coming before the Meeting. All properly executed, unrevoked proxies on the enclosed form of proxy that are received in time will be voted in accordance with the Shareholder's directions and, unless contrary directions are given, will be voted for the proposals (each a **Proposal** and collectively the **Proposals**) described below. Anyone giving a proxy may revoke it at any time before it is exercised by giving the board of directors of the Company written notice of the revocation, by submitting a proxy bearing a later date or by attending the Meeting and voting in person.

The presence in person or by properly executed proxy of holders representing a majority of the issued and outstanding shares of the Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Meeting. Assuming a quorum is present at the Meeting, approval of each of the two proposals presented herein requires the vote of a majority of the shares of common stock present or represented by proxy and voting at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by the Secretary of the Company who will act as inspector of elections and who will determine whether or not a quorum is present. Shares of Common Stock represented by proxies that are marked **abstain** will be included in the determination of the number of shares present and voting for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions are not counted as voted either for or against a Proposal.

The Board of Directors of the Company (the **Board**) has adopted and approved each of the Proposals set forth herein and recommends that the Company's Shareholders vote **FOR** each of the Proposals.

**PLEASE NOTE THAT CERTAIN DIRECTORS AND MEMBERS OF MANAGEMENT (THE CONTROLLING SHAREHOLDERS) CONTROL APPROXIMATELY 46% OF THE COMPANY'S STOCK. THE CONTROLLING SHAREHOLDERS HAVE INFORMED THE COMPANY THAT THEY WILL BE VOTING "FOR" ALL OF THE PROPOSALS SET FORTH HEREIN. ACCORDINGLY, THE CONTROLLING SHAREHOLDERS WILL HAVE THE PRACTICAL ABILITY TO ELECT THE ENTIRE BOARD OF DIRECTORS AND TO DETERMINE THE OUTCOME OF MATTERS SUBMITTED TO SHAREHOLDERS FOR APPROVAL.**

Copies of the Company's Annual Reports on Form 10-K of the Company for the fiscal year ended December 31, 2008 (the **2008 Fiscal Year**) and Form 10-Q for the fiscal quarter ended June 30, 2009, including financial statements,

which are incorporated by reference into this Proxy Statement and made a part hereof, are being mailed or sent electronically concurrently herewith to all shareholders of record at the close of business on September 2, 2009.

This Proxy Statement, the accompanying Notice of Meeting and the form of proxy have been first mailed to the Shareholders on or about September 4, 2009.

**The date of this Proxy Statement is September 4, 2009.**



## QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

### 1. WHAT IS A PROXY?

It is your legal designation of another person to vote the stock that you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. Dr. Horst Zerbe, our President and Chief Executive Officer, has been designated as a proxy for the 2009 Annual Meeting of Shareholders.

### 2. WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?

The record date for the 2009 Annual Meeting of Shareholders is September 2, 2009. The record date is established by the Company as required by Delaware law and our By-laws. Shareholders of record (registered shareholders and street name holders) at the close of business on the record date are entitled to:

- (a) receive notice of the meeting; and
- (b) vote at the meeting and any adjournments or postponements of the meeting.

### 3. WHAT IS THE DIFFERENCE BETWEEN A REGISTERED SHAREHOLDER AND A SHAREHOLDER WHO HOLDS STOCK IN STREET NAME?

If your shares of stock are registered in your name on the books and records of our transfer agent, you are a registered shareholder.

If your shares of stock are held for you in the name of your broker or bank, your shares are held in street name. The answer to Question 12 describes brokers' discretionary voting authority and when your bank or broker is permitted to vote your shares of stock without instructions from you.

### 4. WHAT ARE THE DIFFERENT METHODS THAT I CAN USE TO VOTE MY SHARES OF COMMON STOCK?

#### (a) In Writing:

All shareholders of record can vote by mailing in their completed proxy card (in the case of registered shareholders) or their completed vote instruction form (in the case of street name holders).

#### (b) In Person:

All shareholders may vote in person at the meeting (unless they are street name holders without a legal proxy).

### 5. HOW CAN I REVOKE A PROXY?

You can revoke a proxy prior to the completion of voting at the meeting by: (a) giving written notice to our Secretary; (b) delivering a later-dated proxy; or (c) voting in person at the meeting.

### 6. ARE VOTES CONFIDENTIAL? WHO COUNTS THE VOTES?

We will hold the votes of each shareholder in confidence from directors, officers and employees except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against us; (b) in case of a contested proxy solicitation;

(c) if a shareholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or

(d) to allow the independent inspectors of election to certify the results of the vote.

**7. WHAT ARE THE VOTING CHOICES WHEN VOTING ON DIRECTOR NOMINEES, AND WHAT VOTE IS NEEDED TO ELECT DIRECTORS?**

When voting on the election of director nominees to serve until the 2009 Annual Meeting of Shareholders, shareholders may: (a) vote in favor of all nominees; (b) vote to withhold votes as to all nominees; or

(c) withhold votes as to specific nominees.

Directors will be elected by a majority of the votes cast. Our Board recommends a vote **FOR** all of the nominees.

**8. WHAT ARE THE VOTING CHOICES WHEN VOTING ON THE RATIFICATION OF THE SELECTION OF RSM RICHTER LLP, AND WHAT VOTE IS NEEDED TO RATIFY ITS SELECTION?**

When voting on the ratification of the selection of RSM Richter LLP as our independent registered public accounting firm, shareholders may:

(a) vote in favor of the ratification; (b) vote against the ratification; or (c) abstain from voting on the ratification.

The selection of the independent registered public accounting firm will be ratified if the votes cast **FOR** are a majority of the votes present at the meeting. The Board recommends a vote **FOR** this proposal.

**9. WHAT IF A SHAREHOLDER DOES NOT SPECIFY A CHOICE FOR A MATTER WHEN RETURNING A PROXY?**

Shareholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, proxies which are signed and returned will be voted **FOR** the election of all director nominees, and **FOR** the proposal to ratify the selection of RSM Richter LLP.

**10. WHO IS ENTITLED TO VOTE?**

You may vote if you owned stock as of the close of business on September 2, 2009. Each share of our common stock is entitled to one (1) vote.

**11. WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?**

It means that your shares are registered differently or that you have multiple accounts with brokers or our transfer agent. Please vote all of these shares. We recommend that you contact your broker or our transfer agent to consolidate as many accounts as possible under the same name and address. Our U.S. transfer agent is StockTrans, 44 W. Lancaster Ave., Ardmore PA 19003, Tel. 610-649-7300.

**12. WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?**

If your shares are registered in your name, they will not be voted unless you submit your proxy card, or vote in person at the meeting. If your shares are held in street name, your bank, brokerage firm or other nominee, under some circumstances, may vote your shares.

Brokerage firms, banks and other nominees may vote customers' un-voted shares on routine matters. Generally, a broker may not vote a customer's un-voted shares on non-routine matters without instructions from the customer and must instead submit a broker non-vote. A broker non-vote is counted toward the shares needed for a quorum, but it is not counted in determining whether a matter has been approved.

**13. ARE ABSTENTIONS AND BROKER NON-VOTES COUNTED?**

Broker non-votes will not be included in vote totals and will not affect the outcome of the vote. In matters other than the elections of directors, abstentions have the effect of votes against a proposal in tabulations of the votes cast on proposals presented to shareholders.

**14. HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?**

To hold the meeting and conduct business, a majority of our outstanding voting shares as of September 2, 2009 must be present or represented by proxy at the meeting. On this date, a total of 22,350,113 shares of our common stock were outstanding and entitled to vote. Shares representing a majority must be present. This is called a quorum.

Votes are counted as present at the meeting if the shareholder either: (a) Is present and votes in person at the meeting; or (b) Has properly submitted a proxy card.

15. WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?

We will announce preliminary voting results at the annual meeting and publish final results in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

16. UNDER WHAT CIRCUMSTANCES WOULD THE ANNUAL MEETING BE ADJOURNED?

Although it is not expected, the annual meeting may be adjourned in the absence of a quorum for the purpose of obtaining a quorum. Any adjournment may be made without notice, other than by an announcement made at the annual meeting, by the affirmative vote of a majority of the voting shares present in person or by properly executed proxy at the annual meeting.

**WHO CAN HELP ANSWER YOUR QUESTIONS**

If you have any questions about any of the proposals to be presented at the annual meeting or how to submit your proxy card, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, you should contact:

**INTELGENX TECHNOLOGIES CORP.**

6425 Abrams  
Ville St-Laurent, Quebec H4S 1X9  
Telephone: 514-331-7440  
Facsimile: 514-331-0436  
Email: Ingrid@intelgenx.com  
Attention: Ingrid Zerbe

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**General**

Four directors are to be elected to the Company's Board of Directors at the Meeting to hold office until the next annual meeting or until their successors are elected. Assuming a quorum is present, the four nominees receiving the highest number of affirmative votes of shares entitled to be voted for such persons will be elected as directors of the Company for the ensuing year. Unless marked otherwise, proxies received will be voted FOR the election of the nominees named below. The following schedule sets forth certain information concerning the nominees for election as directors.

In the event the nominees are unable or unwilling to serve as directors at the time of the Annual Meeting, the proxies will be voted for any substitute nominees designated by the present Board or the proxy holders to fill such vacancy, or for the balance of the nominees named without nomination of a substitute, or the size of the Board will be reduced in accordance with the Bylaws of the Company. The Board has no reason to believe that the persons named below will be unable or unwilling to serve as nominees or as directors if elected.

Listed below are the nominees for directors, with information showing the principal occupation or employment of the nominees for director, the principal business of the corporation or other organization in which such occupation or employment is carried on, and such nominees' business experience during the past five years. Such information has been furnished to the Company by the director nominees:

<b>Name</b>	<b>Age</b>
Horst G. Zerbe, Ph.D.	62
J. Bernard Boudreau	65
John (Ian) Troup	67
Bernd J. Melchers	58
<b>Horst G. Zerbe, Ph.D.</b>	

Dr. Zerbe has more than 20 years experience in the pharmaceutical industry. He has been the President, Chief Executive Officer, and Chairman of IntelGenx Technologies Corp. since April 2006. In addition, Dr. Zerbe has served as the President, Chief Executive Officer and Director of IntelGenx Corp., our Canadian Subsidiary, since 2005. From 1998 to 2005, he served as the president of Smatrix Technologies Inc. in Montreal; prior thereto, from 1994 to 1998, he was Vice President of R&D at LTS Lohmann Therapy Systems in West Caldwell, NJ. He has published numerous scientific papers in recognized journals and holds over 30 patents.

**J. Bernard Boudreau**

Mr. Boudreau has been a director of IntelGenx since June, 2006. From 2005 to 2008 Mr. Boudreau has served as the Vice-president of Pharmeng International Inc., a company listed on the Toronto Stock Exchange. Since 2001 he is President and CEO of Radcliffe Consulting and Investment Limited, a private consulting firm located in Halifax, N.S., and served on the Board of Directors of a number of public and private companies, including Export Development Canada and the Bank of Canada.

Mr. Boudreau has a distinguished record as a lawyer, businessman and public figure. His litigation experience includes successful appearances at every level of the judicial system in Nova Scotia. He was appointed as Queen's Counsel in 1985. Mr. Boudreau was first elected to the provincial legislature of Nova Scotia in 1988. He served as Chair of the Public Accounts Committee and opposition critic for Finance and Economic Development. In 1993 he was re-elected as a member of government and held responsibilities as Minister of Finance, Minister of Health, Chair of the Cabinet Priorities and Planning Committee. Mr. Boudreau served as Government Leader in the Senate of Canada and Member of the federal Cabinet between 1999 and 2001.

**John (Ian) Troup**

Mr. Troup has been a director of IntelGenx Technologies Corp. since May 2008. Since April 2008 Mr. Troup has been a Director of Vital Medix, an early stage drug development company. In July 2007 he was appointed to the Board of Medisyn Technologies Inc a privately held in silica drug discovery and development company. From September 1995 until December 2003 Mr. Troup was President and COO with Upsher-Smith Laboratories a privately held generic company. Prior to this he was, from July 1986 to October 1995, President and Board member of Schwarz Pharma in the USA.

Born and educated in Scotland, Mr. Troup has worked in senior roles in the pharmaceutical industry for over 35 years. Originally an industrial chemist, he has served in roles in the sales and marketing area for several leading companies. As President, he led the UK wing of Schwarz Pharma for 7 years before serving as President in Schwarz's subsidiary in the USA for an additional 9 years. Following this he served as President/COO of Upsher-Smith Laboratories and led the company through several product introductions and to a period of unprecedented growth. He has a wide experience in new product development and launch, M&A work and strategic planning.

**Bernd J. Melchers**

Mr. Melchers has been a director of IntelGenx Technologies Corp. since April 2009. Mr. Melchers is a 30-year veteran of the pharmaceutical industry with extensive hands-on international experience in corporate financial management. He also brings a wealth of international team management skills and leadership experience. From January 2001 until December 2004 Mr. Melchers was Managing Director at 3M Dyneon Holding GMBH, Germany, and global Chief Financial Officer of 3M's Dyneon subsidiaries. Prior to this he was, from July 1995 to December 2000, European Controller of 3M Medical Markets Europe in Brussels, Belgium. Prior to this he was, from 1993 to 1995 Financial Manager at 3M US Medical-Surgical Division, St. Paul, USA. Mr. Melchers retired from his position at 3M Dyneon Group in December 2004.

**Shareholder Vote Required**

Assuming a quorum is present at the Meeting, approval of the proposal to elect the director nominees will, pursuant to the Company's bylaws, require the vote of a majority of the shares of common stock present or represented by proxy and voting at the Meeting.

**PLEASE NOTE THAT THE CONTROLLING SHAREHOLDERS HAVE INFORMED THE COMPANY THAT THEY WILL BE VOTING "FOR" THIS PROPOSAL 1. ACCORDINGLY, THE CONTROLLING**

**SHAREHOLDERS WILL HAVE THE PRACTICAL ABILITY TO ELECT THE ENTIRE BOARD OF DIRECTORS.**

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THIS PROPOSAL 1 TO ELECT THE NOMINEES TO THE BOARD OF DIRECTORS.**

**PROPOSAL 2**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

**General**

The Audit Committee of the Board of Directors has engaged RSM Richter, LLP to serve as the Company's independent registered public accountants for the fiscal year ending December 31, 2009. RSM Richter, LLP was engaged as the Company's independent auditors on June 15, 2006, following the acquisition of our IntelGenx Corp. subsidiary. RSM Richter, LLP audited the Company's financial statements for the fiscal years ending December 31, 2006, 2007 and 2008.



**Audit Fees**

The following table sets forth, for each of the years indicated, the fees billed by our independent public accountants, RSM Richter, LLP for the fiscal years ended December 31, 2006, 2007 and 2008, and include fees billed to our Canadian subsidiary for the audit since inception in 2003 to the year ended December 31, 2006, as well as fees for all necessary financial reviews in connection with our regulatory filings and the IntelGenx Acquisition.

	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Audit Fees	115,072	\$ 115,000	\$ 72,308
Audit-related Fees			
Tax Fees	0	0	0
All Other Fees	0	0	0
<b>Total</b>	<b>115,072</b>	<b>\$ 115,000</b>	<b>\$ 72,308</b>

The board of directors has considered the nature and amount of fees billed by RSM Richter LLP and believes that the provision of services for activities unrelated to the audit is compatible with maintaining RSM Richter LLP's independence.

**Shareholder Vote Required**

Assuming a quorum is present at the Meeting, approval of the proposal to ratify the appointment of RSM Richter, LLP will require the vote of a majority of the shares of common stock present or represented by proxy and voting at the Meeting.

**PLEASE NOTE THAT THE CONTROLLING SHAREHOLDERS HAVE INFORMED THE COMPANY THAT THEY WILL BE VOTING "FOR" THIS PROPOSAL 2. ACCORDINGLY, THE CONTROLLING SHAREHOLDERS WILL HAVE THE PRACTICAL ABILITY TO RATIFY THE APPOINTMENT OF RSM RICHTER, LLP.**

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THIS PROPOSAL 2 TO RATIFY THE APPOINTMENT OF RSM RICHTER, LLP.**

**GENERAL AND OTHER MATTERS**

Management knows of no matters other than the matters described above that will be presented to the Meeting. However, if any other matters properly come before the Meeting, or any of its postponements or adjournments, the person or persons voting the proxies will vote them in accordance with his or their best judgment on such matters.

**SOLICITATION OF PROXIES**

The Company is making the solicitation of proxies and will bear the costs associated therewith. Solicitations will be made by mail or electronically.

**FUTURE ANNUAL MEETINGS**

Beginning in 2010, the Company will hold its annual meetings in May rather than in October. Management and the Board of Directors decided to move the annual meeting closer to the Company's fiscal year end on December 31 and the required time for filing its annual report on Form 10-K with audited annual financial statements. Management and the Board of Directors believe this will allow the Company to provide information to its shareholders on a more timely basis.

## SHAREHOLDER PROPOSALS

The Board of Directors intends to hold the next annual meeting of Shareholders of the Company in May of 2010. Any proposal by a Shareholder intended to be presented at the Company's next annual meeting of Shareholders must be received at the offices of the Company a reasonable amount of time prior to the date on which the information or proxy statement for that meeting are mailed or sent electronically to shareholders in order to be included in the Company's information or proxy statement relating to that meeting.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information included in this Proxy Statement may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the **Exchange Act** ). This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from our future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend or negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

**OTHER INFORMATION****MANAGEMENT**

The following table sets forth certain information regarding our directors, executive officers, promoters and control persons as of September 2, 2009.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Position since</b>
Horst G. Zerbe	62	Chairman of the Board, President and Chief Executive Officer	April 2006
Paul A. Simmons	47	Chief Financial Officer	September 2008
J. Bernard Boudreau <sup>(1)(2)</sup>	65	Director	June 2006
Ian Troup <sup>(1)(2)</sup>	67	Director	May 2008
Bernd J. Melchers <sup>(1)</sup>	58	Director	April 2009
Ingrid Zerbe	55	Secretary, Director Finance and Administration	April 2006

(1) Audit Committee member

(2) Compensation Committee member

All directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified. There are no agreements with respect to the election of directors. Officers are appointed annually by the board of directors and each executive officer serves at the discretion of the board.

**Horst G. Zerbe, Ph.D.**

Dr. Zerbe has more than 20 years experience in the pharmaceutical industry. He has been the President, Chief Executive Officer, and Chairman of IntelGenx Technologies Corp. since April 2006. In addition, Dr. Zerbe has served as the President, Chief Executive Officer and Director of IntelGenx Corp., our Canadian Subsidiary, since 2005. From 1998 to 2005, he served as the president of Smartrix Technologies Inc. in Montreal; prior thereto, from 1994 to 1998, he was Vice President of R&D at LTS Lohmann Therapy Systems in West Caldwell, NJ. He has published numerous scientific papers in recognized journals and holds over 30 patents.

**Paul A. Simmons**

Mr. Simmons was appointed as our Chief Financial Officer in September 2008. From 2003-2008, Mr. Simmons was employed by the CLAAS Group, a leading manufacturer of agricultural harvesting machinery. Mr. Simmons was initially based at Group HQ in Germany as Head of Corporate Controlling. In August 2005, he was transferred to the Baler Manufacturing subsidiary (Usines CLAAS France). In September 2006, Paul was transferred to French subsidiary Renault Agriculture to restructure and integrate the newly acquired Tractor Manufacturing Division into the CLAAS Group.

Mr. Simmons' international finance credentials include an Association of Financial Controllers and Administrators (AFCA) certification, and a designation with the Association of Accounting Technicians (MAAT). He has expertise in both U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

**J. Bernard Boudreau**

Mr. Boudreau has been a director of IntelGenx since June 2006. From 2005 to 2008, Mr. Boudreau has served as the Vice-president of Pharmeng International Inc., a company listed on the Toronto Stock Exchange. From 2001 to July 2005, he was President and CEO of Radcliffe Consulting and Investment Limited, a private consulting firm located in Halifax, N.S.. Mr. Boudreau has also served on the Board of Directors of a number of public and private companies, including Export Development Canada.

Mr. Boudreau has worked as a lawyer and as a public official in Canada. His litigation experience includes appearances at every level of the judicial system in Nova Scotia. He was appointed as Queen's Counsel in 1985. Mr. Boudreau was first elected to the provincial legislature of Nova Scotia in 1988. He served as Chair of the Public Accounts Committee and opposition critic for Finance and Economic Development. In 1993 he was re-elected as a member of government and held responsibilities as Minister of Finance, Minister of Health, Chair of the Cabinet Priorities and Planning Committee. Mr. Boudreau served as Government Leader in the Senate of Canada and Member of the federal Cabinet between 1999 and 2001.

### **Ian Troup**

Mr. Troup has been a director of IntelGenx Technologies Corp. since May 2008. Since April 2008 Mr. Troup has been a Director of Vital Medix, an early stage drug development company. In July 2007 he was appointed to the Board of Medisyn Technologies Inc., a privately held in silica drug discovery and development company. From September 1995 until December 2003, Mr. Troup was President and COO of Upsher-Smith Laboratories, a privately held generic company.

Born and educated in Scotland, Mr. Troup has worked in the pharmaceutical industry for over 35 years. Originally an industrial chemist, he has served in roles in the sales and marketing area for several leading companies. As President, he led the UK wing of Schwarz Pharma for 7 years before serving as President in Schwarz's subsidiary in the USA for an additional 9 years. Following this he served as President/COO of Upsher-Smith Laboratories. His experience includes new product development and launch, M&A work and strategic planning.

### **Bernd J. Melchers**

Mr. Melchers has been a director of IntelGenx Technologies Corp. since April 2009. Mr. Melchers is a 30-year veteran of the pharmaceutical industry with extensive hands-on international experience in corporate financial management. He also brings a wealth of international team management skills and leadership experience. From January 2001 until December 2004 Mr. Melchers was Managing Director at 3M Dyneon Holding GMBH, Germany, and global Chief Financial Officer of 3M's Dyneon subsidiaries. Prior to this he was, from July 1995 to December 2000, European Controller of 3M Medical Markets Europe in Brussels, Belgium. Prior to this he was, from 1993 to 1995 Financial Manager at 3M US Medical-Surgical Division, St. Paul, USA. Mr. Melchers retired from his position at 3M Dyneon Group in December 2004.

### **Ingrid Zerbe**

Mrs. Zerbe is our Corporate Secretary, Director of Finance and Administration and is a full time employee of IntelGenx. Mrs. Zerbe is the founder of IntelGenx Corp., our Canadian Subsidiary. She served as the president of IntelGenx Corp. since its incorporation in June 2003 until December, 2005. She has been a Director of the subsidiary since its incorporation in June, 2003 and a Director of the parent company from April 2006 until August 2006. Prior to founding IntelGenx, she worked in the travel industry. She holds a bachelor degree in economics from a business school in Bottrop, Germany, and a bachelor degree in social sciences from the University of Dortmund, Germany.

### **Key Personnel and Consultants**

#### **James Wittenberg, R.Ph, MS**

Mr. Wittenberg serves as IntelGenx's Vice President Business Development since August, 2007. He has accumulated over 20 years of experience in the pharmaceutical industry in market research and most recently as Director of Business Development at Schwarz Pharma.

#### **Nadine Paiement, MSc**

Ms. Paiement serves as our Director of Research & Development. She joined IntelGenx in 2006. Ms. Paiement holds a M.Sc. degree in Polymer Chemistry from Sherbrooke University, and is co-inventor of IntelGenx's Tri-Layer technology. Prior to joining IntelGenx, she worked for five years as a formulation scientist at Smartrix Technologies, Inc.

### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of our shares of common stock by our directors and executive officers, and by each beneficial owner of five percent (5%) or more of our outstanding common stock. Based on information available to us, all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them, unless otherwise indicated. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of our common stock subject to options or warrants currently exercisable or exercisable within 60 days after the date of this prospectus are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage of ownership of any other person. Applicable percentage ownership is based upon 22,350,113 shares of common stock outstanding as of August 3, 2009. Unless otherwise indicated, the address of each of the named persons is care of IntelGenx Technologies Corp., 6425 Abrams, Ville St-Laurent, Quebec, H4S 1X9.

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Name and Address Of Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Horst G. Zerbe <sup>(1)</sup>	4,934,643.5(1)	22.1%
Ingrid Zerbe <sup>(2)</sup>	5,956,356.5(2)	26.6%
Joel Cohen <sup>(3)</sup>	580,000(3)	2.6%
Bernard Boudreau <sup>(4)</sup>	133,088(4)	*
Ian Troup <sup>(5)</sup>	75,000(5)	*
Paul A. Simmons <sup>(6)</sup>	50,000(6)	*
All directors and officers as a group (6 persons) <sup>(11)</sup>	11,729,088	52.5%
AGF Canadian Small Cap Fund TD Bank Tower, 31 <sup>st</sup> Floor Toronto ON M5K 1E9 Northern Rivers Capital Management Inc. Royal Bank Plaza North Tower, Suite 2000 200 Bay Street, P.O. Box 66 Toronto ON M5J 2J2	2,082,915(7)	9.99%
	2,082,915(8)	9.99%

\* Less than 1%.

(1) In connection with the acquisition of IntelGenx in 2006, Horst Zerbe became our President, Chief Executive Officer and Director and acquired 4,709,643.5 exchangeable shares of our Canadian holding corporation 6544631Canada Inc., a Canadian special purpose corporation which wholly owns IntelGenx Corp. (the Exchangeable Shares). The 4,709,643.5 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Horst Zerbe's discretion. Prior to exchanging the Exchangeable Shares for shares of common stock, Horst Zerbe has the right to vote 4,709,643.5 shares of common stock which are currently held in trust on behalf of Horst Zerbe. The 4,709,643.5 shares of common stock have not been registered for resale at this time. In addition to the Exchangeable Shares, Horst Zerbe's beneficial ownership includes 225,000 shares of common stock underlying options granted November 9, 2006, which are currently exercisable. The options have an exercise price of \$0.41. Horst Zerbe and Ingrid Zerbe are husband and wife.

(2) In connection with the acquisition of IntelGenx in 2006, Ingrid Zerbe became our Secretary and our director of Finance and Administration and acquired 4,709,643.5 Exchangeable Shares. In June of 2009 Ingrid Zerbe acquired 1,021,713 Exchangeable Shares from Joel Cohen in a private transaction. The 5,731,356.5 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Ingrid Zerbe's discretion. Prior to exchanging the Exchangeable Shares, Ingrid Zerbe has the right to vote 5,731,356.5 shares of common stock which are currently held in trust on behalf of Ingrid Zerbe. The 5,731,356.5 shares of common stock have not been registered for resale at this time. In addition to the Exchangeable Shares, Ingrid Zerbe's beneficial ownership includes 225,000 shares of common stock underlying options granted November 9, 2006, which are currently exercisable. The options have an exercise price of \$0.41. Horst Zerbe and Ingrid Zerbe are husband and wife.

(3) In connection with the acquisition of IntelGenx in 2006, Joel Cohen became a Director and acquired 1,571,713 Exchangeable Shares. In June of 2009 Joel Cohen disposed of 1,021,713 Exchangeable Shares. He also exchanged of 220,000 Exchangeable Shares into Common Shares and in July of 2009 he disposed the 220,000 common shares. The remaining 350,000 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Joel Cohen's discretion. Prior to exchanging the Exchangeable Shares for shares of common stock, Joel Cohen has the right to vote 350,000 shares of common stock which are currently held in trust on behalf of Joel Cohen. The 350,000 shares of common stock have not been registered for resale at this time. In addition

to the Exchangeable Shares, Mr. Cohen's beneficial ownership includes 250,000 exercisable options to purchase common stock at an exercise price of \$0.41 granted on November 13, 2006 and 25,000 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007. Mr. Cohen resigned from the board of directors on June 30, 2009.

(4) Mr. Boudreau's beneficial ownership consists of 75,000 exercisable options to purchase common stock at an exercise price of \$0.70 (adjusted from \$0.41 in May 2008), granted in October 2006, 32,500 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007 and 25,588 options to purchase common stock at an exercise price of \$0.85. On November, 2008 Mr. Boudreau exercised 35,000 options at an exercise price of \$0.41 in exchange for the same number of shares of common stock.

(5) Mr. Troup's beneficial ownership consists of 75,000 exercisable options to purchase common stock at an exercise price of \$0.85, granted in September of 2008.

(6) Mr. Simmon's beneficial ownership consists of 100,000 options to purchase common stock at an exercise price of \$0.85, granted in September of 2008. The Options vest over two years, 25% every six months, 50,000 of which are exercisable within 60 days of the 10-K filing.



(7) AGF is the beneficial owner of an aggregate of 1,143,000 shares of common stock and 1,143,000 shares of common stock underlying two-year warrants exercisable at \$1.02, subject to adjustment. However, AGF has contractually agreed to restrict its ability to exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such exercise does not exceed 9.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, this column represents the aggregate maximum number and percentage of shares that AGF can own at one time due to the 9.99% limitation.

(8) Northern Rivers is the beneficial owner of an aggregate of 1,429,000 shares of common stock and 1,429,000 shares of common stock underlying two-year warrants exercisable at \$1.02, subject to adjustment. However, Northern Rivers has contractually agreed to restrict its ability to exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such exercise does not exceed 9.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, this columns represents the aggregate maximum number and percentage of shares that Northern Rivers can own at one time due to the 9.99% limitation.

## EXECUTIVE COMPENSATION

### Summary of Executive Compensation

The following table provides a summary of the compensation paid to date during the last three completed fiscal years to the President and Chief Executive Officer and the Chief Financial Officer. No other officers of the Company qualify as named executive officers, which category includes the Chief Executive Officer and the next two highest paid executive officers whose salary and bonus exceeds \$100,000 in the most recent year (Named Executive Officers).

Name and principal position (a)	Year (b)	Salary (\$) (c)	Option Awards (\$) (f)	All Other Compensation (\$) (i)	Total (\$) (j)
Horst Zerbe, President and CEO	2008	178,427	Nil	Nil	178,427
Paul A. Simmons CFO <sup>(1)</sup>	2007	176,536	Nil	Nil	176,536
	2008	45,738	Nil	16,917 <sup>(2)</sup>	62,655
Gino Di Iorio, CFO <sup>(3)</sup>	2007	N/A			
	2008	78,921	12,731 <sup>(4)</sup>	Nil	91,652
	2007	46,235	Nil	Nil	46,235

- (1) Mr. Paul A. Simmons joined the Company in September 2008.
- (2) Mr. Paul A. Simmons received a cash compensation for services provided prior to his employment agreement.
- (3) Mr. Di Iorio was the Company's chief financial officer from August, 2007 until to July, 2008. As per his employment agreement he was entitled to receive his base salary until October of 2008.
- (4) As a result of his departure from the Company, Mr. Di Iorio was only entitled to exercise half, or 37,500, of the options granted to him. The vested options to purchase common stock expired un-exercised in November of 2008.

### Compensation Discussion and Analysis

#### Employment Agreements

**Horst Zerbe.** Effective December 1, 2005, we entered into an employment agreement with Dr. Horst Zerbe, our President and Chief Executive Officer. The agreement is for an indefinite period of time. Under the agreement, Dr. Zerbe is entitled to receive: (1) a minimum base salary of CDN\$175,000 per year; and (2) an annual bonus equal to

50% of base salary upon the performance of certain milestones set out by the board of directors.

As per recommendation of the Compensation Committee the board of directors approved the increase of Mr. Zerbe's minimum base salary by 5% to CDN\$183,750 effective as of September 2008 (US\$171,364 at year-end 2008).

**Paul A. Simmons.** Effective September 1, 2008, we entered into an employment agreement with Mr. Paul A. Simmons, to serve as our Chief Financial Officer. Under the agreement, Mr. Simmons is entitled to receive: (1) a minimum base salary of CDN\$150,000 (US\$110,965 at year-end 2008) per year, and (2) option grants under the 2006 Stock Option Plan, and (3) an annual bonus up to 30% of his base salary upon the achievement of specific performance targets established by the board of directors.

**Gino Di Iorio.** Effective August 6, 2007, we entered into an employment agreement with Mr. Gino Di Iorio, to serve as Chief Financial Officer. Under the agreement, Mr. Di Iorio is entitled to receive: (1) a minimum base salary of CDN\$110,000 (US\$110,965 at year-end 2007) per year, and (2) option grants under the 2006 Stock Option Plan. Mr. Di Iorio's agreement was terminated in July of 2008.

**Incentive Plan Awards**

The following table presents information regarding the outstanding equity awards held by each of the named officers as of December 31, 2008, including the vesting dates for the portions of these awards that had not vested as of that date.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)
Horst G. Zerbe	225,000	Nil	Nil	0.41	Nov. 9, 2011

Paul A. Simmons Nil 100,000<sup>1</sup> Nil 0.85 Sep. 8, 2013

<sup>1</sup> On September 8, 2008, 100,000 options were granted to Mr. Paul Simmons in connection with his employment agreement. The options vest over two years, none of which are exercisable as of year-end 2008.

**Summary of Directors Compensation**

The following table sets forth compensation paid to each named director during the year end December 31, 2008.

In addition, directors are reimbursed for reasonable expenses incurred in their capacity as directors, including travel and other out-of-pocket expenses incurred in connection with meetings of the board of directors or any committee of the board of directors.

**DIRECTOR COMPENSATION**

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Non-Qualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (j)
Bernhard J. Boudreau <sup>4</sup>	466	Nil	10,174 <sup>1</sup>	Nil	Nil	18,921 <sup>5</sup>	29,561
David Coffin-Beach <sup>4</sup>	93	Nil	10,174 <sup>2</sup>	Nil	Nil	18,921 <sup>6</sup>	29,188
Joel Cohen <sup>4</sup>	466	Nil	Nil	Nil	Nil	Nil	466
Ian Troup <sup>4</sup>	466	Nil	30,398 <sup>3</sup>	Nil	Nil	Nil	30,864

<sup>1</sup>Represents 25,588 options issued on May 22, 2008

<sup>2</sup>Represents 25,588 options issued on May 22, 2008

<sup>3</sup>Represents 75,000 options issued on September 8, 2008

<sup>4</sup> As of November 2008 non-employee directors are entitled to a cash compensation fee of CDN\$500 per board meeting attendance and CDN\$100 per board meeting attendance by conference call. The cash amounts represent the equivalent U.S. Dollar value measured at the appropriate year end exchange rate used in the financial statements.

<sup>5</sup>Represents the grant of a one-time cash compensation in form of a retainer for services provided as chairman of the Audit Committee. Mr. Boudreau used the total retained compensation to exercise stock option in August of 2008.

<sup>6</sup>Represents the grant of a one-time cash compensation in form of a retainer for services provided as chairman of the Compensation Committee.

## **Directors and Officers Liability Insurance**

We carry directors and officers liability insurance at an approximate annual cost of \$18,188.

## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis appearing in this document with management and based upon this review and discussion recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Respectively submitted,

J. Bernard Boudreau  
Ian Troup (Chair)

Members of the Compensation Committee

## **BOARD OF DIRECTORS**

### **Meetings of the Board of Directors**

The Company's Board of Directors held four meetings during our 2008 Fiscal Year.

### **Compensation of the Board of Directors**

Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings of the Board of Directors. As described below in **Director Compensation**, during our 2008 Fiscal Year, our non-employee directors were granted options to purchase an aggregate number of 126,176 shares of our common stock. Since November of 2008 our directors receive cash compensation of CDN \$500 for attending board meeting in person and CDN\$100 for participating in board meetings via teleconference. Effective as at the third quarter of 2009 the board of directors resolved, that the non-employee directors of the board will receive an annual stipend of C\$12,000, paid in quarterly installments. Furthermore an attendance fee of CDN\$1,000 will be paid per board meeting. The chairmen of the board committees are entitled to receive an additional C\$500 and the members of the committees will receive an additional C\$250 for attending the committee meetings.

### **Committees of the Board of Directors**

The Board of Directors has two standing committees: the Audit Committee and the Compensation Committee. There is no Nomination Committee.

**Audit Committee.** The Audit Committee is currently composed of J. Bernard Boudreau, Ian Troup and Bernd Melchers. The Audit Committee held four meetings during our 2008 Fiscal Year. Joel Cohen had served on the Audit Committee until his resignation from the board of directors in June 2009.

Our Audit Committee assists our board of directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The chairman of the Audit Committee is J. Bernard Boudreau. Our Audit Committee's responsibilities include, among others (i) recommending to the board of directors the engagement of the external auditor and the terms of the external auditor's engagement; (ii) overseeing the work of the external auditor, including dispute resolution between management and the external auditor, if required; (iii) pre-approving all

non-audit services to be provided to us by our external auditor; (iv) reviewing our financial statements, management's discussion and analysis and annual and interim earnings press releases before this information is publicly disclosed; (v) assessing the adequacy of procedures for our public disclosure of financial information; (vi) establishing procedures to deal with complaints received by us relating to our accounting and auditing matters; and (vii) reviewing our hiring policies regarding employees of our external auditor or former auditor. We have adopted, along with our Audit Committee, a written charter of the Audit Committee setting out the mandate and responsibilities of the Audit Committee which provides that the Audit Committee convene no less than four times per year.

The AUDIT COMMITTEE CHARTER is posted on our website at <http://www.intelgenx.com>.

Accordingly, the Audit Committee discusses with RSM Richter, LLP, our auditors, our audited financial statements, including, among other things the quality of our accounting principles, the methodologies and accounting principles applied to significant transactions, the underlying processes and estimates used by our management in our financial statements and the basis for the auditor's conclusions regarding the reasonableness of those estimates, in addition to the auditor's independence.

Audit Committee Financial Expert. Joel Cohen served as our Audit Committee financial expert until his resignation in June of 2009. Mr. Cohen was not an independent director, as defined in the Nasdaq Stock Market, Inc. Marketplace Rules. Since Mr. Cohen's resignation, Mr. Bernd Melchers serves as the Financial Expert of the Audit Committee. Mr. Melchers is an independent director as defined in the Nasdaq Stock Market, Inc. Marketplace Rules.

Compensation Committee. The Compensation Committee of the Board of Directors currently consists of J. Bernard Boudreau and Ian Troup. David Coffin-Beach served on the Compensation Committee until his resignation from the board of directors March 17, 2009. The Compensation Committee held its formal annual meeting in September 2008 during the 2008 Fiscal Year.

Our Compensation Committee reviews and makes recommendations to our board of directors concerning the compensation of our executive officers and key employees which include the review of our executive compensation and other human resource policies, the review and administration of any bonuses and stock options and major changes to our benefit plans and the review of and recommendations regarding the performance of the Chief Executive Officer and the Chief Financial Officer of the Company. Our Compensation Committee is comprised of non-management members of our board of directors and is required to convene at least annually. Until his resignation in March of 2009 Mr. Coffin-Beach was the chairman of our compensation committee. Following his resignation, Mr. Ian Troup filled the position as chairman of the committee. The Compensation Committee does not have a charter.

Compensation Committee Interlocks and Insider Participation. As stated above, the Compensation Committee consists of J. Bernard Boudreau and Ian Troup. There are no interlocking relationships, as described by the Securities and Exchange Commission, between the Compensation Committee members.

#### Executive Compensation

The key objectives of the Company's executive compensation policies are to attract and retain key executives who are important to the long-term success of the Company and to provide incentives for these executives to achieve high levels of job performance and enhancement of shareholder value. The Company seeks to achieve these objectives by paying its executives a competitive level of base compensation for companies of similar size and industry and by providing its executives an opportunity for further reward for outstanding performance in both the short term and the long term.

Executive Officer Compensation. The Company's executive officer compensation program is comprised of three elements: base salary, annual cash bonus and long-term incentive compensation in the form of stock option grants.

Salary. The Compensation Committee and the Board of Directors will review base salaries for the Company's executive officers, taking into account individual experience, job responsibility and individual performance during the prior year. These factors are not assigned a specific weight in establishing individual base salaries. The Compensation Committee will also consider the Company's executive officers' salaries relative to salary information for executives in similar industries and similarly sized companies.

Cash Bonuses. The purpose of the cash bonus component of the compensation program is to provide a direct financial incentive in the form of cash bonuses to executives.

Stock Options. Stock options are the primary vehicle for rewarding long-term achievement of Company goals. The objectives of the program are to align employee and shareholder long-term interests by creating a strong and direct link between compensation and increases in share value. Under the Company's Stock Option Plan, the Board of Directors or the Compensation Committee may authorize the grant of options to purchase common stock of the Company to key employees of the Company. The options generally vest in increments over a period of years established at the time of grant except for the options granted to the non-employees directors which vest immediately.

### **Nomination of Directors**

Our Board does not have a separate nominating committee. The functions of a nominating committee are performed by our Board of Directors as a whole.

### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to our directors and officers, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on our website at <http://www.intelgenx.com>.

### **Communications with the Board**

Any record or beneficial owner of the Company's common stock who wishes to communicate with the Board of Directors should contact the Chairman of the Board or the Chairman of the Audit Committee. If particular communications are directed to the full Board, independent directors as a group, or individual directors, the Chairman of the Board or the Chairman of the Audit Committee, as applicable, will route these communications to appropriate committees or directors if the intended recipients are clearly indicated.



Any record or beneficial owner of the Company's common stock who has concerns about the Company's accounting, internal accounting controls, or auditing matters relating to the Company should also contact the Audit Committee.

Written communications should be addressed to IntelGenx Technologies Corp., 6425 Abrams, Ville St-Laurent, Quebec H4S 1X9, Canada, Attention: Chairman of the Board/ Chairman of the Audit Committee. Communications that are intended to be anonymous should be sent to the same address but without indicating your name or address, and with an interior envelope addressed to the specific committees or directors you wish to communicate with.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

### **Review, Approval or Ratification of Transactions with Related Persons**

Although IntelGenx has not adopted formal procedures for the review, approval or ratification of transactions with related persons, we adhere to a general policy that such transactions should only be entered into if they are on terms that, on the whole, are no more favorable, or no less favorable, than those available from unaffiliated third parties and their approval is in accordance with applicable law. Such transactions require the approval of our board of directors.

During the year ended December 31, 2008, \$5,614 of interest was paid to Ingrid Zerbe, our secretary and director of finance and administration for interest on a long-term shareholder loan. The loan is unsecured, bears interest at 6% per annum and is not repayable prior to January 1, 2010. The amount outstanding at December 31, 2008, was \$101,193. Ingrid Zerbe was also paid \$18,882 under an equipment lease for the year ended 2008. The lease expires on August 31, 2010.

### **Director Independence**

Three of our four directors, J. Bernard Boudreau, Ian Troup and Bernd J. Melchers, are deemed independent directors, as defined by the Nasdaq Stock Market, Inc. Marketplace Rules. We cannot guarantee that our Board of Directors will always have a majority of independent directors. In the absence of a majority of independent directors, our executive officer, who is also a principal shareholder and director, could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between the Company and its shareholders generally and the controlling officers, shareholders or directors.

### **Family Relationships**

Horst Zerbe and Ingrid Zerbe are husband and wife.

### **Legal Proceedings**

On June 23, 2009, the United States Food and Drug Administration ( FDA ) accepted for filing a New Drug Application ( NDA ) which sought permission for Cary Pharmaceuticals Inc. ( Cary ) and the Company to market generic versions of the antidepressant CPI-300. The Company and Cary are jointly developing CPI-300 for commercialization pursuant to a collaborative agreement by and between the Company and Cary as amended on April 7, 2008. CPI-300 is a higher strength form of the anti-depressant Wellbutrin XL. In response to the filing of the NDA, Biovail Laboratories SLR ("Biovail"), the patent holder of Wellbutrin XL, filed a lawsuit in the U.S. District Court for the District of Delaware against Cary for patent infringement under the provisions of the Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Act, with respect to Biovail's U.S. Patent No. 6,096,341. In Cary's Paragraph IV certification set forth in the NDA, Cary contended that Biovail's patents would not be infringed by CPI-300. Pursuant to the Hatch-Waxman Act, the filing of the patent infringement lawsuit against Cary by Biovail instituted an automatic stay of any FDA approval of the NDA until the earlier of a judgment, or January 3, 2012. The Biovail lawsuit seeks to prevent the manufacture, use, offer to sell or sale of CPI-300 in the United States during the life of the Biovail patent. The Company and Cary believe that CPI-300 does not infringe

Biovail's patent and will vigorously assert their rights.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Under the securities laws of the United States, the Company's directors, its executive (and certain other) officers, and any persons holding ten percent or more of the Common Stock must report on their ownership of the Common Stock and any changes in that ownership to the Commission. Specific due dates for these reports have been established.

Based solely upon our review of the copies of such forms that we received during the fiscal year ended December 31, 2008, we believe that each person who at any time during the fiscal year was a director, officer, or beneficial owner of more than ten percent of our common stock complied with all Section 16(a) filing requirements during such fiscal year, except as follows: The Form 4's filed by the following directors were not filed timely: Bernard Boudreau and David Coffin-Beach. The Form 3 filed by our director Ian Troup was not filed timely.

## Audit Committee Report

The Audit Committee reviewed and discussed the information contained in the 2008 first, second, third and fourth quarter earnings announcements with management of the Company and independent registered public accounting firm prior to public release. They also reviewed and discussed the information contained in the 2008 first, second and third quarters Forms 10-Q and full year Form 10-K with management of the Company and independent registered public accounting firm prior to filing with the Securities and Exchange Commission. In addition, the Audit Committee met regularly with management, internal auditors and independent registered public accounting firm on various financial and operational matters, including to review plans and scope of audits and audit reports and to discuss necessary action.

In connection with the Company's fiscal 2008 consolidated financial statements, the Audit Committee has:

- reviewed and discussed with management the Company's audited consolidated financial statements as of and for fiscal year 2008;
- discussed with the Company's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication with those Charged with Governance*, and SEC rule 2-07; and
- received and reviewed the written disclosures and the letter from the Company's independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant its independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for fiscal year 2008.

Respectfully submitted,

J. Bernard Boudreau (Chair)  
Bernd J. Melchers  
Ian Troup

Members of the Audit Committee

**While you have the matter in mind, please complete, sign and return the enclosed proxy card.**

BY ORDER OF THE BOARD OF DIRECTORS,

*/s/Horst G. Zerbe*  
Horst G. Zerbe, Chairman and Chief Executive Officer

IntelGenx Technologies Corp.  
Annual Meeting  
October 5, 2009

**THE UNDERSIGNED HEREBY REVOKES ANY PROXY OR PROXIES HERETOFORE GIVEN TO VOTE UPON OR ACT WITH RESPECT TO SUCH COMMON STOCK AND HEREBY RATIFIES AND CONFIRMS ALL THAT THE PROXIES, THEIR SUBSTITUTES OR ANY OF THEM MAY LAWFULLY DO BY VIRTUE HEREOF**

Please Mark Here for  
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Address Change or  
Comments

**PLEASE SEE BELOW FOR  
INSTRUCTIONS**

<b>FOR</b>	<b>WITHHOLD AUTHORITY</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
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1. To elect directors to serve until the next Annual Meeting of Shareholders or, in case until their successors have been duly elected and qualified.

..

..

2. To ratify the selection of RSM Richter LLP as the Company's independent auditors for the fiscal year ending December 31, 2009

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..

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- 01 Horst G. Zerbe, Ph.D.
- 02 J. Bernard Boudreau
- 03 John (Ian) Troup
- 04 Bernd J. Melchers

Instruction: To withhold authority to vote for any individual nominee(s), write the nominee name(s) on the line provided below.

Please date this proxy and sign your name exactly as it appears hereon. Where there is more than one owner, each should sign. When signing as an attorney, administrator, executor, guardian or trustee, please add your title as such. If executed by a corporation, the proxy should be signed by a duly authorized officer.

**Signature**

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**Signature**  
**(Co-owner)**

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**Dated:**

\_\_\_\_\_,  
**2009**

Please return  
your completed  
proxy whether  
or not you plan  
to attend the  
Annual  
Meeting. You  
may  
nevertheless  
vote in person if  
you do attend.

If you vote by Internet, you do NOT need to mail back your proxy card.

**YOUR VOTE IS IMPORTANT.**

Voting Instructions on Reverse



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008

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.

*(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**

*(Address of principal executive offices)*

**H4S 1X9**

*(Zip Code)*

(514) 331-7440

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

None.

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.00001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No   
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

No

Indicate by check mark 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

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

x

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," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2008, the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant was \$8,967,637 based on the closing price of the registrant's common shares of U.S. \$0.93, as reported on the OTC Bulletin Board on that date. Shares of the registrant's common shares held by each officer and director and each person who owns 10% or more of the outstanding common shares of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 4, 2009
Common Stock, \$.00001 par value	20,850,002 shares

Documents incorporated by reference: None.

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In this Annual Report on Form 10-K, the words "Company", "IntelGenx", "we", "us", and "our", refer collectively to IntelGenx Technologies Corp. and IntelGenx Corp., our wholly-owned Canadian subsidiary.

In this Form 10-K, unless otherwise specified, all monetary amounts are in United States dollars, all references to "\$", "U.S.\$", "U.S. dollars" and "dollars" mean U.S. dollars and all references to "C\$", "Canadian dollars" and "CDN" mean Canadian dollars. To the extent that such monetary amounts are derived from our consolidated financial statements included elsewhere in this Form 10-K, they have been translated into U.S. dollars in accordance with our accounting policies as described therein. Unless otherwise indicated, other Canadian dollar monetary amounts have been translated into United States dollars at the December 31, 2008 closing rate reported by the Bank of Canada, being U.S. \$1.00 = C\$1.2180.

## PART I

### Cautionary Statement Concerning Forward-Looking Statements

This Annual Report and the documents we incorporate by reference in this Annual Report contain forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Any statement that is not a statement of historical fact may be deemed a forward-looking statement. For example, statements containing the words believes, anticipates, estimates, expects, intends, may, projects, will, would and similar expressions may be forward-looking statements. We do not intend to, and do not expect to, actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors and risks that could cause our actual results to differ materially from those indicated by these forward-looking statements, including but not limited to those discussed in Item 1A Risk Factors. You should read these factors and the other cautionary statements made in this Form 10-K Annual Report and in the documents we incorporate by reference as being applicable to all related forward-looking statements wherever they appear in this Annual Report and in any documents incorporated by reference. We do not assume any obligation to update any forward-looking statements.

#### Item 1. Business.

We are a drug delivery company headquartered in Montreal (Quebec) which focuses on the development of novel oral immediate release and controlled-release products for the branded and generic pharmaceutical market.

Our product development efforts are based upon three delivery platform technologies: (1) the VersaTab Multilayer Tablet technology (2) the VersaFilm Oral Film technology, and (3) the AdVersa Mucoadhesive Tablet technology. Our Multilayer platform technology allows for the development of oral controlled release products. It is versatile and is aimed at significantly reducing manufacturing costs as compared to competing delivery technologies. The Oral Film technology allows for the instant delivery of pharmaceuticals to the oral cavity, while the Mucoadhesive Tablet allows for the controlled release of active substances to the oral mucosa.

Our executive offices are located at 6425 Abrams, Ville Saint-Laurent, Quebec, H4S 1X9, Canada. Our website is located at [www.IntelGenx.com](http://www.IntelGenx.com). The contents of our website are not otherwise incorporated into this filing.

#### Corporate History

Our predecessor company, Big Flash Corp., was incorporated in Delaware on July 27, 1999. On April 28, 2006, Big Flash, through its Canadian holding corporation, completed the acquisition of IntelGenx Corp., a Canadian company incorporated on June 15, 2003. The Company did not have any operations prior to the acquisition of IntelGenx. In connection with the acquisition, we changed our name from Big Flash Corp. to IntelGenx Technologies Corp. IntelGenx Corp. has continued operations as our operating subsidiary.

#### Overview

We are a drug delivery company focusing on the development of novel, orally administered drug delivery products based on our proprietary oral drug delivery technologies. We have positioned ourselves as a provider of product development services for the pharmaceutical industry, including the branded and generic pharmaceutical markets.

Drug delivery systems are an important tool in the hands of physicians for purposes of optimizing drug therapy. For the pharmaceutical industry, drug delivery systems represent an opportunity to extend the market exclusivity and product lifecycle of drugs whose patent protection is nearing expiration.

According to a report by CMR International, a pharmaceutical industry research firm, products incorporating drug delivery systems represented 13% of the US \$337 billion global pharmaceutical market. In the United States, sales of drug delivery products totaled \$35 billion in 2006. Of this amount, the orally administered segment of the drug delivery market totaled \$21 billion in sales, according to CMR International. Controlled release (CR) dosage technologies play an important role in the development of orally administered drug delivery systems. Control release technology provides patients with the required amount of medication over a pre-determined, prolonged period of time, preferably over 24 hours. Because of the reduced fluctuation of the active drug in the blood, controlled release products are deemed safer and more tolerable than conventional dosage forms, and have shown better patient compliance.

Our primary business strategy is to develop pharmaceutical products based upon our proprietary drug delivery technologies and license the commercial rights to companies in the pharmaceutical industry once the viability of a product has been demonstrated. In exchange for licensing rights to our products, we seek funding consisting of a combination of one or more of the following: advance down payments, milestone fees, reimbursement for development costs, and royalties on sales. In addition, we may receive a manufacturing royalty from our contract manufacturers for the exclusive right to manufacture our products. The companies we partner with are typically responsible for managing the regulatory approval process of the product with the United States Food & Drug Administration (the FDA) and/or other regulatory bodies, as well as for the marketing and distribution of the products. On a case-by-case basis, IntelGenx may be responsible for providing all or part of the documentation required for the regulatory submission.

In addition to pursuing partnering arrangements that provide for the full funding of a drug development project, we may undertake development of selected product opportunities until the marketing and distribution stage. We would first assess the potential and associated costs for development of a product, and then determine at which stage it would be most prudent to seek a partner, balancing costs against the potential for higher returns later in the development process.

### **Technology Platforms**

Our product development efforts are based upon three delivery platform technologies: (1) a Multilayer Tablet technology (2) an oral film technology, and (3) a Mucoadhesive Tablet technology. Our Multilayer platform technology allows for the development of oral controlled release products. It is designed to be versatile and to reduce manufacturing costs as compared to competing oral extended-release delivery technologies. The oral film technology allows for the instant delivery of pharmaceuticals to the oral cavity, while the Mucoadhesive Tablet allows for the controlled release of active substances to the oral mucosa.

The Multilayer Tablet ( VersaTab ) platform technology represents a new generation of controlled release layered tablets designed to modulate the release of active compounds. The technology is based on a multilayer tablet with an active core layer and erodible cover layers. The release of the active drug from the core matrix initially occurs in a first-order fashion. As the erodible layers start to disintegrate, the permeation of the active ingredient through the cover layers increases. Thus, the Multilayer tablet can produce quasi-linear (zero-order) kinetics for releasing a chemical compound over a desired period of time. The erosion rate of the cover layers can be customized according to the physico-chemical properties of the active drug. In addition, our multilayer technology offers the opportunity to develop combination products in a regulatory-compliant format. Combination products are made up of two or more active ingredients that are combined into a single dosage form.

The oral film technology is made up of a thin (25-35 micron) polymeric film comprised of USP components that are approved by the FDA for use in food, pharmaceutical, and cosmetic products. Derived from the edible film technology used for breath strips and initially developed for the instant delivery of savory flavors to food substrates, the VersaFilm technology is designed to provide a rapid response relative to existing fast dissolving oral tablets. The VersaFilm technology is intended for indications requiring rapid onset of action, such as migraine, motion sickness, erectile dysfunction, and nausea.

The Mucoadhesive Tablet ( AdVersa ) is a drug delivery system capable of adhering to the oral mucosa and releasing the drug onto the site of application at a controlled rate. The Mucoadhesive Tablet is designed to provide the following advantages relative to competing technologies: (i) it avoids the first pass effect (whereby the liver metabolizes the active and greatly reduces the level of drug in the systemic circulation), (ii) it leads to a higher absorption rate as compared to the conventional oral route, and (iii) it achieves a rapid onset of action for the drug. The Mucoadhesive Tablet technology is designed to be versatile in order to permit the site of application, residence time, and rate of release of the drug to be modulated to achieve the desired results.

### **Product Portfolio**

Our product portfolio includes a blend of generic and branded products based on our proprietary delivery technology ( generic drugs are essentially copies of drugs that have already received FDA approval).

INT0001/2004. This is the most advanced generic product involving our Multilayer technology. Equivalency with the reference product Toprol XL and its European equivalent Beloc-ZOK has been demonstrated *in-vitro*. The product has been tested in phase I studies.

INT0003/2005. We have entered into a partnership with Cary Pharmaceuticals for the development of a once-daily tablet product containing an antidepressant and a nicotine antagonist. The product is intended for smoking cessation.

INT0004/2006. The development of an antidepressant has been completed. A regulatory submission file for a 505(b)(2) NDA submission is in preparation.

INT0005/2005. We are developing a bilayer tablet containing a fixed-dose combination of a non-steroidal anti-inflammatory drug and a synthetic prostaglandin. Formulation development is completed and a pilot bio batch has been manufactured.

INT0006/2005. We have entered into a development and licensing agreement with Azur Pharma for the development and manufacture of a prenatal vitamin supplement. The product was developed using our proprietary technology. The product was launched in the United States during the fourth quarter of 2008 under the brand name Gesticare®.

INT0010/2006. We have entered into an agreement with Cannasat Therapeutics Inc. for the development of a buccal mucoadhesive tablet product containing a cannabinoid-based drug for the treatment of neuropathic pain and nausea in cancer patients undergoing chemotherapy.

INT0014/2008 Under a development agreement with Cannasat Therapeutics Inc., we are developing a controlled-release tablet containing Cannabidiol for the treatment of schizophrenia.

INT0007/2006. An oral film product based on our proprietary edible film technology is currently in the early development stage. The product is intended for the treatment of erectile dysfunction (ED).

INT0008/2007. An oral film product based on our proprietary edible film technology is currently in the early development stage. The product is intended for the treatment of migraine.

INT0015/2008. An oral film product based on our proprietary edible film technology is currently in the early development stage. The product is intended for the treatment of panic attacks.

INT0018/2008. We have entered into a development and licensing agreement with Circ Pharma Ltd. to formulate, manufacture and supply a novel drug product, based upon our proprietary Versatab technology, for the treatment of hyperlipidemia. The product is currently in the early development stage.

The current development status of each of our products as of the date of this filing is summarized in the following table:

<b>Product</b>	<b>Application</b>	<b>Status of Development</b>
INT0001/2004	CHF, Hypertension	Pivotal batches in preparation
INT0003/2005	Smoking cessation	Pilot biostudy completed
INT0004/2006	Antidepressant	Pivotal batches completed
INT0010/2006	Neuropathic pain	Pilot biostudy completed
INT0006/2005	Prenatal vitamin supplement	Product launched in USA Q4, 2008
INT0005/2005	Osteoarthritis	Pilot batch completed.
INT0007/2006	ED	Formulation development ongoing
INT0008/2007	Migraine	Formulation development ongoing
INT0014/2008	Schizophrenia	Formulation development ongoing
INT0015/2008	Panic Attack	Formulation development ongoing
INT0018/2008	Hyperlipidemia	Formulation development ongoing

### **Growth Strategy**

Our primary growth strategies include: (1) identifying lifecycle management opportunities for existing blockbuster products, (2) developing generic drugs with high barriers to entry, (3) developing products for the (non-pharmaceutical) nutritional supplement market, and (4) developing new drug delivery technologies.

### ***Lifecycle Management Opportunities***

We are seeking to position our delivery technologies as an opportunity for lifecycle management of products for which the patent protection of the active ingredient is nearing expiration. While the patent for the underlying substance cannot be extended, patent protection can be obtained for a new and improved formulation by filing an application with the FDA under Section 505(b)(2) of the Food, Drug and Cosmetic Act. Such applications, known as a 505(b)(2) NDA s , are permitted for new drug products that incorporate previously approved active ingredients, even if the proposed new drug incorporates an approved active ingredient in a novel formulation or for a new indication. 505(b)(2) NDA may include information regarding safety and efficacy of a proposed drug that comes from studies not conducted by or for the applicant. The first formulation for a respective active ingredient filed with the FDA under a 505(b)(2) application may qualify for up to three years of market exclusivity upon approval. Based upon a review of past partnerships between third party drug delivery companies and pharmaceutical companies, management believes that drug delivery companies which possess innovative technologies to develop these special dosage formulations present an attractive opportunity to pharmaceutical companies. Accordingly, we believe these so-called 505(b)(2)

products represent a viable business opportunity for us.

### ***Generic Drugs with High Barriers to Entry***

We will also plan to pursue the development generic drugs that have certain barriers to entry, such as where product development and manufacturing are complex and can limit the number of potential entrants into the generic market. We plan to pursue such projects only if the number of potential competitors is deemed relatively insignificant. An example of such a product is our pro INT0005/2005, a fixed-dose combination medication requiring complex formulation and manufacturing technology.

### ***Nutritional Supplement Products***

We plan to develop additional products for the nutritional supplement market based upon our proprietary drug delivery technologies. The market for these supplements is large, with little differentiation between products. Our proprietary technology is aimed at increasing the absorption rate of active ingredients. We believe that supplements represent attractive short term revenue opportunities since they are not as regulated as pharmaceutical products and do not require FDA approval.

### ***Development of New Drug Delivery Technologies***

The rapidly disintegrating film technology contained in our Quick Release Wafer and our mucosal adhesive tablet are examples of our efforts to develop alternate technology platforms. As we work with various partners on different products, we seek opportunities to develop new proprietary technologies.

### **Competition**

The pharmaceutical industry is highly competitive and is subject to the rapid emergence of new technologies, governmental regulations, healthcare legislation, availability of financing, patent litigation and other factors. Many of our competitors, including Biovail Corporation, Labopharm Inc., and Flamel Technologies S.A., have longer operating histories and greater financial, technical, marketing, legal and other resources than us. In addition, many of our competitors have significantly greater experience than we have in conducting clinical trials of pharmaceutical products, obtaining FDA and other regulatory approvals of products, and marketing and selling products that have been approved. We expect that we will be subject to competition from numerous other companies that currently operate in or are planning to enter the markets we compete in.

The key factors affecting the development and commercialization of our drug delivery products are likely to include, among other factors:

The safety and efficacy of our products;

The relative speed with which we can develop products;

Generic competition for any product that we develop;

Our ability to defend our existing intellectual property and to broaden our intellectual property and technology base;

Our ability to differentiate our products;

Our ability to manufacture our products in compliance with current Good Manufacturing Practices ( cGMP ) and any other regulatory requirements;

Our ability to obtain financing;



In order to establish ourselves as a viable industry partner, we plan to continue to invest in our research and development activities in order to further strengthen our technology base and to develop the ability to manufacture our products through our manufacturing partner at competitive costs.

**Our Competitive Strengths**

We believe that our key competitive strengths include:

Our intellectual property;

The versatility of our drug delivery technology; and

The potential manufacturing cost savings associated with our technology.

## Manufacturing Partnership

We have entered into a collaboration agreement with Keata Pharma Inc., a wholly owned subsidiary of PharmEng International Inc., based in Markham, Ontario. Under this agreement, Keata Pharma is our preferred supplier for the manufacturing of clinical test batches and commercial products. We also have a reciprocal relationship whereby we recommend Keata Pharma to our partners for pharmaceutical manufacturing services, and Keata Pharma promotes our product development services to pharmaceutical companies.

## Dependence on Major Customers

We do not rely on any one or a few major customers for our end products. However, we depend upon a limited number of partners to develop our products, to provide funding for the development of our products, and to assist in obtaining regulatory approvals that are required in order to commercialize these products.

## Intellectual Property and Patent Protection

We protect our intellectual property and technology by using the following methods: (i) applying for patent protection in the United States and in the appropriate foreign markets, (ii) through non-disclosure agreements, license agreements and appropriate contractual restrictions and controls on the distribution of information, (iii) trade secrets, common law trademark rights and trademark registrations. We plan to file core technology patents covering the use of our platform technologies in any pharmaceutical products.

We have obtained three (3) patents and have an additional seven (7) pending patent applications pending, as described below. The patents expire 20 years after submission of the initial application.

Patent No.	Title	Subject	Date submitted / issued
US 6,231,957	Rapidly disintegrating flavor wafer for flavor enrichment	The composition, manufacturing, and use of rapidly disintegrating flavored films for releasing flavors to certain substrates	Issued May 15, 2001
US 6,660,292	Rapidly disintegrating film for precooked foods	Composition and manufacturing of flavored films for releasing flavors to precooked food substrates	Issued December 9, 2003
US 7,132,113	Flavored film	Composition and manufacturing method of multi-layered films	Issued April 16, 2002
US Appl. 2007/0190144	Multilayer Tablet	Formulation and Method of Preparation of Multilayered Tablets	Published August 16, 2007
US Appl. 2007/0128272	Multi-Vitamin And Mineral Supplement	Formulation And Method of Preparation of Prenatal Multivitamin Supplement	Published June 7, 2007
PCT/CA2006/0003 36 ; US Appl. 11/403,262	Delayed Release Oral Dosage Form And Method Of Making Same	Formulation And Method Of Making Bilayer Tablets Containing Delayed-Release Diclofenac And Misoprostol	February 13, 2006
US Appl. 11/782,838 PCT/IB2007/03950	Controlled Release Pharmaceutical Tablets	Formulation And Method Of Making Tablets Containing Bupropion And	July 2006

		Mecamylamine
US Appl. Make Special 11/828,287	Stabilized sustained- release Bupropion and Bupropion / Mecamylamine tablets	Formulation And Method Of August 2007 Making Tablets Containing Bupropion And Mecamylamine
US Provisional Appl. Attorney Docket INT34 P-311	Buccal And Sublingual Dosage Forms	Formulation And Method of July 2007 Preparation of mucoadhesive tablets containing THC
US Provisional Appl. Attorney Docket INT34 P-310	Cannabinoid Complexes	Formulation And Method of July 2007 Preparation of gamma- cyclodextrin complexes containing CBD

## **Government Regulation**

The pharmaceutical industry is highly regulated. The products we participate in developing require certain regulatory approvals. In the United States, drugs are subject to rigorous regulation by the FDA. The U.S. Federal Food, Drug, and Cosmetic Act, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, record keeping, packaging, labelling, adverse event reporting, advertising, promotion, marketing, distribution, and import and export of pharmaceutical products. Failure to comply with applicable regulatory requirements may subject a company to a variety of administrative or judicially-imposed sanctions and/or the inability to obtain or maintain required approvals or to market drugs. The steps ordinarily required before a new pharmaceutical product may be marketed in the United States include:

preclinical laboratory tests, animal studies and formulation studies under FDA's good laboratory practices regulations, or GLPs;

the submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;

the completion of adequate and well-controlled clinical trials according to good clinical practice regulations, or GCPs, to establish the safety and efficacy of the product for each indication for which approval is sought;

After successful completion of the required clinical testing, submission to the FDA of a New Drug Application, or NDA, or an Abbreviated New Drug Application, or ANDA, for generic drugs. In certain cases, an application for marketing approval may include information regarding safety and efficacy of a proposed drug that comes from studies not conducted by or for the applicant. Such applications, known as a 505(b)(2) NDA, are permitted for new drug products that incorporate previously approved active ingredients, even if the proposed new drug incorporates an approved active ingredient in a novel formulation or for a new indication.

satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with GMPs to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and

FDA review and approval of the NDA or ANDA.

The cost of complying with the foregoing requirements, including preparing and submitting an NDA or ANDA, may be substantial. Accordingly, we typically rely upon our partners in the pharmaceutical industry to spearhead and bear the costs of the FDA approval process. We also seek to mitigate regulatory costs by focusing on 505(b)(2) NDA opportunities. By applying our drug delivery technology to existing drugs, we seek to develop products with lower R&D expenses and shorter time-to-market timelines as compared to regular NDA products.

## **Research and Development Expense**

Our R&D expenses, net of R&D tax credits, for the year ended December 31, 2008 were \$1,779,741 as compared to \$603,374 for the year ended December 31, 2007.

## **Environmental Regulatory Compliance**

We believe that we are in compliance with all material environmental regulations applicable to our research and development facility located in Ville Saint-Laurent, Quebec

## **Employees**

As of the date of this filing, we have 9 full time employees.

**Item 1A. Risk Factors.**

*The risks described below should be considered when evaluating our business and future prospects. Should any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the market price of our common stock could decline and investors could lose all or a portion of the value of their investment in our common stock.*

**Risks Related to Our Business**

**We continue to sustain losses and our revenues are not sufficient to sustain our operations.**

Even though we ceased being a development stage company in April 2006, we are still subject to all of the risks associated with having a limited operating history and pursuing the development of new products. Our cash flows may be insufficient to meet expenses relating to our operations and the development of our business, and may be insufficient to allow us to develop new products. We currently conduct research and development using our proprietary platform technologies to develop oral controlled released and other delivery products. We do not know whether we will be successful in the development of such products. We have an accumulated deficit of approximately \$4,725,045 since our inception in 2003 through December 31, 2008. To date, these losses have been financed principally through sales of equity securities, long-term debt and debt from related parties. Our revenues for the years ended December 31, 2008, December 31, 2007, December 31, 2006, December 31, 2005 and December 31, 2004 were \$976,610, \$862,731, \$265,901, \$19,990 and \$257,374 respectively. Our revenues consisted primarily of development fee revenues from five clients and have not been sufficient to sustain our operations. In order to achieve profitability, our revenue streams will have to increase and there is no assurance that revenues will increase to such a level. We will likely require additional funding in order to sustain our operations in the near term.

**We may incur losses associated with foreign currency fluctuations.**

The majority of our expenses are paid in Canadian dollars, while our revenues are primarily in U.S. dollars. Our financial results are subject to the impact of currency exchange rate fluctuations. Adverse movements in exchange rates could have a material adverse effect on our financial condition and results of operations.

**We may need additional capital to fulfill our business strategies. We may also incur unforeseen costs. Failure to obtain such capital would adversely affect our business.**

We will need to expend significant capital in order to continue with our research and development by hiring additional research staff and acquiring additional equipment. If our cash flows from operations are insufficient to fund our expected capital needs, or our needs are greater than anticipated, we will be required to raise additional funds in the future through private or public sales of equity securities or the incurrence of additional indebtedness. Additional funding may not be available on favorable terms, or at all. If we borrow additional funds, we likely will be obligated to make periodic interest or other debt service payments and may be subject to additional restrictive covenants. If we fail to obtain sufficient additional capital in the future, we could be forced to curtail our growth strategy by reducing or delaying capital expenditures, selling assets or downsizing or restructuring our operations. If we raise additional funds through public or private sales of equity securities, the sales may be at prices below the market price of our stock and our shareholders may suffer significant dilution.

Our ability to raise capital will be severely hampered by adverse changes in general economic market conditions. The world economy is currently undergoing unprecedented turmoil amid stock market volatility, difficulties in the financial services sector, tightening of the credit markets, softness in the housing markets, concerns of inflation and deflation, reduced corporate profits and capital spending, reduced consumer spending, and continuing economic uncertainties. This turmoil and the uncertainty about future economic conditions could negatively impact our ability to obtain debt or equity financing of our operations. The cost and availability of credit has been and may continue to be adversely affected as concerns about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease, to provide funding to borrowers. If these market and economic conditions continue, they may limit our ability to access the capital markets to meet liquidity and capital expenditure requirements. We cannot predict the timing, strength or duration of the economic downturn.

**The loss of the services of key personnel would adversely affect our business.**

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and senior management staff. The loss of the services of existing personnel, particularly Horst G. Zerbe, our Chairman of the Board and Chief Executive Officer, would be detrimental to our research and development programs and to our overall business.

**We are dependent on business partners to conduct clinical trials of, obtain regulatory approvals for, and manufacture, market, and sell our controlled release products.**

We depend heavily on our pharmaceutical partners to pay for part or all of the research and development expenses associated with developing a new product and to obtain approval from regulatory bodies such as the FDA to commercialize these products. We also depend on our partners to distribute these products after receiving regulatory approval. Our revenues from research and development fees, milestone payments and royalty fees are provided by our partners. Our inability to find pharmaceutical partners who are willing to pay us these fees in order to develop new products would negatively impact our business and our cash flows.

We have limited experience in manufacturing, marketing and selling pharmaceutical products. Accordingly, if we cannot maintain our existing partnerships or establish new partnerships with respect to our other products in development, we will have to establish our own capabilities or discontinue the commercialization of the affected product. Developing our own capabilities would be expensive and time consuming and could delay the commercialization of the affected product. There can be no assurance that we would be able to develop these capabilities.

Our existing agreements with pharmaceutical industry partners are generally subject to termination by the counterparty on short notice upon the occurrence of certain circumstances, including but not limited to the following: a determination that the product in development is not likely to be successfully developed or not likely to receive regulatory approval; our failure to satisfy our obligations under the agreement, or the occurrence of a bankruptcy event. If any of our partnerships are terminated, we may be required to devote additional resources to the product, seek a new partner on short notice, or abandon the product development efforts. The terms of any additional partnerships or other arrangements that we establish may not be favorable to us.

We are also at risk that these partnerships or other arrangements may not be successful. Factors that may affect the success of our partnerships include the following:

Our partners may be pursuing alternative technologies or developing alternative products that are competitive to our product, either on their own or in partnership with others.

Our partners may reduce marketing or sales efforts, or discontinue marketing or sales of our products. This would reduce our revenues received on the products.

Our partners may terminate their partnerships with us. This could make it difficult for us to attract new partners or adversely affect perception of us in the business and financial communities.

Our partners may pursue higher priority programs or change the focus of their development programs, which could affect the partner's commitment to us. Pharmaceutical and biotechnology companies historically have re-evaluated their priorities from time to time, including following mergers and consolidations, a common occurrence in recent years.

**We face competition in our industry, and many of our competitors have substantially greater experience and resources than we do.**

We compete with other companies within the drug delivery industry, many of which have more capital, more extensive research and development capabilities and greater human resources than we do. Some of these drug delivery competitors include Biovail Corporation, Labopharm Inc., and Flamel Technologies S.A. Our competitors may develop new or enhanced products or processes that may be more effective, less expensive, safer or more readily available than any products or processes that we develop, or they may develop proprietary positions that prevent us from being able to successfully commercialize new products or processes that we develop. As a result, our products or processes may not compete successfully, and research and development by others may render our products or processes obsolete or uneconomical. Competition may increase as technological advances are made and commercial applications broaden.

**We are dependent upon sales outside the United States, which are subject to a number of risks.**

Our future results of operation could be harmed by risks inherent in doing business in international markets, including:

Unforeseen changes in regulatory requirements;

Weaker intellectual property rights protection in some countries;

New export license requirements, changes in tariffs or trade restrictions; and

Political and economic instability in our target markets.

**We rely upon third-party manufacturers, which puts us at risk for supplier business interruptions.**



We have entered into agreements with third party manufacturers to manufacture certain of our products once we complete development and after we receive regulatory approval. If our third-party manufacturers fail to perform, our ability to market products and to generate revenue would be adversely affected. Our failure to deliver products in a timely manner could lead to the dissatisfaction of our distribution partners and damage our reputation, causing our distribution partners to cancel existing agreements with us and to stop doing business with us.

The third-party manufacturers that we depend on to manufacture our products are required to adhere to FDA regulations regarding current Good Manufacturing Practices, which include testing, control and documentation requirements. Ongoing compliance with cGMP and other regulatory requirements is monitored by periodic inspection by the FDA and comparable agencies in other countries. Failure by our third-party manufacturers to comply with cGMP and other regulatory requirements could result in actions against them by regulatory agencies and jeopardize our ability to obtain products on a timely basis.

**We are subject to extensive government regulation including the requirement of approval before our products may be marketed. Even if we obtain marketing approval, our products will be subject to ongoing regulatory review.**

We, our partners, our products, and our product candidates are subject to extensive regulation by governmental authorities in the United States and other countries. Failure to comply with applicable requirements could result in warning letters, fines and other civil penalties, delays in approving or refusal to approve a product candidate, product recall or seizure, withdrawal of product approvals, interruption of manufacturing or clinical trials, operating restrictions, injunctions, and criminal prosecution.

Our products cannot be marketed in the United States without FDA approval. Obtaining FDA approval requires substantial time, effort, and financial resources, and there can be no assurance that any approval will be granted on a timely basis, if at all. We rely on our partners for the preparation of applications and for obtaining regulatory approvals. If the FDA does not approve our product candidates in a timely fashion, or does not approve them at all, our business and financial condition may be adversely affected. Further, the terms of approval of any marketing application, including the labeling content, may be more restrictive than we desire and could affect the marketability of our or our collaborator's products. Subsequent discovery of problems with an approved product may result in restrictions on the product or its withdrawal from the market. In addition, both before and after regulatory approval, we, our collaborators, our products, and our product candidates are subject to numerous FDA requirements covering testing, manufacturing, quality control, (cGMP), adverse event reporting, labeling, advertising, promotion, distribution, and export. Our partners and we are subject to surveillance and periodic inspections to ascertain compliance with these regulations. Further, the relevant law and regulations may change in ways that could affect us, our partners, our products, and our product candidates. Failure to comply with regulatory requirements could have a material adverse impact on our business.

Regulations regarding the manufacture and sale of our future products are subject to change. We cannot predict what impact, if any, such changes may have on our business, financial condition or results of operations. Failure to comply with applicable regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

Additionally, the time required for obtaining regulatory approval is uncertain. We may encounter delays or product rejections based upon changes in FDA policies, including cGMP, during periods of product development. We may encounter similar delays in countries outside of the United States. We may not be able to obtain these regulatory acceptances on a timely basis, or at all.

The failure to obtain timely regulatory acceptance of our products, any product marketing limitations, or any product withdrawal would have a material adverse effect on our business, financial condition and results of operations. In addition, before it grants approvals, the FDA or any foreign regulatory authority may impose numerous other requirements with which we must comply. Regulatory acceptance, if granted, may include significant limitations on the indicated uses for which the product may be marketed. FDA enforcement policy strictly prohibits the marketing of accepted products for unapproved uses. Product acceptance could be withdrawn or civil or criminal sanctions could be imposed for our failure to comply with regulatory standards or the occurrence of unforeseen problems following initial marketing.

The third party manufacturers that we depend on to manufacture our products are required to adhere to FDA regulations regarding cGMP and similar regulations in other countries, which include testing, control and documentation requirements. Ongoing compliance with cGMP and other regulatory requirements is monitored by periodic inspection by the FDA and comparable agencies in other countries.

**We may not be able to expand or enhance our existing product lines with new products limiting our ability to grow.**

If we are not successful in the development and introduction of new products, our ability to grow will be impeded. We may not be able to identify products to enhance or expand our product lines. Even if we can identify potential products, our investment in research and development might be significant before we could bring the products to market. Moreover, even if we identify a potential product and expend significant dollars on development, we may never be able to bring the product to market or achieve market acceptance for such product. As a result, we may never recover our expenses.

**The market may not be receptive to products incorporating our drug delivery technologies.**

The commercial success of any of our products that are approved for marketing by the FDA and other regulatory authorities will depend upon their acceptance by the medical community and third party payors as clinically useful, cost-effective and safe. No product based on our technologies is marketed in the United States, so there can be no assurance as to market acceptance.

Factors that we believe could materially affect market acceptance of these products include:

the timing of the receipt of marketing approvals and the countries in which such approvals are obtained;

the safety and efficacy of the product as compared to competitive products;

the relative convenience and ease of administration as compared to competitive products;

the strength of marketing distribution support; and

the cost-effectiveness of the product and the ability to receive third party reimbursement.

**We are subject to environmental regulations and any failure to comply may result in substantial fines and sanctions.**

Our operations are subject to Canadian and international environmental laws and regulations governing, among other things, emissions to air, discharges to waters and the generation, handling, storage, transportation, treatment and disposal of raw materials, waste and other materials. Many of these laws and regulations provide for substantial fines and criminal sanctions for violations. We believe that we are and have been operating our business and facility in a manner that complies in all material respects with environmental, health and safety laws and regulations; however, we may incur material costs or liabilities if we fail to operate in full compliance. We do not maintain environmental damage insurance coverage with respect to the products which we manufacture.

We may have to make significant expenditures in the future to comply with evolving environmental, health and safety requirements, including new requirements that may be adopted or imposed in the future. To meet changing licensing and regulatory standards, we may have to make significant additional site or operational modifications that could involve substantial expenditures or reduction or suspension of some of our operations. We cannot be certain that we have identified all environmental and health and safety matters affecting our activities and in the future our environmental, health and safety problems, and the costs to remediate them, may be materially greater than we expect.

**Our limited cash resources restrict our ability to pay cash dividends.**

Since our inception, we have not paid any cash dividends on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay any dividends on our common stock, our stockholders will be able to profit from an investment only if the price of the stock appreciates before the stockholder sells it.

**Risks Related to Our Intellectual Property**

**If we are not able to adequately protect our intellectual property, we may not be able to compete effectively.**

Our success depends, to a significant degree, upon the protection of our proprietary technologies. While we currently own 3 U.S. patents and have applied for 7 US patents, we will need to pursue additional protection for our intellectual property as we develop new products and enhance existing products. We may not be able to obtain appropriate protection for our intellectual property in a timely manner, or at all. Our inability to obtain appropriate protections for our intellectual property may allow competitors to enter our markets and produce or sell the same or similar products.

If we are forced to resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome and expensive. In addition, our proprietary rights could be at risk if we are unsuccessful in, or cannot afford to pursue, those proceedings.

We also rely on trade secrets and contract law to protect some of our proprietary technology. We have entered into confidentiality and invention agreements with our employees and consultants. Nevertheless, these agreements may not be honored and they may not effectively protect our right to our un-patented trade secrets and know-how. Moreover, others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets and know-how.

In 1995, the U.S. Patent and Trademark Office adopted changes to the U.S. patent law that made the term of issued patents 20 years from the date of filing rather than 17 years from the date of issuance, subject to specified transition periods. Beginning in June 1995, the patent term became 20 years from the earliest effective filing date of the underlying patent application. These changes may reduce the effective term of protection for patents that are pending for more than three years. While we cannot predict the effect that these changes will have on our business, they could have a material adverse effect on our ability to protect our proprietary information. Furthermore, the possibility of

extensive delays in the patent issuance process could effectively reduce the term during which a marketed product is protected by patents.

We may need to obtain licenses to patents or other proprietary rights from third parties. We may not be able to obtain the licenses required under any patents or proprietary rights or they may not be available on acceptable terms. If we do not obtain required licenses, we may encounter delays in product development or find that the development, manufacture or sale of products requiring licenses could be foreclosed. We may, from time to time, support and collaborate in research conducted by universities and governmental research organizations. We may not be able to acquire exclusive rights to the inventions or technical information derived from these collaborations, and disputes may arise over rights in derivative or related research programs conducted by us or our collaborators.

**If we infringe on the rights of third parties, we may not be able to sell our products, and we may have to defend against litigation and pay damages.**

If a competitor were to assert that our products infringe on its patent or other intellectual property rights, we could incur substantial litigation costs and be forced to pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume significant financial resources, but would also divert our management's time and attention. Such claims could also cause our customers or potential customers to purchase competitors' products or defer or limit their purchase or use of our affected products until resolution of the claim. If any of our products are found to violate third-party intellectual property rights, we may have to re-engineer one or more of our products, or we may have to obtain licenses from third parties to continue offering our products without substantial re-engineering. Our efforts to re-engineer or obtain licenses could require significant expenditures and may not be successful.

**Our controlled release products that are generic versions of branded controlled release products that are covered by one or more patents may be subject to litigation, which could delay FDA approval and commercial launch of our products**

We expect to file or have our partners file Abbreviated New Drug Applications or New Drug Applications (ANDAs or NDAs) for our controlled release products under development that are covered by one or more patents of the branded product. It is possible that the owners of the patents covering the brand name product or the sponsors of the NDA with respect to the branded product will sue or undertake regulatory initiatives to preserve marketing exclusivity. Any significant delay in obtaining FDA approval to market our products as a result of litigation, as well as the expense of such litigation, whether or not we or our partners are successful, could have a materially adverse effect on our business, financial condition and results of operations.

**Risks Related to Our Securities:**

**The price of our common stock could be subject to significant fluctuations.**

Any of the following factors could affect the market price of our common stock:

Our failure to achieve and maintain profitability;

Changes in earnings estimates and recommendations by financial analysts;

Actual or anticipated variations in our quarterly results of operations;

Changes in market valuations of similar companies;

Announcements by us or our competitors of significant contracts, new products, acquisitions, commercial relationships, joint ventures or capital commitments;

The loss of major customers or product or component suppliers;

The loss of significant partnering relationships; and

General market, political and economic conditions.

We have a significant number of convertible securities outstanding that could be exercised in the future. Subsequent resale of these and other shares could cause the Company's stock price to decline. This could also make it more difficult to raise funds at acceptable levels via future securities offerings.

**We have a concentration of stock ownership and control, and a small number of stockholders have the ability to exert significant control in matters requiring stockholder vote and may have interests that conflict with ours.**

Our common stock ownership is highly concentrated. See "Security Ownership of Certain Beneficial Owners and Management." As a result, a relatively small number of stockholders, acting together, have the ability to control all matters requiring stockholder approval, including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our company. It could also deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and it may affect the market price of our common stock. In deciding how to vote on such matters, those stockholders' interests may conflict with yours.

**Our common stock is a high risk investment.**

Our common stock has been quoted on the OTC Bulletin Board under the symbol IGXT.OB since January 2007 and has been listed on the TSX Venture Exchange under the symbol IGX since May 2008.

There is a limited trading market for our common stock, which may affect the ability of shareholders to sell our common stock and the prices at which they may be able to sell our common stock.

The market price of our common stock has been volatile, and fluctuates widely in price in response to various factors which are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long term business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

In the United States, our common stock is considered a penny stock. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. These rules further restrict the trading activity and marketability of our common stock.

As a result of the foregoing, our common stock should be considered a high risk investment.

**We became public by means of a reverse merger, and as a result we are subject to the risks associated with the prior activities of the public company. In addition, we may not be able to attract the attention of major brokerage firms or institutional buyers.**

Additional risks may exist because we became public through a "reverse merger" with a shell corporation. Although the shell did not have recent or past operations or assets and we performed a due diligence review of the public company, there can be no assurance that we will not be exposed to undisclosed liabilities resulting from the prior operations of our company.

Security analysts of major brokerage firms and securities institutions may not cover us since there are no broker-dealers who sold our stock in a public offering who would have an incentive to follow or recommend the purchase of our common stock. No assurance can be given that established brokerage firms will want to conduct any financings for us in the future.

## **Item 2. Properties.**

We currently occupy 3,100 square feet of leased space at a rate of CAN\$8.64/square foot in an industrial zone in Ville St.-Laurent, Quebec, Canada, under a 5-year renewable lease agreement signed in 2004. We expanded our laboratory and office space at this facility to its maximum during the second quarter of 2006. In order to continue to support ongoing product development activities and allow the addition of further development programs, it may be necessary to seek alternative premises in the near future. Management has therefore entered into discussions with the current landlord to look for alternative facilities that would meet our need for additional space at affordable costs.

## **Item 3. Legal Proceedings.**

There are no material pending legal proceedings to which we are a party or to which any of our property is subject and to the best of our knowledge, no such actions against us are contemplated or threatened.

## **Item 4. Submission of Matters to a Vote of Security Holders.**

During the quarter ended December 31, 2008 no matters were submitted to a vote of security holders.

## **PART II**

## **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock has been quoted on the OTC Bulletin Board under the symbol IGXT since January 2007. In addition, our common stock has been listed on the TSX Venture Exchange under the symbol IGX since May 2008.



The table below sets forth the high and low bid prices of our common stock as reported by the OTC Bulletin Board and the TSX for the periods indicated. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	OTCBB		TSX	
	High (U.S.\$)	Low (U.S.\$)	High (CDN\$)	Low (CDN\$)
<b>2008</b>				
Fourth Quarter	\$ 0.95	\$ 0.30	\$ 0.90	\$ 0.50
Third Quarter	\$ 0.98	\$ 0.67	\$ 1.04	\$ 0.90
Second Quarter	\$ 1.01	\$ 0.80	\$ 1.00	\$ 0.87
First Quarter	\$ 1.02	\$ 0.60	\$ N/A	\$ N/A
<b>2007</b>				
Fourth Quarter	\$ 1.05	\$ 0.45	\$ N/A	\$ N/A
Third Quarter	\$ 1.90	\$ 0.88	\$ N/A	\$ N/A
Second Quarter	\$ 1.31	\$ 0.60	\$ N/A	\$ N/A
First Quarter	\$ 1.20	\$ 0.68	\$ N/A	\$ N/A

## Number of Shareholders

On March 4, 2009, there were approximately 75 holders of record of our common shares, one of which was Cede & Co., a nominee for Depository Trust Company and one of which was The Canadian Depository for Securities Limited, or CDS. All of our common shares held by brokerage firms, banks and other financial institutions in the United States and Canada as nominees for beneficial owners are considered to be held of record by Cede & Co. in respect of brokerage firms, banks and other financial institutions in the United States, and by CDS in respect of brokerage firms, banks and other financial institutions located in Canada. Cede & Co. and CDS are each considered to be one shareholder of record.

## Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions and future prospect and other factors that the board of directors may deem relevant.

## Equity Compensation Plan Information

### 2006 Stock Option Plan

A majority of our shareholders approved the 2006 Stock Option Plan at our Annual General Meeting of Stockholders held on August 10, 2006. Under the 2006 Stock Option Plan, up to 1,600,749 shares of common stock may be issued upon the exercise of options granted to directors, management, employees and consultants.

In May of 2008, the term of all options granted under the 2006 Stock Option Plan was amended to provide for a term not to exceed five years, in order to ensure compliance with applicable rules and regulation of the TSX Venture Exchange.

At the Annual General Meeting of Stockholders on September 8, 2008, our shareholders approved an amendment to the 2006 Stock Option Plan in order to increase the number of shares available under the plan by 473,251, to 2,074,000.

As of March 4, 2009, 2,002,676 options have been issued, 191,500 options have been exercised, 50,000 were forfeiture, 62,500 expired and 1,698,676 options remain outstanding under the 2006 Option Plan.

## Equity Compensation Plan Information

Number of Securities to be issued upon exercise of outstanding options,	Weighted-Average Exercise Price of outstanding options,	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first Two
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			columns
Equity Compensation Plans Approved by Security Holders	1,698,676	\$1.01	183,824
Equity Compensation Plans Not Approved by Security Holders	None	None	None
Total	1,698,676	\$1.01	183,824

On September 26, 2006 we granted options to purchase 225,000 shares of common stock to three non-employee directors. These options have an exercise price of \$0.41, vest upon issuance and expire on September 26, 2016. The expire date was subsequently amended to September 26, 2011.

On October 1, 2006 we granted options to purchase up to 69,000 shares of common stock to a consultant. These options have an exercise price of \$0.41, vest upon issuance, and expire on October 1, 2016. The expire date was subsequently amended to September 26, 2011.

On November 9, 2006 we granted options to purchase up to 450,000 shares of common stock to the CFO and a management employee. These options have an exercise price of \$0.41, vest upon issuance, and expire on November 9, 2016. The expire date was subsequently amended to September 26, 2011.

On November 13, 2006 we granted options to purchase up to 250,000 shares of common stock to a consultant. These options have an exercise price of \$0.41, vest over two years at the rate of 25% every six months, and expire on November 13, 2016. The expire date was subsequently amended to September 26, 2011.

On November 16, 2006 we granted options to purchase up to 100,000 shares of common stock to employees and 25,000 options to a consultant. These options have an exercise price of \$0.41, vest over 2 years at the rate of 25% every six months, and expire on November 16, 2016. The expire date was subsequently amended to September 26, 2011.

On August 9, 2007 we granted options to purchase up to 107,500 shares of common stock to four non-employee directors. These options have an exercise price of \$1.15, vest upon issuance, and expire on August 9, 2017. The expire date was subsequently amended to August 9, 2012.

On August 9, 2007 we granted options to purchase up to 75,000 shares of common stock to our Vice President of Business Development. These options have an exercise price of \$1.15, vest over 2 years at the rate of 25% every six months, and expire on August 9, 2017. The expire date was subsequently amended to August 9, 2012.

On August 9, 2007 we granted options to purchase up to 75,000 shares of common stock to our chief financial officer. These options have an exercise price of \$1.15, vest over 2 years at the rate of 25% every six months, and expire on August 9, 2017. The expire date was subsequently amended to August 9, 2012. As the result of the termination of the employment agreement the 75,000 shares to purchase common stock expired un-exercised in November of 2008.

On May 22, 2008 we granted options to purchase up to 51,176 shares of common stock to two of our non-employee directors. These options have an exercise price of \$0.85, vest immediately and expire on May 22, 2013.

On May 29, 2008 we granted options to purchase up to 400,000 shares of common stock to Auctus Capital in consideration for investor relation services. The option grant was subject to shareholder approval to increase the number of shares to be issued under the 2006 Stock Option Plan. The shareholders approved to increase the number of shares by 473,251, to 2,074,000 at the Annual General Meeting on September 8, 2008. The options granted to Auctus Capital have an exercise price of \$1.00, and vest based on a combination of the achievement of certain performance conditions and the passage of time. The options expire on May 29, 2013. Approximately 150,000 options have vested to date.

On September 8, 2008 we granted options to purchase up to 75,000 shares of common stock to a non-employee director of the company. These options have an exercise price of \$0.85, vest immediately and expire on September 8, 2013.

On September 8, 2008 we granted options to purchase up to 100,000 shares of common stock to our chief financial officer. These options have an exercise price of \$0.85, vest over 2 years at the rate of 25% every six months, and

expire on September 8, 2013.

**Item 6. Selected Financial Data.**

Not applicable.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

**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 our financial statements that enables investors to better understand our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to our continuing operations. 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 Technologies Corp. This information should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto.

## Company Background

We are a drug delivery company established in 2003 and headquartered in Montreal, Quebec, Canada, which focuses 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 our partners in the pharmaceutical industry to fund development of the licensed products, complete the regulatory approval process with the 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 product reaches the marketing and distribution stage. The Company 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.

The Company has also undertaken a strategy under which it 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. (See Government Regulation ).

The Company is currently continuing to develop the existing products in its pipeline and may also perform research and development on other potential products as opportunities arise.

The Company does not currently plan to acquire a manufacturing facility. The Company currently purchases and/or leases, on an as-needed basis, the equipment necessary for performing research and development activities related to its products.

The Company plans to hire new personnel, primarily in the area of research and development, on an as-needed basis as the Company enters into partnership agreements and increases its research and development activities.

## Key Developments

The Company achieved a number of milestones in 2008, including the following:

**Private Placement** - In March 2008, the Company completed a private placement of its securities for gross proceeds of US\$2.8 million. The Company issued 4,001,000 Units ( Units ) at a price of US \$0.70 per unit. Each Unit consists of one share of common stock and one common share purchase warrant. The warrants have an exercise price of US\$1.02 and a term of 24 months.

**TSX-V Listing** - In May 2008 the Company received approval from the TSX Venture Exchange (the TSX-V ) for the listing of its common stock under the trading symbol IGX . The common stock commenced trading on TSX-V at the opening on May 23, 2008. IntelGenx 's common stock also continues to be quoted on the OTC Bulletin Board under the symbol IGXT .

**Development and Commercialization of Prenatal Vitamins Supplements** - In January 2008 the Company signed a strategic agreement with Azur Pharma to develop and commercialize prenatal vitamin supplements using the Company 's proprietary oral delivery technology. Under the terms of the agreement IntelGenx is responsible for completing the development of the product and is entitled to receive royalties based on Azur 's net U.S. revenues from

the product. Azur will be responsible for commercialization and marketing activities in the U.S.

The product was launched in the United States under the brand name Gesticare® in November 2008 and the Company commenced receiving royalty revenue payments in February 2009.

***Strategic Alliance to Develop Cardiovascular Product*** - In April 2008 the Company formed a strategic alliance with DAVA Pharmaceuticals Inc ( DAVA ) to develop and commercialize a generic equivalent to a major cardiovascular product using the Company's proprietary Versatab delivery technology.

Under the terms of the alliance, IntelGenx will be entitled to fees for the development of the product, as well as recurring revenue through a share of DAVA's U.S. gross profit from the product. DAVA will be responsible for commercialization and marketing activities in the U.S.

**Development and Commercialization of Anti-Depressant CPI-300** - In April 2008 the Company ratified a definitive agreement with Cary Pharmaceuticals (Cary), originally signed on November 5, 2007, to jointly develop and commercialize the antidepressant product CPI-300.

In accordance with the terms of this Collaborative Agreement, IntelGenx was required to provide funding of \$2 million for completion of the product development. The funding was secured through the closing of a private placement worth \$2.8 million on March 27, 2008. IntelGenx will be entitled to profit sharing upon commercialization of the product.

In July 2008, the Company attended an End-of-Phase II meeting with the FDA with respect to the CPI-300 antidepressant. During this meeting the FDA indicated that it would accept a recently completed pivotal food effect study as sufficient to support a 505(b)(2) NDA (New Drug Application) submission. After reviewing the study results, the FDA confirmed that it will accept a labeling that the product may be taken without regard to food. With respect to the remaining clinical program, the FDA confirmed that it will require a single-dose, fasting, two-way crossover study vs. the Reference Listed Drug (RLD) to support the 505(b)(2) NDA submission.

In October 2008 the Company and Cary announced positive results from a clinical trial on its antidepressant CPI-300. The results from the bioequivalence study undertaken in September 2008 confirm that CPI-300 is bioequivalent to the reference product. IntelGenx and Cary anticipate filing a (505(b)(2) NDA in the first quarter of 2009 based on the results of this and the food effect study.

### Currency rate fluctuations

The Company's operating currency is Canadian dollars, while its reporting currency is U.S. dollars. Accordingly, the Company's 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 - Year ended December 31, 2008 compared to Year ended December 31, 2007.

	2008	2007	Increase/ (Decrease)	Percentage Change
Revenue	\$ 976,610	\$ 862,731	\$ 113,879	13%
Research and Development Expenses	2,085,433	777,773	1,307,660	168%
Research and Development Tax Credit	(305,692)	(174,399)	(131,293)	75%
Management Salaries	551,771	328,513	223,258	68%
General and Administrative Expenses	212,915	166,249	46,666	28%
Professional Fees	695,158	424,817	270,341	64%
Interest and Financing Fees	766,136	349,093	417,043	120%
Foreign Exchange	(122,915)	113,552	(236,467)	N/A
Income taxes	(151,581)	(64,077)	(87,504)	137%
Net Income (Loss)	(2,806,387)	(1,100,793)	(1,705,594)	155%



## **Revenue**

Total revenue increased \$113,879, or 13%, to \$976,610 for the year ended December 31, 2008 from \$862,731 for the year ended December 31, 2007.

The increase in revenue is primarily attributable to revenues invoiced pursuant to our research and development agreements with our pharmaceutical partners for development milestones achieved, which amounted to \$945,760 in 2008 compared with \$835,376 in the previous year.

Also included within revenue is interest income of \$30,864 earned on the cash proceeds from the sale of our securities in May 2007 and in March 2008. This compares to interest income of \$27,355 in 2007.

## **Research and Development ( R&D ) Expenses**

R&D expenses, net of R&D tax credits, for the year ended December 31, 2008 were \$1,779,741 and represent an increase of \$1,176,367 compared to the year ended December 31, 2007.

Gross R&D expenses for the year ended December 31, 2008 were \$2,085,433, as compared to \$777,773 for the previous year.

Included within R&D expenses for 2008 are approximately \$915,444 of costs related to the development of the CPI-300 pursuant to the collaboration agreement with Cary Pharmaceuticals. These expenses, while significant, are in line with both the project plan and with management's expectations. These expenses include approximately \$500,122 related to clinical trials for the Food Effect Study and the Bioequivalence Study undertaken in recent months.

The remainder of the increase is primarily attributable to the increased drug development activities of our other projects.

Also included within R&D expenses for 2008 are R&D Salaries of \$422,930, approximately \$13,404 of which represents non-cash compensation. This compares to R&D salaries of \$301,935 in 2007, including \$18,187 in non-cash compensation.

For the year ended December 31, 2008, we have recorded estimated Research and Development Tax Credits and refunds of \$305,692, as compared to \$174,399 for 2007.

## **Management Salaries and General and Administrative ( G&A ) Expenses**

Management salaries increased \$223,258, or 68% in 2008, to \$551,771 from \$328,513 in 2007. General and administrative expenses increased 28%, to \$212,915 in 2008 from \$166,249 in 2007.

The following items are included in management salaries: (i) approximately \$40,572 in non-recurring cash compensation to non employee directors of the Company (no such costs were incurred in 2007) (ii) approximately \$51,727 in non cash compensation in the form of options granted to non-employee directors, as compared to \$76,734 in 2007, and (iii) approximately \$45,483 in non cash compensation resulting from options granted to management employees in 2007 and 2008, as compared to \$21,218 in 2007. The remaining increase in management salaries is attributable to the hiring of a full time Chief Financial Officer and a Vice-President Business Development.

The increase in G&A expenses is primarily attributable to the increase in corporate operations.

## **Professional Fees**

Professional fees for the year ended December 31, 2008 increased by \$270,341, or 64%, to \$695,158 from \$424,817 in 2007.

The increase in professional fees is primarily attributable to: (i) management fees of approximately \$222,236 paid to Cary Pharmaceuticals related to the CPI 300 antidepressant (no such costs were incurred in 2007), and (ii) expenses of approximately \$108,714 related to the Company's listing on the TSX Venture Exchange, as compared to \$22,418 in 2007.

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

Share-based compensation expense, warrants and share based payments totaled \$365,225 for the year ended December 31, 2008, as compared to \$202,607 for the year ended December 31, 2007.

We expensed \$111,619 in connection with the amendment of the anti-dilution terms of convertible notes issued in May 2007. As consideration for entering into this amendment, the Company agreed to issue to the note holders an aggregate of 159,456 fully paid common shares. At the same time, the exercise price of outstanding warrants held by the note holders was adjusted from \$1.02 to \$0.80, resulting in an increase in the fair value of the warrant and an additional compensation charge of \$92,571.

We also expensed approximately \$58,887 during 2008 for options granted to Company employees in 2006, 2007 and 2008 under the 2006 Stock Option Plan, \$51,727 for options granted to non-employee directors, and \$50,421 for options granted to Auctus Capital for investor relations services.

There remains approximately \$47,162 in stock based compensation to be expensed in fiscal 2009 and 2010 related to the issuance of options during 2007 and 2008. We anticipate that we will issue additional options and warrants in the future, which will continue to result in stock-based compensation expense.

### **Financing Cost**

We incurred interest and financing fee expense of \$766,136 for the year ended December 31, 2008, as compared to \$349,093 in 2007. Approximately \$670,108 of the expense incurred in 2008 relates to non-cash items.

The costs in 2008 relate primarily to a non-cash accretion expense of \$465,918 (2007 - \$195,317) and cash interest payments of \$79,215 (2007 - \$66,180) on the convertible notes issued in May 2007.

In addition, we expensed a non-cash amount of \$111,619 in connection with the amendment of the anti-dilution terms of convertible notes issued in May 2007. As consideration for entering into this amendment, the Company agreed to issue to the note holders an aggregate of 159,456 fully paid common shares. At the same time, the exercise price of outstanding warrants held by the note holders was adjusted from \$1.02 to \$0.80, resulting in an increase in the fair value of the warrant and an additional compensation charge of \$92,571.

The remainder of \$16,813 in financing cost relates to interest paid on the outstanding shareholder loan, bank fees, and interest.

Based on the outstanding principal amount of the convertible notes issued in May 2007, and assuming no additional conversions of these notes into common stock, we expect to incur interest expense of approximately \$71,627 and approximately \$515,739 of accreted interest in 2009.

### **Foreign Exchange**

A foreign exchange gain of \$122,915 was recorded in 2008, as compared to a foreign exchange loss of \$113,552 in 2007. The foreign exchange gain in 2008 and the foreign exchange loss in 2007 relate primarily to currency fluctuations between the Canadian dollar and the U.S. dollar.

### **Net Loss**

The net loss for the year ended December 31, 2008 was \$2,806,387, an increase of \$1,705,594, or 155%, as compared to a net loss of \$1,100,793 in 2007. The increase in net loss is attributable to the following:

- a) R&D expenses of approximately \$915,444 and Management Fees of approximately \$222,236 relating to the collaboration agreement with Cary Pharmaceuticals to develop the antidepressant CP-300,
- b) Professional fees of approximately \$108,714 related to the Company's listing on the TSX Venture Exchange,
- c) Financing costs of approximately \$749,323 incurred in relation to the convertible notes issued in May 2007, of which approximately \$545,133 relates to interest paid and accreted, and \$204,190 relates to amendments to the terms and conditions of the convertible notes.

Non-cash related expenses totaling approximately \$882,915 are included within the net loss for 2008, as follows:

- a) \$465,918 in respect of accretion expense on the convertible notes issued in May 2007.

- b) \$111,619 related to the amendment of the anti-dilution terms of the convertible notes whereby, as consideration for entering into this amendment, the Company agreed to issue to the holders of the convertible notes an aggregate of 159,456 fully paid common shares.
- c) \$92,571 additional compensation charge relating to the amendment of the exercise price of the outstanding warrants to the note holders from \$1.02 to \$0.80 resulting in an increase in the fair value of the warrant.
- d) \$58,887 for options granted to Company employees.
- e) \$51,772 in respect of the amortization of fixed assets.
- f) \$51,727 for options granted to non-employee directors.
- g) \$50,421 for options granted to Auctus Capital as per the investor relations agreement.

**Key items from the Balance Sheet**

	2008	2007	Increase/ (Decrease)	Percentage Change
Current Assets	\$ 1,464,374	\$ 1,035,920	\$ 428,454	41%
Property and Equipment	157,156	235,244	(78,088)	33%
Current Liabilities	525,661	261,485	264,176	101%
Loan Payable, Shareholder	82,357	101,193	(18,836)	19%
Convertible notes	714,502	417,634	296,868	71%
Deferred Income Tax Liability	127,408	278,988	(151,580)	54%
Capital Stock	209	162	47	29%
Additional Paid-in-Capital	5,080,780	2,071,818	3,008,962	145%

**Current Assets**

Current assets totaled \$1,464,374 at December 31, 2008, as compared to \$1,035,920 at December 31, 2007. The increase of \$428,454 is primarily attributable to an increase in cash resulting from the completion of our private placement on March 27, 2008, and also includes a cash balance of \$277,220 which is restricted in accordance with the Collaborative Agreement with Cary Pharmaceuticals to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology.

**Prepaid Expenses**

As of December 31, 2008, prepaid expenses totaled \$44,936, as compared to \$23,443 at December 31, 2007. The increase of \$21,493 is attributable to the payment of a security deposit of \$22,681 in connection with a lease agreement for new premises that the Company plans to relocate to in 2009.

**Contractual Obligations and Commitments**

Excluding trade accounts payable and accrued liabilities, the Company is committed to the following contractual obligations and commitments.

	2009	2010
Operating Lease Obligations	\$ 8,119	\$ 0
Investor relation	\$ 24,630	\$ 0
Interest on Convertible Notes	\$ 71,627	\$ 0
<b>Total</b>	<b>\$ 104,376</b>	<b>\$ 0</b>

**Liquidity and Capital Resources**

Our cash and cash equivalents totaled \$833,219 as of December 31, 2008, an increase of \$502,252 as compared to \$330,967 as of December 31, 2007. The increase is primarily attributable to proceeds received from a the private placement completed on March 27, 2008. Our cash and cash equivalents balance includes a restricted cash amount of \$277,220. This amount represents the remaining balance of the \$2,000,000 in cash that was set aside under the terms of the Collaborative Agreement ratified on April 7, 2008 with Cary Pharmaceuticals to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology.

As at December 31, 2008, we had an accumulated deficit of \$4,725,045, as compared to an accumulated deficit of \$1,918,658 as of December 31, 2007. Total assets amounted to \$1,621,530 and shareholders' equity amounted to \$171,602 as of December 31, 2008, as compared with total assets and shareholders' equity of \$1,271,164 and \$211,864, respectively, as of December 31, 2007.

As of December 31, 2008, accounts receivable totaled \$317,063 (2007 - \$427,476), of which \$122,095 is a sales tax refund which we expect to receive during the first quarter of 2009. In addition, we had R&D investment tax credits receivable of \$269,156, as compared to \$243,006 as at December 31, 2007. We expect to receive the R&D investment tax credits during the third quarter of 2009.

Accounts payable and accrued liabilities as of December 31, 2008 amounted to \$525,661 (2007 - \$261,485), of which approximately \$435,100 relates to research and development activities, approximately \$12,706 relates to professional fees, and \$17,857 relates to a retainer to a non-employee director of the Company. Included within other accruals is approximately \$13,390 due to a shareholder.

Our consolidated financial statements as of December 31, 2008 have been prepared under the assumption that we will continue as a going concern for the twelve months ending December 31, 2009. The report of our independent registered public accounting firm which accompanies our financial statements includes an explanatory paragraph raising substantial doubt about our ability to continue as a going concern due to our operating losses our need to obtain significant additional capital in order to finance our operations and repay our indebtedness. Accordingly, our ability to continue as a going concern is dependent upon our ability to obtain additional capital from equity and/or debt financing, or by generating increased revenues or other sources of income.

We presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief operating history, our operations have not been a consistent source of liquidity. We have financed our operating and capital expenditures principally through the sale of debt and equity securities to accredited and institutional investors. In May 2007, we issued convertible notes in an aggregate principal amount of \$1.5 million, of which \$1,230,241 remained outstanding as of December 31, 2008. In March 2008, we completed a private placement of common stock and warrants for net proceeds of \$2,349,119. Management believes that the Company's existing cash resources will be sufficient to meet our operating requirements for the first six months of 2009. We are seeking additional funding through additional equity and/or debt financings. However, there can be no assurance that any additional financing will become available to us, and if available, on terms acceptable to us. Any financing, if available, may involve restrictive covenants that impact our ability to conduct our business and raise additional funds. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates.

### **Property and Equipment**

As at December 31, 2008, the net book value of our property and equipment amounted to \$157,156, as compared to \$235,244 at December 31, 2007. In the year ended December 31, 2008 additions to assets totaled \$11,274 and comprised \$2,812 for computer equipment, \$6,579 for laboratory equipment, and \$1,883 for office equipment, fixtures and fittings. Total depreciation in the year ended December 31, 2008 amounted to \$51,772 and a foreign exchange loss of \$37,590 was recorded.

### **Loan Payable, Shareholder**

As of December 31, 2008, we had a loan payable to a shareholder with an outstanding principal amount of \$82,357, as compared to an outstanding principal amount of \$101,193 at December 31, 2007. \$18,836 of the decrease in the outstanding principal amount is attributable to currency exchange rate fluctuation.

### **Capital Stock**

As at December 31, 2008, capital stock amounted to \$209 compared to \$162 at December 31, 2007. The increase reflects the issue of 4,692,856 shares at par value of \$0.00001, the majority of which relates to the private placement completed on March 27, 2008. Capital stock is disclosed at its par value with the excess of proceeds shown in Additional Paid-in-Capital.

### *Private Placement of Convertible Notes and Warrants - May 2007*

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000. The convertible notes bear interest at the rate of 8% per annum and are

repayable on September 22, 2009. Interest is payable quarterly and payments commenced on July 1, 2007. The notes are convertible into common shares of the Company, at the option of the holders, at a conversion price of \$0.70 per share. The Company also issued to the holders 2,142,857 stock purchase warrants exercisable at \$1.02 per share before May 22, 2012. The exercise price of the warrants was subsequently amended to \$0.80 per share in the second quarter of 2008.

The Company may, at its option, elect to pay the interest by the issuance of common shares. The number of shares is to be determined by dividing the amount of the interest payment by the number which is 85% of the average market price of the Company's common shares for the 20 trading days immediately prior to the interest payment date assuming that the average market price is equal or greater than \$0.70 as adjusted for reverse and forward share splits, recapitalizations and the like that occur after the date of the Securities Purchase Agreements.



On May 22, 2007 the Company paid approximately \$229,323 in cash consideration and issued warrants with a fair value of \$82,993 in consideration for transaction costs. These transaction costs were allocated between the convertible debt and the warrants based on their relative fair value.

In the second quarter of 2008 the Company issued 159,456 shares of common stock at \$0.70 per share for a total of \$111,619 to convertible note holders. The compensation was for acceptance of the amendment of the anti-dilution terms of the convertible notes required in connection with the Company's TSX listing. At the same time the exercise price of the warrants was amended from \$1.02 to \$0.80 per share.

As at December 31, 2008 we had convertible notes of \$714,502 (2007 - \$417,634) outstanding, which represents \$1,230,241 in convertible note financing less unamortized discount and deferred charges of \$515,739. In 2008 a total of 235,714 notes were converted into common shares resulting in an increase of \$165,000 in additional paid in capital.

*Private Placement of Common Stock and Warrants - March 2008*

On March 27, 2008, we completed a private placement of common stock and warrants for gross proceeds of \$2,800,700. We sold 4,001,000 units, with each unit consisting of one share of common stock and one common share purchase warrant. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.02 per common share and expires 24 months after the date of issuance.

In connection with this private placement, we paid a placement agent a cash commission in the amount of \$196,000, which is equal to 7% of the gross proceeds of the offering. We also issued to the placement agent an option entitling the placement agent to acquire 320,080 units at \$0.70 per unit, which expires 24 months after the date of issuance.

The cash consideration paid to the placement agent and the fair value of the placement agent's option is reflected as a reduction to additional paid-in capital.

Pursuant to the terms of the private placement, we were obligated to use our best efforts to: (i) have our common stock listed on the TSX Venture Exchange, and (ii) file a resale registration statement with the U.S. Securities and Exchange Commission that registers for resale the common stock and the common stock issuable upon exercise of the warrants and the placement agent option. We fulfilled these obligations within the required time limits.

**Additional Paid-in-Capital**

Additional paid-in capital totaled \$5,080,780 at December 31, 2008, as compared to \$2,071,818 at December 31, 2007. The increase is attributable to increases of \$2,127,920, \$672,740, and \$95,000 for the private placement completed in March 2008 in relation to common stock issued, warrants and placement agent compensation respectively as well as a decrease of \$546,581 for transaction costs. Additional paid in capital also increased by \$365,223 for stock based compensation. Of this amount, \$111,617 relates to compensation to convertible note holders for their acceptance of an amendment of the anti-dilution terms of their convertible notes required in connection with the Company's TSX listing; \$92,571 relates to the adjustment of the exercise price of the warrants held by the convertible note holders; and \$161,035 relates to the amortization of stock options granted to employees, directors, and to our investor relations consultant, Auctus Capital. Additional paid in capital increased further by \$164,998 for converted notes, by \$88,663 for options exercised, and by \$40,999 for warrants exercised.

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

	2008	2007	Increase/ (Decrease)	Percentage Change
Operating Activities	\$ (1,737,032)	\$ (968,659)	\$ (768,373)	79%
Financing Activities	2,478,784	1,162,806	1,315,978	113%

Investing Activities	(284,277)	(82,961)	(201,316)	243%
Cash and cash equivalents - end of period	555,999	330,967	225,032	68%

**Statement of cash flows**

Net cash used by operating activities was \$1,737,032 in the year ended December 31, 2008, as compared to \$968,659 for the same period in 2007. In 2008, net cash used by operating activities consisted of an operating loss of \$2,806,387 and an increase in non-cash operating elements of working capital of \$337,974.

Non-cash items included in operating activities totaled approximately \$731,334, as follows:

- a) \$465,918 in respect of accretion expense on the convertible notes issued in May 2007.
- b) \$111,619 related to the amendment of the anti-dilution terms of the convertible notes whereby, as consideration for entering into this amendment, the Company agreed to issue to the holders of the convertible notes an aggregate of 159,456 fully paid common shares.
- c) \$92,571 additional compensation charge relating to the amendment of the exercise price of the outstanding warrants to the note holders from \$1.02 to \$0.80 resulting in an increase in the fair value of the warrant.
- d) \$58,887 for options granted to Company employees.
- e) \$51,772 in respect of the amortization of fixed assets.
- f) \$51,727 for options granted to non-employee directors.
- g) \$50,421 for options granted to Auctus Capital as per the investor relation agreement.
- h) (\$151,581) in respect of deferred income tax related to the convertible debt.

Our operating activities will continue to consume our available funds until we can generate increased revenues.

Net cash provided by financing activities was \$2,478,784 for the year ended December 31, 2008, as compared to \$1,162,806 provided in 2007. Of the net cash provided by financing activities in 2008, \$2,800,700 came from a private placement financing completed on March 27, 2008, less \$451,581 used to pay related transaction costs, and \$129,665 was generated from the issue of capital stock in the second and third quarters.

Net cash used in investing activities was \$284,277 for the year ended December 31, 2008 compared to a use of funds of \$82,961 in 2007. Net cash used in investing activities in 2008 includes \$277,220 of cash restricted for the CPI-300 project under the collaborative agreement with Cary Pharmaceuticals. In accordance with the collaborative agreement dated April 7, 2008 the Company agreed to restrict \$2,000,000 of its cash reserves in development support activities for an oral antidepressant using the Company's proprietary oral delivery technology. As at December 31, 2008, in line with project planning and management's expectations, the Company had expensed approximately \$1,832,470 on the project of which \$1,722,780 had been disbursed, resulting in a restricted cash balance of \$277,220 and amounts payable of \$109,690. Included within these disbursements is approximately \$222,236 paid to Cary Pharmaceuticals in respect of management fees.

Cash of \$7,057 was used to purchase capital assets in 2008, as compared to \$82,961 in 2007.

The balance of cash as of December 31, 2008 amounted to \$555,999, as compared to \$330,967 at December 31, 2007. This amount excludes the restricted cash amount of \$277,220 for the CPI-300 project. The increase in cash is primarily the result of proceeds from the private placement completed in March 2008. The increase in cash was partially offset by an increase in R&D expenses, the full year effect of management salaries, and costs associated with the Company's listing on the TSX Venture Exchange.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **Item 8. Financial Statements and Supplementary Data.**

The financial statements for the fiscal years ending December 31, 2008 and 2007, required by Item 8 are set forth on pages F-1 through F-30.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**a. Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of our management, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act ) were effective as of December 31, 2008 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**b. Changes in Internal Controls over Financial Reporting**

Our Chief Executive Officer and Chief Financial Officer have concluded that there were no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2008 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

**c. Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment, management believes that, as of December 31, 2008, the Company's internal control over financial reporting was effective based on those criteria.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

**Item 9B. Other Information.**

We do not have any information required to be disclosed in a report on Form 8-K during the fourth quarter of 2008 that was not reported.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Position since</b>
Horst G. Zerbe	62	Chairman of the Board, President and Chief Executive Officer	April 2006
Paul A. Simmons	47	Chief Financial Officer	September 2008
Joel Cohen <sup>(1)</sup>	37	Director	April 2006
J. Bernard Boudreau <sup>(1)</sup> (2)	62	Director	June 2006
David Coffin-Beach <sup>(2)</sup> (3)	60	Director	June 2006
Ian Troup <sup>(1)</sup> (2)	66	Director	May 2008
Ingrid Zerbe	54	Secretary, Director Finance and Administration	April 2006

(1) Audit Committee member

(2) Compensation Committee member

(3) Subsequently Mr. David Coffin-Beach resigned from the board of directors effective March 17, 2009. All directors hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified. There are no agreements with respect to the election of directors. Officers are appointed annually by the board and each executive officer serves at the discretion of the board.

**Horst G. Zerbe, Ph.D.**

Dr. Zerbe has more than 20 years experience in the pharmaceutical industry. He has been the President, Chief Executive Officer, and Chairman of IntelGenx Technologies Corp. since April 2006. In addition, Dr. Zerbe has served as the President, Chief Executive Officer and Director of IntelGenx Corp., our Canadian Subsidiary, since 2005. From 1998 to 2005, he served as the president of Smartrix Technologies Inc. in Montreal; prior thereto, from 1994 to 1998, he was Vice President of R&D at LTS Lohmann Therapy Systems in West Caldwell, NJ. He has published numerous scientific papers in recognized journals and holds over 30 patents.

**Paul A. Simmons**

Mr. Simmons was appointed as our Chief Financial Officer in September 2008. From 2003-2008, Mr. Simmons was employed by the CLAAS Group, a leading manufacturer of agricultural harvesting machinery. Mr. Simmons was initially based at Group HQ in Germany as Head of Corporate Controlling. In August 2005, he was transferred to the Baler Manufacturing subsidiary (Usines CLAAS France). In September 2006, Paul was transferred to French subsidiary Renault Agriculture to restructure and integrate the newly acquired Tractor Manufacturing Division into the CLAAS Group.

Mr. Simmons' international finance credentials include an Association of Financial Controllers and Administrators (AFCA) certification, and a designation with the Association of Accounting Technicians (MAAT). He has expertise in both U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

**J. Bernard Boudreau**

Mr. Boudreau has been a director of IntelGenx since June 2006. Since 2005, Mr. Boudreau has served as the Vice-president of Pharmeng International Inc., a company listed on the Toronto Stock Exchange. From 2001 to July 2005, he was President and CEO of Radcliffe Consulting and Investment Limited, a private consulting firm located in Halifax, N.S.. Mr. Boudreau has also served on the Board of Directors of a number of public and private companies, including Export Development Canada.

Mr. Boudreau has worked as a lawyer and as a public official in Canada. His litigation experience includes appearances at every level of the judicial system in Nova Scotia. He was appointed as Queen's Counsel in 1985. Mr. Boudreau was first elected to the provincial legislature of Nova Scotia in 1988. He served as Chair of the Public Accounts Committee and opposition critic for Finance and Economic Development. In 1993 he was re-elected as a member of government and held responsibilities as Minister of Finance, Minister of Health, Chair of the Cabinet Priorities and Planning Committee. Mr. Boudreau served as Government Leader in the Senate of Canada and Member of the federal Cabinet between 1999 and 2001.

**David Coffin-Beach, Ph.D.**

Dr. Coffin-Beach has been a director of IntelGenx since June, 2006. From April 2007 to 2008 he held a position as President and COO at Synovics Pharmaceuticals in Fort Lauderdale, Florida. From 2004 to 2007, Dr. Coffin-Beach served as President of ATP Solutions, a privately held consulting firm in Toronto which specializes in delivering strategic, technical, marketing and management services to pharmaceutical manufacturers and investors. Dr. Coffin-Beach was the founder, President and director of TorPharm from 1994 to 2004, the U.S. division of Apotex Inc. Prior to that assignment, Dr. Coffin-Beach held various positions at Schering-Plough Corporation ending with the position of Associate Director. Dr. Coffin-Beach has also held the following positions: Director of Research at Superpharm Corporation, a Division of Goldline Laboratories, where he was in charge of research and development of generic products; Senior Scientist and Group Leader at DuPont Pharmaceuticals, where he participated in the design and qualification of a new pharmaceutical research facility in Wilmington, Delaware, and was the co-inventor on two

U.S. patents assigned to DuPont.

Dr. Coffin-Beach received his BS in Pharmacy from Union University, Albany College of Pharmacy, Schenectady, N.Y., and practiced both community and clinical pharmacy before returning for graduate studies at the University of Maryland in Baltimore to finish graduate school with a PhD in Pharmaceutics.

Subsequently Mr. David Coffin-Beach resigned from the board of directors effective March 17, 2009.

**Ian Troup**

Mr. Troup has been a director of IntelGenx Technologies Corp. since May 2008. Since April 2008 Mr. Troup has been a Director of Vital Medix, an early stage drug development company. In July 2007 he was appointed to the Board of Medisyn Technologies Inc., a privately held "in silica" drug discovery and development company. From September 1995 until December 2003, Mr. Troup was President and COO of Upsher-Smith Laboratories, a privately held generic company.



Born and educated in Scotland, Mr. Troup has worked in the pharmaceutical industry for over 35 years. Originally an industrial chemist, he has served in roles in the sales and marketing area for several leading companies. As President, he led the UK wing of Schwarz Pharma for 7 years before serving as President in Schwarz's subsidiary in the USA for an additional 9 years. Following this he served as President/COO of Upsher-Smith Laboratories. His experience includes new product development and launch, M&A work and strategic planning.

### **Joel Cohen, CFA**

Mr. Cohen has been a director of IntelGenx Technologies Corp. since April, 2006. Mr. Cohen also served as the Chief Financial Officer of IntelGenx from April, 2006 until May 23, 2007. Mr. Cohen has experience in biotechnology and high tech financings and in financial analysis. From 2002 until 2007, Mr. Cohen was the consulting Chief Financial Officer for Osta Biotechnologies, a publicly traded company on the TSX venture exchange. Mr. Cohen continues to act as a consultant for various companies and is a director of ICP Solar Technologies Inc., a publicly traded company quoted on the OTC Bulletin Board that operates in the solar energy industry. From 1999 to 2002, Mr. Cohen was an investment banker at Canaccord Capital Corporation, where he specialized in biotechnology financings. He has worked on private and public offerings for various companies including Neurochem, Adherex, Bioniche, Diagnostics, Qbiogene and Aeterna. Mr. Cohen holds a Bachelor of Commerce degree in Finance from Concordia University and is a Chartered Financial Analyst.

### **Ingrid Zerbe**

Mrs. Zerbe is our Director of Finance and Administration, Corporate Secretary and is a full time employee of IntelGenx . Mrs. Zerbe is the founder of IntelGenx Corp., our Canadian Subsidiary. She served as the president of IntelGenx Corp, since its incorporation in June 2003 until December, 2005. She has been a Director of the subsidiary since its incorporation in June, 2003 and a Director of the parent company from April 2006 until August 2006. Prior to founding IntelGenx, she worked in the travel industry. She holds a bachelor degree in economics from the business school in Bottrop, Germany, and a bachelor degree in social sciences from the University of Dortmund, Germany.

## **Key Personnel and Consultants**

### **James Wittenberg, R.Ph, MS**

Mr. Wittenberg serves as IntelGenx's Vice President Business Development since August, 2007. He has accumulated over 20 years of experience in the pharmaceutical industry in market research and most recently as Director of Business Development at Schwarz Pharma.

### **Nadine Paiement, MSc**

Ms. Paiement serves as our Director of Research & Development. She joined IntelGenx in 2006. Ms. Paiement holds a M.Sc. degree in Polymer Chemistry from Sherbrooke University, and is co-inventor of IntelGenx's Tri-Layer technology. Prior to joining IntelGenx, she worked for five years as a formulation scientist at Smatrix Technologies, Inc.

## **The Board of Directors**

### **Meetings of the Board of Directors**

The Company's Board of Directors held four meetings during our 2008 Fiscal Year.

### **Compensation of the Board of Directors**

Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings of the Board of Directors. As described below in "Director Compensation", during our 2008 Fiscal Year, our non-employee directors were granted options to purchase an aggregate number of 126,176 shares of our common stock. Since November of 2008 our directors receive cash compensation of CDN \$500 for attending board meeting in person and CDN\$100 for participating in board meetings via teleconference.

**Committees of the Board of Directors**

The Board of Directors has two standing committees: the Audit Committee and the Compensation Committee.

**Audit Committee.** The Audit Committee is composed of J. Bernard Boudreau, Joel Cohen and Ian Troup. The audit committee held four meetings during our 2008 Fiscal Year.

Our audit committee assists our board of directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The chairman of the audit committee is J. Bernard Boudreau. Our audit committee's responsibilities include, among others (i) recommending to the board of directors the engagement of the external auditor and the terms of the external auditor's engagement; (ii) overseeing the work of the external auditor, including dispute resolution between management and the external auditor, if required; (iii) pre-approving all non-audit services to be provided to us by our external auditor; (iv) reviewing our financial statements, management's discussion and analysis and annual and interim earnings press releases before this information is publicly disclosed; (v) assessing the adequacy of procedures for our public disclosure of financial information; (vi) establishing procedures to deal with complaints received by us relating to our accounting and auditing matters; and (vii) reviewing our hiring policies regarding employees of our external auditor or former auditor. We have adopted, along with our audit committee, a written charter of the audit committee setting out the mandate and responsibilities of the audit committee which provides that the audit committee convene no less than four times per year.

Accordingly, the Audit Committee discusses with RSM Richter, LLP, our auditors, our audited financial statements, including, among other things the quality of our accounting principles, the methodologies and accounting principles applied to significant transactions, the underlying processes and estimates used by our management in our financial statements and the basis for the auditor's conclusions regarding the reasonableness of those estimates, in addition to the auditor's independence.

**Audit Committee Financial Expert.** Joel Cohen serves as our audit committee financial expert. Mr. Cohen is not an independent director, as defined in the Nasdaq Stock Market, Inc. Marketplace Rules.

**Compensation Committee.** The Compensation Committee of the Board of Directors consists of David Coffin-Beach, J. Bernard Boudreau and Ian Troup. The Compensation Committee held its formal annual meeting in September 2008 during the 2008 Fiscal Year.

Our compensation committee reviews and makes recommendations to our board of directors concerning the compensation of our executive officers and key employees which include the review of our executive compensation and other human resource policies, the review and administration of any bonuses and stock options and major changes to our benefit plans and the review of and recommendations regarding the performance of the Chief Executive Officer and the Chief Financial Officer of the Company. Our compensation committee is comprised of non-management members of our board of directors and is required to convene at least annually. The chairman of our compensation committee is David Coffin-Beach.

**Compensation Committee Interlocks and Insider Participation.** As stated above, the Compensation Committee consists of David Coffin-Beach, J. Bernard Boudreau and Ian Troup. There are no interlocking relationships, as described by the Securities and Exchange Commission, between the Compensation Committee members.

#### **Executive Compensation**

The key objectives of the Company's executive compensation policies are to attract and retain key executives who are important to the long-term success of the Company and to provide incentives for these executives to achieve high levels of job performance and enhancement of shareholder value. The Company seeks to achieve these objectives by paying its executives a competitive level of base compensation for companies of similar size and industry and by providing its executives an opportunity for further reward for outstanding performance in both the short term and the long term.

Executive Officer Compensation. The Company's executive officer compensation program is comprised of three elements: base salary, annual cash bonus and long-term incentive compensation in the form of stock option grants.

Salary. The Compensation Committee and the Board of Directors will review base salaries for the Company's executive officers, taking into account individual experience, job responsibility and individual performance during the prior year. These factors are not assigned a specific weight in establishing individual base salaries. The Committee will also consider the Company's executive officers' salaries relative to salary information for executives in similar industries and similarly sized companies.

Cash Bonuses. The purpose of the cash bonus component of the compensation program is to provide a direct financial incentive in the form of cash bonuses to executives.

Stock Options. Stock options are the primary vehicle for rewarding long-term achievement of Company goals. The objectives of the program are to align employee and shareholder long-term interests by creating a strong and direct link between compensation and increases in share value. Under the Company's Stock Option Plan, the Board of Directors or the Compensation Committee may authorize the grant options to purchase Common Stock of the Company to key employees of the Company. The options generally vest in increments over a period of years established at the time of grant except for the options granted to the non-employees directors which vest immediately.

**Involvement in Certain Legal Proceedings.**

None of our officers or directors have, during the last five years: (i) been convicted in or is currently subject to a pending a criminal proceeding; (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to any federal or state securities or banking laws including, without limitation, in any way limiting involvement in any business activity, or finding any violation with respect to such law, nor (iii) has any bankruptcy petition been filed by or against the business of which such person was an executive officer or a general partner, whether at the time of the bankruptcy of for the two years prior thereto.

**Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires directors, officers and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and change in ownership with the Securities and Exchange Commission. Directors, officers and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of such forms that we received during the fiscal year ended December 31, 2008, we believe that each person who at any time during the fiscal year was a director, officer, or beneficial owner of more than ten percent of our common stock complied with all Section 16(a) filing requirements during such fiscal year, except as follows: The Form 4 s filed by the following directors were not filed timely: Bernard Boudreau and David Coffin-Beach. The Form 3 filed by our director Ian Troup was not filed timely.

**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to our directors and officers, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on our website at <http://www.intelgenx.com>.

**Item 10. Executive Compensation.**

The following table sets forth all compensation awarded to, or earned by, our Principal Executive Officer, and our two other most highly compensated executive officers for the years indicated.

Name and principal position	Year	Salary (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(f)	(i)	(j)
Horst Zerbe, President and CEO	2008	178,427	Nil	Nil	178,427
	2007	176,536	Nil	Nil	176,536
Paul A. Simmons CFO <sup>(1)</sup>	2008	45,738	Nil	16,917 <sup>(2)</sup>	62,655
	2007	N/A			
Gino Di Iorio, CFO <sup>(3)</sup>	2008	78,921	12,731 <sup>(4)</sup>	Nil	91,652
	2007	46,235	Nil	Nil	46,235

**Footnotes:**

(1) Mr. Paul A. Simmons jointed the Company in September 2008.

(2) Mr. Paul A. Simmons received a cash compensation for services provided prior to his employment agreement.

- (3) Mr. Di Iorio was the Company's Chief Financial Officer from August, 2007 until to July, 2008. As per his employment agreement he was entitled to receive his base salary until October of 2008.
- (4) As a result of his departure from the Company, Mr. Di Iorio was only be entitled to exercise half, or 37,500, of the options granted to him. The vested options to purchase common stock expired un-exercised in November of 2008.

## Compensation Discussion and Analysis

### Employment Agreements

**Horst Zerbe.** Effective December 1, 2005, we entered into an employment agreement with Dr. Horst Zerbe, our President and Chief Executive Officer. The agreement is for an indefinite period of time. Under the agreement, Dr. Zerbe is entitled to receive: (1) a minimum base salary of CAN\$175,000 per year; and (2) an annual bonus equal to 50% of base salary upon the performance of certain milestones set out by the board of directors.

As per recommendation of the Compensation Committee the board of directors approved the increase of Mr. Zerbe's minimum base salary by 5% to CAN\$ 183,750 effective as of September 2008 (US\$171,364 at year-end 2008).

**Paul A. Simmons.** Effective September 1, 2008, we entered into an employment agreement with Mr. Paul A. Simmons, to serve as our Chief Financial Officer. Under the agreement, Mr. Simmons is entitled to receive: (1) a minimum base salary of CAN\$150,000 (US\$110,965 at year-end 2008) per year, and (2) option grants under the 2006 Stock Option Plan, and (3) an annual bonus up to 30% of his base salary upon the achievement of specific performance targets established by the board of directors.

**Gino Di Iorio.** Effective August 6, 2007, we entered into an employment agreement with Mr. Gino Di Iorio, to serve as Chief Financial Officer. Under the agreement, Mr. Di Iorio is entitled to receive: (1) a minimum base salary of CAN\$110,000 (US\$110,965 at year-end 2007) per year, and (2) option grants under the 2006 Stock Option Plan. Mr. Di Iorio's agreement was terminated in July of 2008.

### Incentive Plan Awards

The following table presents information regarding the outstanding equity awards held by each of the named officers as of December 31, 2008, including the vesting dates for the portions of these awards that had not vested as of that date.

#### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Exercisable (#)	Number of Securities Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Horst G. Zerbe	225,000	Nil	Nil	0.41	Nov. 9, 2011

Paul A. Simmons Nil 100,000<sup>1</sup> Nil 0.85 Sep. 8, 2013

<sup>1</sup> On September 8, 2008, 100,000 options were granted to Mr. Paul Simmons in connection with his employment agreement. The options vest over two years, none of which are exercisable as of year-end 2008.

**Director Compensation**

The following table sets forth compensation paid to each named director during the year end December 31, 2008.

In addition, directors are reimbursed for reasonable expenses incurred in their capacity as directors, including travel and other out-of-pocket expenses incurred in connection with meetings of the board of directors or any committee of the board of directors.

**DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(j)	
Bernhard J. Boudreau <sup>4</sup>		466	Nil	10,174 <sup>1</sup>	Nil	Nil	18,921 <sup>5</sup>	29,561
David Coffin-Beach <sup>4</sup>		93	Nil	10,174 <sup>2</sup>	Nil	Nil	18,921 <sup>6</sup>	29,188
Joel Cohen <sup>4</sup>		466	Nil	Nil	Nil	Nil	Nil	466
Ian Troup <sup>4</sup>		466	Nil	30,398 <sup>3</sup>	Nil	Nil	Nil	30,864

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<sup>1</sup>Represents 25,588 options issued on May 22, 2008

<sup>2</sup>Represents 25,588 options issued on May 22, 2008

<sup>3</sup>Represents 75,000 options issued on September 8, 2008

<sup>4</sup> As of November 2008 non-employee directors are entitled to a cash compensation fee of 500 Canadian Dollar per board meeting attendance and 100 Canadian Dollar per board meeting attendance by conference call. The cash amounts represent the equivalent U.S. Dollar value measured at the appropriate year end exchange rate used in the financial statements.

<sup>5</sup>Represents the grant of a one-time cash compensation in form of a retainer for services provided as chairman of the audit committee. Mr. Boudreau used the total retained compensation to exercise stock option in August of 2008.

<sup>6</sup>Represents the grant of a one-time cash compensation in form of a retainer for services provided as chairman of the compensation committee.

### Directors and Officers Liability Insurance

We carry directors and officers liability insurance at an approximate annual cost of \$18,188.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information concerning the beneficial ownership of our shares of common stock by our directors and executive officers, and by each beneficial owner of five percent (5%) or more of our outstanding common stock. Based on information available to us, all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them, unless otherwise indicated. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of our common stock subject to options or warrants currently exercisable or exercisable within 60 days after the date of this prospectus are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage of ownership of any other person. Applicable percentage ownership is based upon 20,850,003 shares of common stock outstanding as of March 4, 2009. Unless otherwise indicated, the address of each of the named persons is care of IntelGenx Technologies Corp., 6425 Abrams, Ville St-Laurent, Quebec, H4S 1X9.

Name and Address Of Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Horst G. Zerbe <sup>(1)</sup>	4,934,643.5 <sup>(1)</sup>	23.7%
Ingrid Zerbe <sup>(2)</sup>	4,934,643.5 <sup>(2)</sup>	23.7%
Joel Cohen <sup>(3)</sup>	1,846,713 <sup>(3)</sup>	8.9%
Bernard Boudreau <sup>(4)</sup>	133,088 <sup>(4)</sup>	*
David Coffin-Beach <sup>(5)</sup>	178,779 <sup>(5)</sup>	*
Ian Troup <sup>(6)</sup>	75,000 <sup>(6)</sup>	*
Paul A. Simmons <sup>(7)</sup>	25,000 <sup>(7)</sup>	*
All directors and officers as a group (7 persons) <sup>(11)</sup>	12,127,867	58.2%
AlphaOne Offshore Inc. Ugland House South Church St.	2,082,915 <sup>(8)</sup>	9.99%

George Town, Grand Cayman AGF Canadian Small Cap Fund TD Bank Tower, 31 <sup>st</sup> Floor Toronto ON M5K 1E9	2,082,915 <sup>(9)</sup>	9.99%
Northern Rivers Capital Management Inc. Royal Bank Plaza North Tower, Suite 2000 200 Bay Street, P.O. Box 66 Toronto ON M5J 2J2	2,082,915 <sup>(10)</sup>	9.99%

\* Less than 1%.

(1) In connection with the acquisition of IntelGenx in 2006, Horst Zerbe became our President, Chief Executive Officer and Director and acquired 4,709,643.5 exchangeable shares of our Canadian holding corporation 6544631Canada Inc., a Canadian special purpose corporation which wholly owns IntelGenx Corp. (the "Exchangeable Shares"). The 4,709,643.5 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Horst Zerbe's discretion. Prior to exchanging the Exchangeable Shares for shares of common stock, Horst Zerbe has the right to vote 4,709,643.5 shares of common stock which are currently held in trust on behalf of Horst Zerbe. The 4,709,643.5 shares of common stock have not been registered for resale at this time. In addition to the Exchangeable Shares, Horst Zerbe's beneficial ownership includes 225,000 shares of common stock underlying options granted November 9, 2006, which are currently exercisable. The options have an exercise price of \$0.41. Horst Zerbe and Ingrid Zerbe are husband and wife.

(2) In connection with the acquisition of IntelGenx in 2006, Ingrid Zerbe became our Secretary and our director of Finance and Administration and acquired 4,709,643.5 Exchangeable Shares. The 4,709,643.5 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Ingrid Zerbe's discretion. Prior to exchanging the Exchangeable Shares, Ingrid Zerbe has the right to vote 4,709,643.5 shares of common stock which are currently held in trust on behalf of Ingrid Zerbe. The 4,709,643.5 shares of common stock have not been registered for resale at this time. In addition to the Exchangeable Shares, Ingrid Zerbe's beneficial ownership includes 225,000 shares of common stock underlying options granted November 9, 2006, which are currently exercisable. The options have an exercise price of \$0.41. Horst Zerbe and Ingrid Zerbe are husband and wife.

(3) In connection with the acquisition of IntelGenx in 2006, Joel Cohen became a Director and acquired 1,571,713 Exchangeable Shares. The 1,571,713 Exchangeable Shares are exchangeable, on a one for one basis, into shares of common stock of IntelGenx Technologies Corp. at Joel Cohen's discretion. Prior to exchanging the Exchangeable Shares for shares of common stock, Joel Cohen has the right to vote 1,571,713 shares of common stock which are currently held in trust on behalf of Joel Cohen. The 1,571,713 shares of common stock have not been registered for resale at this time. In addition to the Exchangeable Shares, Mr. Cohen's beneficial ownership includes 250,000 exercisable options to purchase common stock at an exercise price of \$0.41 granted on November 13, 2006 and 25,000 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007.

(4) Mr. Boudreau's beneficial ownership consists of 75,000 exercisable options to purchase common stock at an exercise price of \$0.70 (adjusted from \$0.41 in May 2008), granted in October 2006, 32,500 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007 and 25,588 options to purchase common stock at an exercise price of \$0.85. On November..2008 Mr. Boudreau exercised 35,000 options at an exercise price of \$0.41 in exchange for the same number of shares of common stock.

(5) Dr. Coffin-Beach's beneficial ownership includes 75,000 exercisable options to purchase common stock at an exercise price of \$0.70 (adjusted from \$0.41 in May 2008), granted in October, 2006, 25,000 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007, 25,000 exercisable options to purchase common stock at an exercise price of \$1.15, granted on August 9, 2007 and 25,588 options to purchase common stock at an exercise price of \$0.85. He also owns 53,191 shares of common stock which he purchased in April of 2006.

(6) Mr. Troup's beneficial ownership consists of 75,000 exercisable options to purchase common stock at an exercise price of \$0.85, granted in September of 2008.

(7) Mr. Simmon's beneficial ownership consists of 100,000 options to purchase common stock at an exercise price of \$0.85, granted in September of 2008. The Options vest over two years, 25% every six months, 25,000 of which are exercisable within 60 days of this 10K filing.

(8) Alpha One is the beneficial owner of an aggregate of 1,429,000 shares of common stock and 1,429,000 shares of common stock underlying two-year warrants exercisable at \$1.02, subject to adjustment. However, Alpha One has contractually agreed to restrict its ability to exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such exercise does not exceed 9.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, this columns represents the aggregate maximum number and percentage of shares that Alpha One can own at one time due to the 9.99% limitation.

(9) AGF is the beneficial owner of an aggregate of 1,143,000 shares of common stock and 1,143,000 shares of common stock underlying two-year warrants exercisable at \$1.02, subject to adjustment. However, AGF has contractually agreed to restrict its ability to exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such exercise does not exceed 9.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, this column represents the aggregate maximum number and percentage of shares that AGF can own at one time due to the 9.99% limitation.

(10) Northern Rivers is the beneficial owner of an aggregate of 1,429,000 shares of common stock and 1,429,000 shares of common stock underlying two-year warrants exercisable at \$1.02, subject to adjustment. However, Northern Rivers has contractually agreed to restrict its ability to exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such exercise does not exceed 9.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, this columns represents the aggregate maximum number and percentage of shares that Northern Rivers can own at one time due to the 9.99% limitation.

(11) Subsequently Mr. David Coffin-Beach resigned from the board of directors effective March 17, 2009.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

#### **Review, Approval or Ratification of Transactions with Related Persons**

Although IntelGenx has not adopted formal procedures for the review, approval or ratification of transactions with related persons, we adhere to a general policy that such transactions should only be entered into if they are on terms that, on the whole, are no more favorable, or no less favorable, than those available from unaffiliated third parties and their approval is in accordance with applicable law. Such transactions require the approval of our board of directors.

During the year ended December 31, 2008, \$5,614 of interest was paid to Ingrid Zerbe, our secretary and director of finance and administration for interest on a long-term shareholder loan. The loan is unsecured, bears interest at 6% per annum and is not repayable prior to January 1, 2010. The amount outstanding at December 31, 2008, was \$101,193. Ingrid Zerbe was also paid \$18,882 under an equipment lease for the year ended 2008. The lease expires on August 31, 2010.

#### **Director Independence**

Three of our five directors are deemed independent directors, as defined by the Nasdaq Stock Market, Inc. Marketplace Rules. We cannot guarantee that our Board of Directors will always have a majority of independent directors. In the absence of a majority of independent directors, our executive officer, who is also a principal stockholder and director, could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between the Company and its stockholders generally and the controlling officers, stockholders or directors.

#### **Family Relationships**

Horst Zerbe and Ingrid Zerbe are husband and wife.

### **Item 14. Principal Accountant Fees and Services.**

The following table sets forth the fees accrued or paid to the Company's independent registered public accounting firm during fiscal years 2008 and 2007. The Company's financial statements for those years were audited by RSM Richter LLP.

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	2008	2007
Audit Fees (1)	\$ 115,072	\$ 115,000
Audit-Related Fees (2)		
Tax Fees (3)		
All Other Fees		
Total	\$ 115,072	\$ 115,000

(1) Audit fees are fees for services provided in connection with the audits of the Company's annual financial statements and quarterly reviews of interim quarterly financial statements, as well as audit provided in connection with other statutory and regulatory filings.

(2) Audit-related fees are aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not otherwise reported as Audit fees.

(3) Tax fees are aggregate fees billed for professional services rendered for tax compliance, tax advice, and tax planning.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

2.1	Share exchange agreement dated April 10, 2006, incorporated by reference to the Form 8-K/A filed on April 28, 2006
3.1	Articles of incorporation (incorporated by reference to the Form SB-2 (File No. 333-90149) filed on November 16, 1999)
3.2	By-Laws (incorporated by reference to the Form SB-2 (File No. 333-91049) filed on November 16, 1999)
3.3	Amendment to the Articles of Incorporation (incorporated by reference to amendment No. 2 to Form SB-2 (File No. 333-135591) filed on August 28, 2006)
4.1	Warrants dated March 16, 2006 issued to Patrick J. Caruso (incorporated by reference to the Form SB-2 (File No. 333-135591), filed on July 3, 2006)
5.1	Legal Opinion (To be filed by amendment)
9.1	Voting Trust agreement (incorporated by reference to the Form 8-K/A filed on April 28, 2006)
10.1	Horst Zerbe employment agreement (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
10.2	Joel Cohen consulting agreement (incorporated by reference to the Form SB-2 (File No. No. 333-135591) filed on July 3, 2006)
10.3	Ingrid Zerbe employment agreement (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
10.4	Registration rights agreement, incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
10.5	Principal's registration rights agreement (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
10.6	Investor relations consulting agreement (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006).
10.7	2006 Stock Option Plan (incorporated by reference to the Form S-8 filed on November 21, 2006)
10.8	Form of Securities Purchase Agreement (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.9	Form of 8% Secured Convertible Debenture (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.10	Form of Registration Rights Agreement (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.11	Form of Warrant (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.12	Form of Security Agreement (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.13	Subsidiary Guarantee (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.14	Deed of Hypothec (incorporated by reference to the Form 8-K filed on May 23, 2007)
10.15	Agency Agreement (incorporated by reference to the Form 8-K filed on March 28, 2008)
10.16	Form of Subscription Agreement (incorporated by reference to the Form 8-K filed on March 28, 2008)
10.17	Form of Amending Letter to Subscription Agreement (incorporated by reference to the Form 8-K filed on March 28, 2008)
10.18	Form of Registration Rights Agreement (incorporated by reference to the Form 8-K filed on March 28, 2008)
10.19	Form of Warrant (incorporated by reference to the Form 8-K filed on March 28, 2008)

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10.20	Form of Lock up Agreement (incorporated by reference to the Form 8-K filed on March 28, 2008)
10.21	Broker's Warrant (incorporated by reference to the Form S-1 filed on March 24, 2009)
10.22	Form of Amended and Restated Warrant (incorporated by reference to the Form 8-K filed on August 4, 2008)
10.23	Employment Contract Paul A. Simmons (incorporated by reference to the Form 8-K filed on September 5, 2008)
10.24	Amended and Restated 2006 Stock Option Plan, May 29, 2008 (incorporated by reference to the Form 10-K filed on March 25, 2009)
14	Code of Ethics (incorporated by reference to the Form S-1 filed on March 24, 2009)
16.1	Letter on change in certifying accountant (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
21.1	Subsidiaries of the small business issuer (incorporated by reference to the Form SB-2 (File No. 333-135591) filed on July 3, 2006)
23.1	Consent of RSM Richter LLP (incorporated by reference to the Form 10-K filed on March 25, 2009)



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this Form 10-K Annual Report to be signed on its behalf by the undersigned on March 24, 2009, thereunto duly authorized.

**INTELGEX TECHNOLOGIES CORP.**

By: /s/Horst G. Zerbe  
Horst G. Zerbe  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/Paul Simmons  
Paul Simmons  
Chief Financial Officer  
(Principal Accounting Officer)

In accordance with the requirements of the Securities Exchange Act of 1934, this Form 10-K Annual Report has been signed by the following persons in the capacities and on the dates indicated.

	<b>Position</b>	<b>Date</b>
By: <i>/s/Horst G. Zerbe</i> Horst G. Zerbe	President, Chief Executive Officer, Director	March 24, 2009
By: <i>/s/Paul Simmons</i> Paul Simmons	Chief Financial Officer	March 24, 2009
By: <i>/s/Joel Cohen</i> Joel Cohen	Director	March 24, 2009
By: <i>/s/Bernard Boudreau</i> Bernard Boudreau	Director	March 24, 2009
By: <i>/s/Ian Troup</i> Ian Troup	Director	March 24, 2009

**IntelGenx Technologies Corp.**

**Consolidated Financial Statements**

**December 31, 2008 and 2007**

(Expressed in U.S. Funds)

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# **IntelGenx Technologies Corp.**

## **Consolidated Financial Statements**

**December 31, 2008 and 2007**

(Expressed in U.S. Funds)

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## **IntelGenx Technologies Corp.**

### **Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

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**RSM Richter LLP  
Comptables agréés  
Chartered Accountants**

2, Place Alexis Nihon  
Montréal, (Québec) H3Z 3C2  
Téléphone / Telephone :  
(514) 934-3400  
Télécopieur / Facsimile :  
(514) 934-3408  
www.rsmrichter.com

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of  
**IntelGenx Technologies Corp.**

We have audited the accompanying consolidated balance sheets of IntelGenx Technologies Corp. as at December 31, 2008 and 2007 and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations, comprehensive loss, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in note 2 to the financial statements, the Company has experienced operating losses and requires significant capital to finance operations and repay existing indebtedness. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

We were not engaged to examine management's assertion about the effectiveness of the Company's internal control over financial reporting as at December 31, 2008 included in the accompanying 10-K filing and, accordingly, we do not express an opinion thereon.

RSM Richter LLP (signed)

**Chartered Accountants**

Montreal, Quebec  
March 23, 2009



**IntelGenx Technologies Corp.****Consolidated Balance Sheets**  
**As at December 31, 2008 and 2007**  
**(Expressed in U.S. Funds)**

	2008	2007
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 555,999	\$ 330,967
Restricted cash (note 6)	277,220	-
Accounts receivable	317,063	427,476
Income taxes recoverable	-	11,028
Prepaid expenses	44,936	23,443
Investment tax credits receivable	269,156	243,006
	<b>1,464,374</b>	<b>1,035,920</b>
<b>Property and Equipment</b> (note 7)	<b>157,156</b>	<b>235,244</b>
	<b>\$ 1,621,530</b>	<b>\$ 1,271,164</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	525,661	261,485
Convertible notes, less unamortized discount of \$515,739 (note 10)	714,502	-
Deferred income tax liability	127,408	-
	<b>1,367,571</b>	<b>261,485</b>
<b>Loan Payable, Shareholder</b>	<b>82,357</b>	<b>101,193</b>
<b>Convertible Notes</b> , less unamortized discount \$1,082,366 (note 10)	-	417,634
<b>Deferred Income Tax Liability</b>	-	278,988
<b>Commitments</b> (note 11)		
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 12)	<b>209</b>	<b>162</b>
<b>Additional Paid-in-Capital</b>	<b>5,080,780</b>	<b>2,071,818</b>
<b>Accumulated Other Comprehensive Income</b>	<b>(184,342)</b>	<b>58,542</b>
<b>Accumulated Deficit</b>	<b>(4,725,045)</b>	<b>(1,918,658)</b>
	<b>171,602</b>	<b>211,864</b>
	<b>\$ 1,621,530</b>	<b>\$ 1,271,164</b>

See accompanying notes

**Approved on Behalf of the Board:**

/s/ J. Bernard Boudreau     Director

/s/ Horst G. Zerbe             Director

**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity  
For the Year Ended December 31, 2007  
(Expressed in U.S. Funds)**

	Capital Stock Number	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
<b>Balance - December 31, 2006</b>	16,007,489	\$ 160	\$ 1,165,403	\$ (19,619)	\$ (817,865)	\$ <b>328,079</b>
Foreign currency translation adjustment	-	-	-	78,161	-	<b>78,161</b>
Debenture conversion	149,657	2	104,757	-	-	<b>104,759</b>
Warrants issued, net of transaction costs of \$121,063	-	-	452,023	-	-	<b>452,023</b>
Stock-based compensation	-	-	202,607	-	-	<b>202,607</b>
Beneficial conversion feature, net of a deferred income tax liability of \$343,065	-	-	147,028	-	-	<b>147,028</b>
Net loss for the year	-	-	-	-	(1,100,793)	<b>(1,100,793)</b>
<b>Balance December 31, 2007</b>	16,157,146	\$ 162	\$ 2,071,818	\$ 58,542	\$ (1,918,658)	\$ <b>211,864</b>

See accompanying notes



**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity  
For the Year Ended December 31, 2008  
(Expressed in U.S. Funds)**

	Capital Stock Number	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
<b>Balance - December 31, 2007</b>	16,157,146	\$ 162	\$ 2,071,818	\$ 58,542	\$ (1,918,658)	\$ 211,864
Foreign currency translation adjustment	-	-	-	(242,884)	-	(242,884)
Issue of common stock, net of transaction costs of \$415,290 (note 12)	4,001,000	40	1,712,630	-	-	1,712,670
Warrants issued, net of transaction costs of \$131,291 (note 13)	-	-	541,449	-	-	541,449
Cashless warrants exercised (note 13)	5,186	-	-	-	-	-
Agent's options (note 13)	-	-	95,000	-	-	95,000
Stock-based compensation (note 13)	-	-	161,035	-	-	161,035
Options exercised (note 13)	191,500	2	88,663	-	-	88,665
Warrants exercised (note 13)	100,000	1	40,999	-	-	41,000
Modification of warrant terms (note 13)	-	-	92,571	-	-	92,571
Debenture conversions (note 10)	235,714	2	164,998	-	-	165,000
Stock compensation to debenture holders (note 13)	159,456	2	111,617	-	-	111,619
Net loss for the year	-	-	-	-	(2,806,387)	(2,806,387)
<b>Balance December 31, 2008</b>	20,850,002	\$ 209	\$ 5,080,780	\$ (184,342)	\$ (4,725,045)	\$ 171,602

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statements of Operations and Comprehensive Loss  
For the Year Ended December 31, 2008 and 2007  
(Expressed in U.S. Funds)**

	2008	2007
<b>Revenue</b>	<b>\$ 945,746</b>	<b>\$ 835,376</b>
<b>Interest</b>	<b>30,864</b>	<b>27,355</b>
	<b>976,610</b>	<b>862,731</b>
<b>Expenses</b>		
Research and development	<b>2,085,433</b>	<b>777,773</b>
Research and development tax credits	<b>(305,692)</b>	<b>(174,399)</b>
Management salaries	<b>551,771</b>	<b>328,513</b>
General and administrative	<b>212,915</b>	<b>166,249</b>
Professional fees	<b>695,158</b>	<b>424,817</b>
Depreciation	<b>51,772</b>	<b>42,003</b>
Foreign exchange	<b>(122,915)</b>	<b>113,552</b>
Interest and financing fees	<b>766,136</b>	<b>349,093</b>
	<b>3,934,578</b>	<b>2,027,601</b>
<b>Loss Before Income Taxes</b>	<b>(2,957,968)</b>	<b>(1,164,870)</b>
Income taxes (note 14)	<b>(151,581)</b>	<b>(64,077)</b>
<b>Net Loss</b>	<b>(2,806,387)</b>	<b>(1,100,793)</b>
<b>Other Comprehensive Loss</b>		
Foreign currency translation adjustment	<b>(242,884)</b>	<b>78,161</b>
<b>Comprehensive Loss</b>	<b>\$ (2,563,503)</b>	<b>\$ (1,022,632)</b>
<b>Basic Weighted Average Number of Shares Outstanding</b>	<b>19,657,224</b>	<b>16,042,791</b>
<b>Basic and Diluted Loss Per Common Share</b> (note 17)	<b>\$ (0.14)</b>	<b>\$ (0.07)</b>

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2008 and 2007  
(Expressed in U.S. Funds)**

	2008	2007
<b>Funds Provided (Used) -</b>		
<b>Operating Activities</b>		
Net loss	\$ (2,806,387)	\$ (1,100,793)
Depreciation	51,772	42,003
Investor relations services	50,421	68,349
Stock-based compensation	110,661	202,607
Modification of warrant terms	92,571	-
Interest accretion	465,918	195,317
Deferred income tax	(151,581)	(64,077)
Amendment of convertible notes	111,619	-
	(2,075,006)	(656,594)
Changes in non-cash operating elements of working capital	337,974	(312,065)
	(1,737,032)	(968,659)
<b>Financing Activities</b>		
Repayment of long-term debt	-	(107,871)
Issue of capital stock	2,930,365	-
Transaction costs	(451,581)	(229,323)
Convertible notes	-	1,500,000
	2,478,784	1,162,806
<b>Investing Activities</b>		
Additions to property and equipment	(7,057)	(82,961)
Restricted cash (note 6)	(277,220)	-
	(284,277)	(82,961)
<b>Increase in Cash and Cash Equivalent</b>	<b>457,475</b>	<b>111,186</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<b>(232,443)</b>	<b>(7,797)</b>
<b>Cash and Cash Equivalents</b>		
<b>Beginning of Year</b>	<b>330,967</b>	<b>227,578</b>
<b>End of Year</b>	<b>\$ 555,999</b>	<b>\$ 330,967</b>

See accompanying notes

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

#### **1. Basis of Presentation**

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States. 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.

#### **2. Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has reported an accumulated deficit of \$4,725,045 (2007 \$1,918,658). To date, the Company's operations have been financed principally through the issuance of capital stock, long term debt and debt from related parties. Additional capital and/or borrowings will be necessary in order for the Company to continue in existence and attain profitable operations. With the Company's existing working capital levels, it will be able to continue operations at least through the end of the second quarter of fiscal 2009.

The Company's strategy is to continue to focus on the development of novel oral immediate release and controlled release products for the branded and generic pharmaceutical markets. The Company will continue to develop novel, orally administered drug delivery products based upon its proprietary oral drug delivery technologies and will continue to position itself as a provider of product development services for the pharmaceutical industry.

To date revenues consisted primarily of research and development fee revenues and have not been sufficient to sustain operations. However, the Company expects to generate revenues from sales and manufacturing royalties in future years following development and commercialization of products within its current pipeline.

The first product fully-developed by the Company, a prenatal multivitamin supplement marketed as Gesticare® in the USA, was commercialized in November 2008. Management anticipates generating royalty revenue of between \$0.5 million and \$0.75 million from royalty payments from this product in fiscal 2009. In addition, management is actively pursuing marketing opportunities for the product outside of the USA.

The Company currently has a pipeline of 11 products under development. Of the products under development, CPI- 300, an oral antidepressant formulated using the Company's proprietary controlled release technology, is the most advanced. The Company is currently finalizing the preparation of a 505(b)(2) New Drug Application for this product that is expected to be filed with the FDA in the first quarter of 2009.

Nonetheless, in order to achieve profitability, revenue streams will have to increase significantly from current

levels and there is no assurance that revenues can increase to such a level.

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## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

#### **2. Going Concern (Cont d)**

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000, of which \$1,230,241 remained outstanding at December 31, 2008. The notes are repayable on September 22, 2009. The notes are convertible into common stock of the Company, at the option of the holders, at a rate of \$0.70 per share.

The Company raised net cash proceeds of \$2,478,784 through the issuance of common shares in the year ended December 31, 2008. We are seeking additional funding through additional equity and/or debt financings. However, there can be no assurance that any additional financing will become available to us, and if available, on terms acceptable to us. Any financing, if available, may involve restrictive covenants that impact our ability to conduct our business and raise additional funds. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue our operations, including the development and/or commercialization of one or more of our product candidates. The Company may also receive funds through the exercise of outstanding stock options and warrants in addition to funds that may be generated from pre-commercialization payments. There can be no assurance that such proceeds, if any, will be material.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

#### **3. Nature of Business**

The Company specializes in the development of pharmaceutical products in co-operation with various pharmaceutical companies. The Company has developed three proprietary technologies and is currently utilizing these to develop 11 products, 7 of which are partnered and 4 of which are in the clinical development stage.

The Company's first product, a prenatal multivitamin supplement marketed as Gesticare® in the USA, was commercialized in November 2008.

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements December 31, 2008 and 2007 (Expressed in U.S. Funds)**

#### **4. Summary of Significant Accounting Policies**

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Significant estimates in these financial statements include the allowance for doubtful accounts, useful lives and impairment of long-lived assets, stock-based compensation costs, determination of the fair value of the warrants issued with the convertible notes, the investments tax credits receivable and the resulting impact on the allocation of the proceeds between the convertible notes, the beneficial conversion feature and the warrants.

Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

##### **Revenue Recognition**

The Company recognizes revenue from research and development contracts as the contracted services are performed or when milestones are achieved, in accordance with the terms of the specific agreements and when collection of the payment is reasonably assured. In addition, the performance criteria for the achievement of milestones are met if substantive effort was required to achieve the milestone and the amount of the milestone payment appears reasonably commensurate with the effort expended. Amounts received in advance of the recognition criteria being met, if any, are included in deferred income.

The Company has license agreements that specify that certain royalties are earned by the Company on sales of licensed products in the licensed territories. Licensees report sales and royalty information in the 45 days after the end of the quarter in which the activity takes place and typically do not provide the Company with forward estimates or current-quarter information. Because the Company is not able to reasonably estimate the amount of royalties earned during the period in which these licensees actually ship products, royalty revenue is not recognized until the royalties are reported to the Company and the collection of these royalties is reasonably assured.

##### **Sales Tax**

A company should disclose the amount of those taxes that is recognized on a gross basis in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. While the amounts are not material, the Company's policy is to present such taxes on a net basis in the consolidated statements of operations.





## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 4. Summary of Significant Accounting Policies (Cont d)

##### Financial Instruments

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value.

##### Cash and Cash Equivalent

Cash and cash equivalent is comprised of cash on hand and a term deposit with an original maturity date of less than three months that are stated at cost, which approximates market value.

##### Accounts Receivable

The Company accounts for trade receivables at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. The Company writes off trade receivables when they are deemed uncollectible. The Company records recoveries of trade receivables previously written-off when they receive them. Management considers that no allowance for doubtful accounts is necessary in order to adequately cover exposure to loss in its December 31, 2008 and 2007 accounts receivable.

##### Investment Tax Credits

Investment tax credits relating to qualifying expenditures are recognized in the accounts at the time at which the related expenditures are incurred and there is reasonable assurance of their realization. Management has made estimates and assumptions in determining the expenditures eligible for investment tax credits claimed.

##### Property and Equipment

Property and equipment are recorded at cost. Provisions for depreciation are based on their estimated useful lives using the methods as follows:

On the declining balance method -

Laboratory and office equipment	20%
Computer equipment	30%

On the straight-line method -

Leasehold improvements	over the lease term
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Upon retirement or disposal, the cost of the asset disposed of and the related accumulated depreciation are removed

from the accounts and any gain or loss is reflected in income. Expenditures for repair and maintenance are expensed as incurred.

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## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

#### **4. Summary of Significant Accounting Policies (Cont d)**

##### **Impairment of Long-Lived Assets**

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the estimated undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value thereof.

##### **Foreign Currency Translation**

The Company's reporting currency is the United States dollar. The Canadian dollar is the functional currency of the Company's Canadian operations, which is translated to the United States dollar using the current rate method. Under this method, accounts are translated as follows:

Assets and liabilities - at exchange rates in effect at the balance sheet date;

Revenue and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in other comprehensive income.

##### **Income Taxes**

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

##### **Share-Based Payments**

The Company accounts for share-based payments in accordance with the provisions of FAS 123R "Share-based payments (Revised)" and accordingly recognizes in its financial statements share-based payments at their fair value. In addition, the Company will recognize in the

financial statements an expense based on the grant date fair value of stock options granted to employees. The expense will be recognized on a straight-line basis over the vesting period and the offsetting credit will be recorded in additional paid-in capital. Upon exercise of options, the consideration paid together with the amount previously recorded as additional paid-in capital will be recognized as capital stock. The Company estimates its forfeiture rate in order to determine its compensation expense arising from stock-based awards. The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of the options.

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 4. Summary of Significant Accounting Policies (Cont d)

##### Loss Per Share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the year. Any antidilutive instruments are excluded from the calculation of diluted loss per share.

##### Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 141 (Revised 2007), Business Combinations ( SFAS 141R ). SFAS 141R will significantly change the accounting for business combinations. Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141R will change the accounting treatment for certain specific acquisition related items including: (1) expensing acquisition related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date; and (3) expensing restructuring costs associated with an acquired business. SFAS 141R also includes a substantial number of new disclosure requirements. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We expect SFAS 141R will have an impact on our accounting for future business combinations once adopted but the effect is dependent upon the acquisitions that are made in the future.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements ( SFAS 160 ). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statements and separate from the parent company's equity. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the Consolidated Statement of Operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. We expect SFAS 160 will have an impact on our accounting for future business combinations once adopted but the effect is dependent upon the acquisitions that are made in the future.

In March 2008, the Financial Accounting Standards Board issued SFAS Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). This standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently evaluating the impact that this statement will have on its disclosures related to derivative instruments and hedging activities.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 4. Summary of Significant Accounting Policies (Cont d)

The FASB issued SFAS 162, The Hierarchy of Generally Accepted Accounting Principles . The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. Statement 162 is effective 60 days following the Securities and Exchanges Commission's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The adoption of SFAS 162 will not have a material effect on the Company's financial position or results of operations.

The FASB issued FSP APB-14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. The Company is currently evaluating the impact of this Statement on its financial statements.

The FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FSP FAS 142-3 is not expected to have a material effect on the Company's financial position or results of operations.

The FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. The Company is currently evaluating the impact of this Statement on its financial statements.

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

#### **4. Summary of Significant Accounting Policies (Cont d)**

EITF 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock was ratified by the FASB. This EITF addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock. This EITF is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of EITF 07-5 is not expected to have a material effect on the Company's financial position or results of operations.

EITF 08-3, Accounting by Lessees for Nonrefundable Maintenance Deposits was ratified by the FASB. This EITF prescribes the accounting for all nonrefundable maintenance deposits. This EITF is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of EITF 08-3 is not expected to have a material effect on the Company's financial position or results of operations.

The EITF issued EITF 08-6, Equity Method Investment Accounting Considerations. This EITF considers whether all of the provisions of Statement 141(R) and Statement 160 should be applied when accounting for an equity method investment. This EITF is effective on a prospective basis in fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

The EITF issued EITF 08-8, Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary. This Issue addresses the determination of whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary, is indexed to the reporting entity's own stock and therefore should not be precluded from qualifying for the first part of the scope exception in paragraph 11(a) of Statement 133 or being within the scope of Issue 00-19. This EITF is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

#### **5. Adoption of New Accounting Standards**

##### **Fair Value Measurements**

SFAS No.157 is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008. The Company adopted SFAS No.157 for financial assets and liabilities in the first quarter of fiscal 2008 with no material impact to the consolidated financial statements. The Company is currently evaluating the potential impact of the application of SFAS No.157 on the non-financial assets and liabilities found on its consolidated financial statements.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 5. Adoption of New Accounting Standards (Cont d)

SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There are no assets or liabilities measured at fair value as at December 31, 2008.

#### Fair Value of Financial Instruments

The table below presents the carrying value and fair value of Company's financial instruments. The disclosure excludes leases.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of receivables and payables arising in the ordinary course of business and the investment tax credits receivable and the convertible notes approximate fair value because of the relatively short period of time between their origination and expected realization. The loan payable, shareholder is presumed to have a fair value measured by the cash proceeds exchanged at issuance in accordance with APB-21 Interest on Receivables and Payables .

The convertible notes use significant unobservable inputs and thus are shown as Level 3 hierarchy items. The fair value of the convertible notes is calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived changes in credit risk of the borrower.



## IntelGenx Technologies Corp.

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#### 5. Adoption of New Accounting Standards (Cont d)

	Level	December 31, 2008		December 31, 2007	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets					
Cash and cash equivalents	Level 1	\$ 555,999	\$ 555,999	\$ 330,967	\$ 330,967
Restricted cash	Level 1	277,220	277,220	-	-
Investment tax credits receivable	Level 1	269,156	269,156	243,006	243,006
Financial liabilities					
Loan payable, shareholder	Level 2	82,357	82,357	101,193	101,193
Convertible notes, excluding unamortized discounts	Level 3	1,230,241	1,099,280	417,634	417,634

#### 6. Collaborative Agreements

On April 7, 2008, the Company ratified with Cary Pharmaceutical, a pharmaceutical development company, an Agreement to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology. Under the terms of the agreement, IntelGenx will provide funding and development support for the product and will be entitled to profit sharing. The Company accounts for this transaction as a collaborative agreement as defined as EITF 07-1 Accounting for Collaborative agreements. Per the Agreement, \$2,000,000 of the Company's cash and cash equivalents was initially restricted for the funding of this venture. This cash was taken from the proceeds of the private placement of March 27, 2008.

In accordance with the project plan, as of December 31, 2008, the Company has expensed approximately \$1,832,470 on the project of which \$1,722,780 had been disbursed, resulting in a restricted cash balance of \$277,220 and amounts payable of \$109,690. Included within these disbursements is approximately \$222,236 paid to Cary Pharmaceutical in respect of management fees. All expenses incurred with respect to the collaborative agreement were expensed in the statement of operations and were classified as research and development expenses and professional fees.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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(Expressed in U.S. Funds)

#### 7. Property and Equipment

	Cost	Accumulated Depreciation	2008 Net Carrying Amount	2007 Net Carrying Amount
Laboratory and office equipment	\$ 237,551	\$ 109,438	\$ 128,113	\$ 185,073
Computer equipment	24,337	12,783	11,554	16,085
Leasehold improvements	51,263	33,774	17,489	34,086
	\$ 313,151	\$ 155,995	\$ 157,156	\$ 235,244

#### 8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is approximately \$13,390 (2007 - \$71,651) payable to shareholders, who are also officers of the Company.

#### 9. Loan Payable, Shareholder

The loan payable, shareholder, who is also an officer of the Company, is unsecured, bears interest at 6% per annum and is not repayable prior to January 1, 2010. Interest incurred during the year amounted to approximately \$5,614 (2007 - \$5,636) which is measured at the exchange amount.

#### 10. Convertible Notes

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000. The convertible notes bear interest at the rate of 8% per annum and are repayable on September 22, 2009. Interest is payable quarterly and payments commenced on July 1, 2007. The notes are convertible into common stock of the Company, at the option of the holders, at a rate of \$0.70 per share. The Company also issued to the holders 2,142,857 stock purchase warrants exercisable at \$1.02 per share before May 22, 2012.

On May 22, 2007, the Company paid approximately \$229,323 in cash consideration and issued warrants with a fair value of \$82,993 in consideration for transaction costs. These transaction costs were allocated between the convertible debt and the warrants based on their relative fair value.

The Company may, at its option, elect to pay the interest by the issuance of common shares. The number of shares is to be determined by dividing the amount of the interest payment by the number which is 85% of the average market price of the Company's common shares for the 20 trading days immediately prior to the interest payment date assuming the average market price is equal or greater than \$0.70 as adjusted for reverse and

forward share splits, recapitalizations and the like that occur after the date of the Securities Purchase Agreements.

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 10. Convertible Notes (Cont d)

In accordance with EITF Issue 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company recognized the value of the embedded beneficial conversion feature of \$490,093 as additional paid-in capital and an equivalent discount which will be expensed over the term of the convertible notes. In addition, in accordance with EITF Issue 00-27 "Application of Issue No.98-5 to Certain Convertible Instruments", the Company has allocated the proceeds of issuance between the convertible notes and the detachable warrants based on their relative fair value. Accordingly, the Company recognized the fair value of the detachable warrants of \$490,093 as additional paid-in capital and an equivalent discount against the convertible notes. The difference between the face amount of the convertible notes and their carrying value is amortized over the life of the convertible notes. The Black-Scholes Model was used to calculate the fair value of the warrants.

The underlying assumptions included in the Black-Scholes Model were as follows:

Expected volatility	64%
Contractual life	5 years
Risk-free interest rate	4.39%
Dividend yield	Nil

Substantially all of the assets of the Company have been pledged as security of the convertible notes. In the year ended December 31, 2008, \$103,820 of interest was paid (2007 - \$66,180), and \$465,918 of interest has been accreted (2007 - \$195,317). During the year, \$165,000 (2007 - \$104,759) of convertible notes were exchanged for 235,714 (2007 - 149,657) shares of common stock.

#### 11. Commitments

The Company has entered into an agreement to lease premises up to August 2009. The future minimum lease payments until expiry of the existing lease period are approximately \$8,119. The total rental expense in 2008 was \$14,800.

On May 29, 2008, the Company signed a new agreement with Auctus Capital for investor relation services. As part of the terms of this agreement, the Company is required to pay CDN \$6,000 (US- \$4,926) a month to Auctus Capital for a period of one year.

In the fourth quarter of 2008 the Company paid a deposit totaling \$22,681 to Cushman & Wakefield Lepage to be held in trust in respect of a right to lease alternative, local, premises. Under the terms of the agreement the Company will forfeit the deposit if the Company fails to sign a lease agreement.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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(Expressed in U.S. Funds)

#### 12. Capital Stock

	2008	2007
Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
20,850,002 (December 31, 2007 - 16,157,146) common shares	\$ 209	\$ 162

On April 10, 2007, the Board of Directors of the Corporation approved an amendment, subject to shareholder approval, to the Corporation's Certificate of Incorporation, to increase the number of authorized common shares from 20,000,000 to 100,000,000 and to authorize the creation of 20,000,000 shares of "blank check" preferred shares. On April 10, 2007, the majority stockholder of the Corporation approved the same resolution as the Board of Directors.

On March 27, 2008, as part of a private placement, the Company issued 4,001,000 units for gross proceeds of \$2,800,700. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$1.02 per common share and expires 24 months after the date of issuance. Proceeds were allocated between the common shares and the warrants based on their relative fair value. The common shares were recorded at a value of \$2,127,960 excluding transaction costs. (See note 13 for the portion allocated to the warrants.)

The Company paid an agent a cash commission in the amount of \$196,000, which is equal to 7% of the gross proceeds of the offering and issued an agent option entitling the agent to acquire 320,080 units (consisting of one common share and one common share purchase warrant) at \$0.70 per unit, which expire 24 months after the date of issuance. Each common share purchase warrant included in the unit entitles the holder to purchase one common share at an exercise price of \$1.02 per common share and expires 24 months after the date of issuance of the unit.

In addition, the Company paid approximately \$256,000 in cash consideration for other transaction costs. All the above transaction costs have been reflected as a reduction of the common shares and the warrants based on their relative fair values.

Pursuant to the terms of the private placement, the Company was obliged to use its best efforts to (i) have the common shares listed on the TSX Venture Exchange, and (ii) prepare and file with, and have declared effective, by the U.S. Securities and Exchange Commission, a resale registration statement in respect of the common shares and the warrants issued to subscribers as well as those issuable upon exercise of the agents warrants, all prior to 4 months after March 27, 2008. All of these provisions were satisfied within the required time limits during the second quarter of 2008.

On April 22, 2008, 100,000 warrants were exercised for 100,000 common shares having a par value of \$1 for cash consideration of \$41,000, resulting in an increase in additional paid-in capital of \$40,999.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 12. Capital Stock (Cont d)

On April 22, 2008, the Company entered into agreements to amend the anti-dilution terms of the convertible notes. As consideration for entering into this amendment, the Company agreed to issue to the holders of the convertible notes an aggregate of 159,456 fully paid common shares having a par value of \$2 in aggregate, resulting in an increase in additional paid-in capital of \$111,617.

In the year ended December 31, 2008, 191,500 stock options were exercised for 191,500 common shares having a par value of \$2 in aggregate, for cash consideration of \$88,665, resulting in an increase in additional paid-in capital of \$88,663.

#### 13. Additional Paid-In Capital

##### Stock Options

In November 2006, the Company adopted the 2006 Stock Incentive Plan ("Plan") for the purpose of issuing both Incentive Options and Nonqualified Options to officers, employees, directors and eligible consultants of the Company. A total of 1,600,749 shares of common stock were reserved for issuance under this plan. Options may be granted under the Plan on terms and at prices as determined by the Board of Directors except that the options cannot be granted at less than 100% of the fair market value of the common stock on the date of the grant. Each option will be exercisable after the period or periods specified in the option agreement, but no option may be exercised after the expiration of 10 years from the date of grant. All options granted to individuals other than non-employee directors will have a total vesting period of 24 months from the date of grant, with one quarter of the total options granted vesting and becoming exercisable every six months. Options granted to non-employees will vest and become 100% fully exercisable immediately upon grant.

On August 9, 2007, the Company granted 257,500 stock options to employees and directors to purchase common shares. The stock options are exercisable at \$1.15 per share and have a term of 10 years with vesting provisions ranging from immediate to vesting in equal increments over two years.

The fair values of all options granted during 2007 were estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>2007</b>
Expected option life	<b>5.00 - 5.75 years</b>
Volatility	<b>71 %</b>
Risk-free interest rate	<b>4.58 %</b>
Dividend yield	<b>Nil</b>

The weighted average grant-date fair values for stock options granted during 2007 were \$0.74 per option, respectively.



## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 13. Additional Paid-In Capital (Cont d)

On March 27, 2008, IntelGenx Technologies Corp. issued 320,080 agent's options exercisable into one common share and one stock purchase warrant per agent's option. The exercise price of the option and the stock purchase warrant are \$0.70 and \$1.02 respectively and they expire on March 27, 2010. As at December 31, 2008, no agent's options had been exercised. The agent's options were issued as part of the transaction costs in connection with the private placement described in note 12. The agent's options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of \$95,000, using the assumptions below:

Expected volatility	77%
Expected life	2 years
Risk-free interest rate	1.75%
Dividend yield	Nil

A modification was made to the 2006 Stock Option Plan. The life of the options was reduced from 10 years to 5 years to comply with the regulations of the TSX-V. Accordingly, because the grant-date fair value of the modified options was less than the fair value of the original options measured immediately before the modification, no incremental share-based compensation expense resulted from the modification.

On May 22, 2008, the Company granted 51,176 stock options to two non-employee directors to purchase common shares. The stock options are exercisable at \$0.85 per share and have a term of 5 years with immediate vesting provisions. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of \$21,329, using the following assumptions:

Expected volatility	76%
Expected life	2.5 years
Risk-free interest rate	2.70%
Dividend yield	Nil

On May 29, 2008, 400,000 stock options were granted to Auctus Capital as compensation for investor relation services. The option grant was subject to shareholder approval to increase the number of shares to be issued under the stock option plan, which was subsequently given at the Annual General Meeting, held on September 8, 2008. The exercise price of the options is \$1. The options vest based upon a combination of the achievement of certain performance conditions and the passage of time. As of December 31, 2008, performance conditions have been met for the first 200,000 options tranche. The first tranche of the 200,000 stock options were accounted for at its fair value, as determined by the Black-Scholes valuation model, of \$86,112, using the following assumptions:

Expected volatility	75%
Expected life	2.69 years
Risk-free interest rate	2.81%
Dividend yield	Nil

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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(Expressed in U.S. Funds)

#### 13. Additional Paid-In Capital (Cont d)

As a result of the May 29, 2008 grant, the Company recorded a compensation expense of \$50,421 in the year ended December 31, 2008 for the first tranche of 200,000 options. As at December 31, 2008, the performance conditions for the second tranche of 200,000 stock options had not yet been achieved and as such no compensation expense has been recognized.

At the Annual General Meeting on September 8, 2008 the Shareholders of the Company approved to amend the 2006 Stock Option Plan to increase the number of shares available for issuance under the Plan from 1,600,749 to 2,074,000, or 10% of the Company's issued and outstanding shares as of July 28, 2008.

On September 8, 2008, the Company granted 75,000 stock options to a non-employee director to purchase common shares. The stock options are exercisable at \$0.85 per share and have a term of 5 years with immediate vesting provisions. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of \$30,398, using the following assumptions:

Expected volatility	78%
Expected life	2.5 years
Risk-free interest rate	2.40%
Dividend yield	Nil

On September 8, 2008, the Company granted 100,000 stock options to an officer to purchase common shares. The stock options are exercisable at \$0.85 per share, have a term of 5 years and vest in equal increments over two 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 \$39,735, using the following assumptions:

Expected volatility	76%
Expected life	3.1 years
Risk-free interest rate	2.49%
Dividend yield	Nil

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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#### 13. Additional Paid-In Capital (Cont d)

Information with respect to stock option activity for 2007 and 2008 is as follows:

		Number of Options	Weighted Average Exercise Price \$
Outstanding	January 1, 2007	1,119,000	0.41
Granted		257,500	1.15
Forfeited		-	-
Expired		-	-
Exercised		-	-
Outstanding	December 31, 2007	1,376,500	0.55
Granted		626,176	0.95
Forfeited		(50,000)	(0.97)
Expired		(62,500)	(1.15)
Exercised		(191,500)	(0.46)
Outstanding	December 31, 2008	1,698,676	1.01

Details of stock options outstanding as at December 31, 2008 are as follows:

Exercise Prices \$	Number of Options	Outstanding Options			Exercisable Options		
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Aggregate Intrinsic Value \$	Number of Options	Weighted Average Exercise Price \$	Aggregate Intrinsic Value \$
0.41	800,000	2.88	0.41		800,000	0.41	
0.70-0.85	341,176	3.98	0.80		241,176	0.78	
1.00-1.15	557,500	4.18	1.05		236,667	1.08	
	1,698,676	3.51	1.01	152,000	1,277,843	0.60	152,000



## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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(Expressed in U.S. Funds)

#### 13. Additional Paid-In Capital (Cont d)

Stock-based compensation expense recognized in 2008 in regards to the stock options was \$161,035 (2007 - \$202,607). As of December 31, 2008, total unrecognized compensation expense related to unvested stock options was \$83,177. This amount is expected to be recognized as expense over a period of two years. A change in control of the Company due to acquisition would cause the vesting of these stock options to accelerate and would result in this amount being charged to stock-based compensation expense.

#### Warrants

On May 22, 2007, IntelGenx Technologies Corp. issued 214,286 stock purchase warrants exercisable into common shares at \$0.70 per share which expire on May 22, 2011. The Stock purchase warrants were issued as part of the transaction costs in connection with the convertible notes described in note 10. The stock purchase warrants were accounted for at their fair value, as determined by the Black-Scholes valuation model, of \$82,993, using the following assumptions:

Expected volatility	64%
Expected life	4 years
Risk-free interest rate	4.39%
Dividend yield	Nil

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors as described in note 10. The Company also issued to the holders 2,142,857 stock purchase warrants exercisable at \$1.02 per share before May 22, 2012.

On March 19, 2008, the Company restated the exercise price of the warrants initially issued with respect to the convertible notes transaction on May 22, 2007 from \$1.02 to \$0.80. This modification was treated as an exchange of the original warrant for a new warrant in accordance to FAS 123 (R) "Share-based payments". This resulted in an increase in fair value of the warrants of \$92,571. This increase was recorded as an additional compensation expense and a corresponding increase in additional paid-up capital.

On March 27, 2008, the Company issued 4,001,000 stock purchase warrants exercisable into common shares at \$1.02 per share which expire on March 27, 2010. The stock purchase warrants were issued in connection with the private placement described in note 12. The stock purchase warrants were valued at \$672,740, before transaction costs, based on their relative fair value, as determined by the Black-Scholes valuation model using the assumptions below:

**IntelGenx Technologies Corp.****Notes to Consolidated Financial Statements****December 31, 2008 and 2007****(Expressed in U.S. Funds)****13. Additional Paid-In Capital (Cont d)**

Expected volatility	77%
Expected life	2 years
Risk-free interest rate	1.75%
Dividend yield	Nil

As at March 31, 2008, 5,186 shares of common stock were issued as a result of the cashless exercise of 10,638 warrants with an exercise price of \$0.41 and a fair value of \$0.80. These warrants were initially granted for services rendered pursuant to the share exchange transaction of April 28, 2006. The remaining 180,053 warrants that were granted in 2006 expired on April 28, 2008 and November 13, 2008.

On April 22, 2008, \$100,000 warrants were exercised for 100,000 common shares having a par value of \$1 for cash consideration of \$41,000, resulting in an increase in additional paid-in capital of \$40,999.

As at December 31, 2008, no additional stock purchase warrants had been exercised.

Information with respect to warrant activity for 2007 and 2008 is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>
Outstanding January 1, 2007	190,69	0.4
Attached to convertible notes (note 10)	2,142,857	1.02
Issued as part of transaction costs	214,286	0.70
Outstanding December 31, 2007	2,547,834	0.97
Attached to private placement	4,001,000	1.02
Issued to agent	320,080	1.02
Re-pricing - Cancellation of original warrants	(2,142,857)	(1.02)
Re-Issue of Warrants	2,142,857	0.80)
Expired	(80,053)	(0.4)
Exercised	(110,638)	(0.4)
Outstanding - December 31, 2008	6,678,223	0.95

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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#### 14. Income Taxes

Income taxes reported differ from the amount computed by applying the statutory rates to losses. The reasons are as follows:

	2008	2007
Statutory income taxes	\$ (944,000)	\$ (352,000)
Net operating losses for which no tax benefits have been recorded	567,000	140,000
Excess of amortization over capital cost allowance	17,000	14,000
Non-deductible expenses	185,000	147,000
Undeducted research and development expenses	441,000	143,000
Tax deductible portion of transaction costs	(37,000)	(36,000)
Investment tax credit	(181,000)	(56,000)
Unrealized foreign exchange gain	(48,000)	-
Amortization of convertible debt discount	(152,000)	(64,000)
	\$ (152,000)	\$ (64,000)

The major components of the deferred tax assets classified by the source of temporary differences are as follows:

	2008	2007
Property and equipment	\$ (12,000)	\$ (15,000)
Net operating losses carryforward	838,000	264,000
Undeducted research and development expenses	518,000	206,000
Non-refundable tax credits carryforward	237,000	23,000
Transaction costs to be deducted in future years	73,000	108,000
	1,654,000	586,000
Valuation allowance	(1,654,000)	(586,000)
	\$ -	\$ -

There were Canadian and provincial net operating losses of approximately \$2,585,000 (2007 - \$794,000) and \$2,702,000 (2007 - \$908,000) respectively, that 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. A portion of the net operating losses may expire before they can be utilized.

As at December 31, 2008, the Company had non-refundable tax credits of \$237,000 (2007 - \$24,000) of which 24,000 is expiring in 2017 and 213,000 is expiring in 2018 and undeducted research and development expenses of \$1,548,000 (2007 - \$670,000) with no expiration date.

## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Expressed in U.S. Funds)

#### 14. Income Taxes (Cont d)

Due to the reorganization of the Company, there were \$549,000 of transaction costs of which \$115,000 was deductible in the current year (2007- \$113,000). The remaining transaction costs are deductible for income tax purposes in equal amounts over the next three years.

The deferred tax benefit of these items was not recognized in the accounts.

#### Deferred Income Taxes

The balance of deferred income taxes as at December 31, 2008 represents the tax effect of the convertible debt arising from the difference between the convertible debt's basis for accounting purposes and that for income tax purposes and it has been charged to additional paid-in capital. As the convertible debt is repaid, the deferred tax liability will be charged to expenses.

#### Unrecognized Tax Benefits

On January 1, 2007, the Company adopted the provisions for FIN 48, which is an interpretation of SFAS No. 109. FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon ultimate settlement with a taxing authority, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. Prior to January 1, 2007 and the implementation of FIN 48, the Company recorded tax contingencies when the exposure item became probable and reasonably estimable, in accordance with SFAS No. 5, *Accounting for Contingencies*.

The adoption of FIN 48 has not had a material effect on our financial position or results of operations for the years 2007 and 2008.

The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

#### Classification of Interest and Penalties

Additionally, FIN 48 requires the Company to accrue interest and related penalties, if applicable, on all tax positions for which reserves have been established consistent with jurisdictional tax laws.

The Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes did not change as a result of adopting FIN 48.

The interest and penalties as of December 31, 2008 and for the years ended December 31, 2008 and 2007 were

\$Nil.

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## IntelGenx Technologies Corp.

### Notes to Consolidated Financial Statements

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(Expressed in U.S. Funds)

#### 14. Income Taxes (Cont d)

##### Tax Years and Examination

The Company files tax returns in each jurisdiction in which it is registered to do business. For each jurisdiction a statute of limitations period exists. After a statute of limitations period expires, the respective tax authorities may no longer assess additional income tax for the expired period. Similarly, the Company is no longer eligible to file claims for refund for any tax that it may have overpaid. The following table summarizes the Company's major tax jurisdictions and the tax years that remain subject to examination by these jurisdictions as of December 31, 2008:

Tax Jurisdictions	Tax Years
Federal - Canada	2004 and onward
Provincial - Quebec	2004 and onward

#### 15. Statement of Cash Flows Information

	2008	2007
Accounts receivable	\$ 110,413	\$ (292,253)
Prepaid expenses	(21,493)	49,471
Investment tax credits receivable	(15,122)	(200,774)
Accounts payable and accrued liabilities	264,176	131,491
Changes in non-cash operating elements of working capital	\$ 337,974	\$ (312,065)
<b>Additional Cash Flow Information:</b>		
Interest paid	\$ 189,885	\$ 81,194

#### 16. Related Party Transactions

In December 2007, the Company purchased \$60,000 in laboratory equipment from a shareholder who is also an officer. The Company has had the use of the equipment since 2005.

Included in professional fees are \$Nil (2007 - \$18,104) paid to a non-employee director of the Company.

During the year, the Company incurred expenses of approximately \$18,882 (2007 - \$18,606) for laboratory equipment leased from a shareholder, who is also an officer of the Company, and \$5,614 (2007 - \$5,636) for interest on the loan payable, shareholder.

Included in management salaries are \$20,156 (2007 - \$10,609) for options granted to the Chief Financial Officer under the 2006 Stock Option Plan and \$51,727 for options granted to non employee directors in May and

September of 2008.

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## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Financial Statements**

**December 31, 2008 and 2007**

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

#### **16. Related Party Transactions**

Also included in management salaries are \$40,572 (2007 - \$Nil) cash compensation in form of a retainer for two non employee directors.

Included in accounts payable and accrued liabilities is approximately \$13,390 (2007 - \$71,029) payable to shareholders, who are also officers of the Company and a cash retainer of \$17,857(2007- \$Nil) payable to a director.

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.

#### **17. 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.

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

**FORM 10-Q**

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

For the quarterly period ended **March 31, 2009**

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**

**INTELGEX 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  Q      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.

Large accelerated filer  £

Accelerated filer  £

Non-accelerated filer  £

Smaller reporting company  Q

(Do not check if a 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:

20,850,002 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of May 8, 2009.

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IntelGenx Technologies Corp.  
Form 10-Q

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## **IntelGenx Technologies Corp.**

### **Consolidated Interim Financial Statements**

**March 31, 2009**

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

**(Unaudited)**

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**IntelGenx Technologies Corp.****Consolidated Balance Sheet**

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

(Unaudited)

	<b>March 31, 2009</b>	December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 305.6	\$ 556.0
Restricted cash (note 4)	28.7	277.2
Accounts receivable	389.5	317.1
Prepaid expenses	48.3	44.9
Investment tax credits receivable	295.6	269.2
	<b>1,067.7</b>	<b>1,464.4</b>
<b>Property and Equipment</b>	<b>144.0</b>	<b>157.2</b>
	<b>\$ 1,211.7</b>	<b>\$ 1,621.5</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	581.8	525.8
Convertible notes, less unamortized discount of \$370.6 thousands (note 5)	859.6	714.5
Deferred income tax liability	88.4	127.4
	<b>1,529.8</b>	<b>1,367.7</b>
<b>Loan Payable, Shareholder</b>	<b>79.5</b>	<b>82.4</b>
<b>Shareholders' Equity (Deficiency)</b>		
<b>Capital Stock</b> (note 6)	<b>0.2</b>	<b>0.2</b>
<b>Additional Paid-in-Capital</b>	<b>5,113.8</b>	<b>5,080.8</b>
<b>Accumulated Other Comprehensive Income</b>	<b>(193.7)</b>	<b>(184.4)</b>
<b>Accumulated Deficit</b>	<b>(5,317.9)</b>	<b>(4,725.0)</b>
	<b>(397.6)</b>	<b>171.6</b>
	<b>\$ 1,211.7</b>	<b>\$ 1,621.5</b>

See accompanying notes

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



**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity (Deficiency)****For the Period Ended March 31, 2009****(Expressed in Thousands of U.S. Dollars (\$ 000) Except Share and Per Share Data)****(Unaudited)**

	Capital Stock		Additional	Accumulated			Total
	Number	Amount	Paid-In	Other	Comprehensive	Deficit	Shareholders'
			Capital	Income (Loss)			Equity
<b>Balance - December 31, 2008</b>	20,852,002	\$ 0.2	\$ 5,080.8	\$ (184.4)	\$ (4,725.0)	\$	<b>171.6</b>
Foreign currency translation adjustment	-	-	-	(9.3)	-	-	<b>(9.3)</b>
Stock-based compensation (note 7)	-	-	33.0	-	-	-	<b>33.0</b>
Net loss for the period	-	-	-	-	(592.9)	-	<b>(592.9)</b>
<b>Balance March 31, 2009</b>	<b>20,850,002</b>	<b>\$ 0.2</b>	<b>\$ 5,113.8</b>	<b>\$ (193.7)</b>	<b>\$ (5,317.9)</b>	<b>\$</b>	<b>(397.6)</b>

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statement of Operations and Comprehensive Loss**

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

(Unaudited)

	For the Three-Month Period Ended March 31,	
	2009	2008
<b>Revenue</b>	\$ 201.0	\$ 145.0
<b>Interest</b>	-	13.1
	<b>201.0</b>	<b>158.1</b>
<b>Expenses</b>		
Research and development	435.0	337.6
Research and development tax credits	(35.8)	(44.8)
Management salaries	104.8	107.5
General and administrative	39.9	48.2
Professional fees	84.6	118.4
Depreciation	9.5	13.6
Foreign exchange	24.7	(51.5)
Interest and financing fees	170.2	127.9
	<b>832.9</b>	<b>656.9</b>
<b>Loss Before Income Taxes</b>	<b>(631.9)</b>	<b>(498.8)</b>
Income taxes (note 8)	(39.0)	(35.4)
<b>Net Loss</b>	<b>(592.9)</b>	<b>(463.4)</b>
<b>Other Comprehensive Loss</b>		
Foreign currency translation adjustment	(9.3)	(53.1)
<b>Comprehensive Loss</b>	\$ <b>(602.2)</b>	\$ <b>(516.5)</b>
<b>Basic Weighted Average Number of Shares Outstanding</b>	<b>20,850,002</b>	<b>16,123,812</b>
Basic and Diluted Loss Per Common Share (note 10)	\$ <b>(0.03)</b>	\$ <b>(0.03)</b>

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statement of Cash Flows**

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

(Unaudited)

	For the Three-Month Period Ended March 31,	
	2009	2008
<b>Funds Provided (Used) -</b>		
<b>Operating Activities</b>		
Net loss	\$ (592.9)	\$ (463.4)
Depreciation	9.5	13.6
Investor relations services	21.6	-
Stock-based compensation	11.4	16.6
Interest accretion	145.1	97.4
Deferred income tax	(39.0)	(35.4)
	(444.3)	(371.2)
Changes in non-cash operating elements of working capital	(44.3)	651.9
	(488.6)	280.7
<b>Financing Activities</b>		
Issue of capital stock	-	2,800.7
Transaction costs	-	(451.6)
	-	2,349.1
<b>Investing Activities</b>		
Additions to property and equipment	(1.8)	(4.4)
Restricted cash (note 4)	248.5	-
	246.7	(4.4)
<b>Increase (Decrease) in Cash and Cash Equivalent</b>	<b>(241.9)</b>	<b>2,625.4</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<b>(8.5)</b>	<b>(77.2)</b>
<b>Cash and Cash Equivalents</b>		
<b>Beginning of Period</b>	<b>556.0</b>	<b>331.0</b>
<b>End of Period</b>	<b>\$ 305.6</b>	<b>\$ 2,879.2</b>

See accompanying notes

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements**

**March 31, 2009**

**(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 financial statements at December 31, 2008. Operating results for the quarter ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States. 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.

#### **2. Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has reported an accumulated deficit of \$5,317,978 (at December 31, 2008 - \$4,725,045). To date, these losses have been financed principally through capital stock, long-term debt and debt from related parties. Additional capital and/or borrowings will be necessary in order for the Company to continue in existence and attain profitable operations.

The Company's strategy is to continue to focus on the development of novel oral immediate release and controlled release products for the branded and generic pharmaceutical markets. The Company will continue to develop novel, orally administered drug delivery products based upon its proprietary oral drug delivery technologies and will continue to position itself as a provider of product development services for the pharmaceutical industry.

To date revenues consisted primarily of research and development fee revenues and have not been sufficient to sustain operations. However, the Company expects to generate revenues from sales and manufacturing royalties in future years following successful development and commercialization of products within its current pipeline.

The first product fully-developed by the Company, a prenatal multivitamin supplement marketed as Gesticare® in the USA, was commercialized in November 2008. Royalty revenue totaling approximately \$42,915 was

received by the Company in the first quarter of 2009 with respect to commercial activities which took place in November and December 2008.

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements**

**March 31, 2009**

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

**(Unaudited)**

#### **2. Going Concern (Cont'd)**

Management anticipates generating additional royalty revenue from this product in fiscal 2009. In addition, management is actively pursuing marketing opportunities for the product outside of the USA.

The Company currently has a pipeline of 11 products under development. Of the products under development, CPI- 300, an oral antidepressant formulated using the Company's proprietary controlled release technology, is the most advanced. A New Drug Application ( NDA ) (505(b)(2) for this product was filed with the FDA on April 3, 2009.

Nonetheless, in order to achieve profitability, revenue streams will have to increase significantly from current levels and there is no assurance that revenues can increase to such a level.

On May 22, 2007, the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000, of which \$1,230,241 remained outstanding at March 31, 2009. The notes are repayable on September 22, 2009. The notes are convertible into common stock of the Company, at the option of the holders, at a rate of \$0.70 per share.

We are seeking additional funding through additional equity and/or debt financings. However, there can be no assurance that any additional financing will become available to us, and if available, on terms acceptable to us. Any financing, if available, may involve restrictive covenants that impact our ability to conduct our business and raise additional funds. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue our operations, including the development and/or commercialization of one or more of our product candidates. The Company may also receive funds through the exercise of outstanding stock options and warrants in addition to funds that may be generated from pre-commercialization payments. There can be no assurance that such proceeds, if any, will be material.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

#### **3. Adoption of New Accounting Standards**

##### **Fair Value Measurements**

SFAS No.157 is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008. The Company adopted SFAS No.157 for financial assets and liabilities in the first quarter of fiscal 2008 with no material impact to the consolidated financial statements. The Company adopted SFAS No.157 for non-financial assets and liabilities in the first quarter of fiscal 2009 with no material impact to the consolidated financial statements.



## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements**

**March 31, 2009**

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

**(Unaudited)**

### **3. Adoption of New Accounting Standards (Cont d)**

SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There are no assets or liabilities measured at fair value as at March 31, 2009.

### **Fair Value of Financial Instruments**

The table below presents the carrying value and fair value of Company's financial instruments expressed in thousands of US\$. The disclosure excludes leases.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of receivables and payables arising in the ordinary course of business and the investment tax credits receivable and the convertible notes approximate fair value because of the relatively short period of time between their origination and expected realization. The loan payable, shareholder is presumed to have a fair value measured by the cash proceeds exchanged at issuance in accordance with APB-21 Interest on Receivables and Payables .

The convertible notes use significant unobservable inputs and thus are shown as Level 3 hierarchy items. The fair value of the convertible notes is calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived changes in credit risk of the borrower.



**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****March 31, 2009****(Expressed in U.S. Funds)****(Unaudited)****3. Adoption of New Accounting Standards (Cont d)**

<u>US\$ thousands</u>	Level	March 31, 2009		December 31, 2008	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets</b>					
Cash and cash equivalents	Level 1	\$ 305.6	\$ 305.6	\$ 556.0	\$ 556.0
Restricted cash	Level 1	28.7	28.7	277.2	277.2
Investment tax credits receivable	Level 1	295.6	295.6	269.2	269.2
<b>Financial liabilities</b>					
Loan payable, shareholder	Level 2	79.5	79.5	82.4	82.4
Convertible notes, excluding unamortized discounts	Level 3	1,230.2	1,134.0	1,230.2	1,099.3

**4. Collaborative Agreements**

On April 7, 2008, the Company ratified with Cary Pharmaceutical, a pharmaceutical development company, an Agreement to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology. Under the terms of the agreement, IntelGenx will provide funding and development support for the product and will be entitled to profit sharing. The Company accounts for this transaction as a collaborative agreement as defined in EITF 07-1 Accounting for Collaborative agreements. Per the Agreement, \$2,000,000 of the Company's cash and cash equivalents was initially restricted for the funding of this venture. This cash was taken from the proceeds of the private placement of March 27, 2008. Expenses exceeding the initial \$2,000,000 are to be equally shared between the Company and Cary Pharmaceuticals.

As of March 31, 2009, the Company has expensed approximately \$2,085,853 on the project of which \$1,971,303 had been disbursed, resulting in a restricted cash balance of \$28,697 and amounts payable of \$114,550. Included within these disbursements is approximately \$222,236 paid to Cary Pharmaceutical in respect of management fees. All expenses incurred with respect to the collaborative agreement were expensed in the statement of operations and were classified as research and development expenses and professional fees.

Development work for this product was completed in the fourth quarter of 2008 and a New Drug Application (NDA) (505(b)(2)) was filed with the FDA on April 3, 2009.



## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

March 31, 2009

(Expressed in U.S. Funds)

(Unaudited)

#### 5. Convertible Notes

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000. The convertible notes bear interest at the rate of 8% per annum and are repayable on September 22, 2009. Interest is payable quarterly and payments commenced on July 1, 2007. The notes are convertible into common stock of the Company, at the option of the holders, at a rate of \$0.70 per share. The Company also issued to the holders 2,142,857 stock purchase warrants exercisable at \$1.02 per share before May 22, 2012.

On May 22, 2007, the Company paid approximately \$229,323 in cash consideration and issued warrants with a fair value of \$82,993 in consideration for transaction costs. These transaction costs were allocated between the convertible debt and the warrants based on their relative fair value.

The Company may, at its option, elect to pay the interest by the issuance of common shares. The number of shares is to be determined by dividing the amount of the interest payment by the number which is 85% of the average market price of the Company's common shares for the 20 trading days immediately prior to the interest payment date assuming the average market price is equal or greater than \$0.70 as adjusted for reverse and forward share splits, recapitalizations and the like that occur after the date of the Securities Purchase Agreements.

In accordance with EITF Issue 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company recognized the value of the embedded beneficial conversion feature of \$490,093 as additional paid-in capital and an equivalent discount which will be expensed over the term of the convertible notes. In addition, in accordance with EITF Issue 00-27 "Application of Issue No.98-5 to Certain Convertible Instruments", the Company has allocated the proceeds of issuance between the convertible notes and the detachable warrants based on their relative fair value. Accordingly, the Company recognized the fair value of the detachable warrants of \$490,093 as additional paid-in capital and an equivalent discount against the convertible notes. The difference between the face amount of the convertible notes and their carrying value is amortized over the life of the convertible notes. The Black-Scholes Model was used to calculate the fair value of the warrants.

The underlying assumptions included in the Black-Scholes Model were as follows:

Expected volatility	64%
Contractual life	5 years
Risk-free interest rate	4.39%
Dividend yield	Nil

Substantially all of the assets of the Company have been pledged as security of the convertible notes. In the three months ended March 31, 2009, \$23,578 of interest was paid (2008 - \$28,714), and \$145,129 of interest has been accreted (2008 - \$97,498). In the first quarter of 2009, no convertible notes were exchanged for shares of common

stock (2008 - Nil).

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****March 31, 2009****(Expressed in U.S. Funds)****(Unaudited)****6. Capital Stock**

Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
20,850,002 common shares	\$	209

During the three months ended March 31, 2009 the Company had no transactions affecting capital stock.

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

No stock options were granted and no stock options were exercised during the first quarter of 2009.

Compensation expenses for stock-based compensation of \$32,951 and \$16,560 were recorded during the three months ended March 31, 2009 and 2008 respectively. Of the amount expensed in 2009, \$21,609 (2008 - \$Nil) relates to stock options granted to Auctus Capital as compensation for investor relation services and \$11,342 (2008 - \$16,560) relates to stock options granted to employees. The amount expensed in 2008 relates to stock options granted to employees. As at March 31, 2009, the Company has \$51,039 (2008 - \$79,894) of unrecognized stock-based compensation.

**Warrants**

As of March 31, 2009, the Company had 6,678,223, warrants outstanding at an average exercise price of \$0.95 per warrant for one share each of the Company's ordinary shares. The warrants will expire at various dates, with 4,321,080 expiring in 2010 and 2,357,143 expiring in 2012.

No warrants were exercised during the three months ended March 31, 2009. As at March 31, 2008, 5,186 shares of common stock were issued as a result of the cashless exercise of 10,638 warrants with an exercise price of \$0.41 and a fair value of \$0.80.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

March 31, 2009

(Expressed in U.S. Funds)

(Unaudited)

#### 7. Additional Paid-In Capital (Cont d)

	Number of warrants	Weighted average exercise price \$
Outstanding warrants at January 1, 2009	6,678,2	0.95
Warrants granted		-
Exercised		-
Expired		-
Outstanding warrants at March 31, 2009	6,678,2	0.95

#### 8. Income Taxes

##### Deferred Income Taxes

The balance of deferred income taxes as at March 31, 2009 represents the tax effect of the convertible debt arising from the difference between the convertible debt's basis for accounting purposes and that for income tax purposes and it has been charged to additional paid-in capital. As the convertible debt is repaid, the deferred tax liability will be charged to expenses.

#### 9. Related Party Transactions

During the three month period ended March 31, 2009, the Company incurred expenses of approximately \$4,030 (2008 - \$5,044) for laboratory equipment leased from a shareholder, who is also an officer of the Company, and \$1,241 (2008 - \$1,545) for interest on the loan payable, shareholder.

Included in management salaries are \$4,967 (2008 - \$6,365) for options granted to the Chief Financial Officer under the 2006 Stock Option.

Included in accounts payable and accrued liabilities is approximately \$18,378 (2008 - \$76,000) payable to shareholders, who are also officers of the Company and a cash retainer of \$17,243 (2008- \$Nil) payable to a director.

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.



## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements**

**March 31, 2009**

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

**(Unaudited)**

#### **10. 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.



## **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 our financial statements that enables investors to better understand our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to our continuing operations. 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 Technologies 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. We focus 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 our partners in the pharmaceutical industry to fund development of the licensed products, complete the regulatory approval process with the 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 product reaches the marketing and distribution stage. The Company 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.

The Company has also undertaken a strategy under which it 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.

The Company is currently continuing to develop the existing products in its pipeline and may also perform research and development on other potential products as opportunities arise.

The Company does not currently plan to acquire a manufacturing facility. The Company currently purchases and/or leases, on an as-needed basis, the equipment necessary for performing research and development activities related to its products.

The Company plans to hire new personnel, primarily in the area of research and development, on an as-needed basis as the Company enters into partnership agreements and increases its research and development activities.

## Key Developments

The Company achieved a number of milestones in its strategic development, growth and future income potential so far in 2009, most notably:

***Filed NDA with U.S. Food and Drug Administration (FDA)*** - on April 3, 2009 the Company and Cary Pharmaceuticals filed a New Drug Application (NDA) under CFR 21 §505(b)(2) for the CPI-300 antidepressant. CPI-300 is a new strength of a leading antidepressant that will provide a more convenient dosing option to patients with major depressive disorder ( MDD ).

IntelGenx and Cary Pharmaceuticals entered into a Collaborative Agreement in November 2007 to jointly develop and commercialize CPI-300 using IntelGenx's proprietary oral delivery technology. Under the terms of the Collaborative Agreement, IntelGenx raised \$2 million in March 2008 to fund completion of the product development and Cary Pharmaceuticals acted as the applicant for the submission of the NDA. Upon commercialization of the product, IntelGenx and Cary Pharmaceuticals would share profits.

***Announced Positive Phase 1(b) Clinical Study Results for Relivar*** - on April 14, 2009 the Company and Cannasat Therapeutics Inc., announced positive results for the Phase 1(b) clinical trial of *Relivar*, the first buccal dronabinol drug delivery product, which was developed using IntelGenx's proprietary AdVersa buccal delivery technology. Buccal delivery allows for drug absorption from the mouth directly into the bloodstream as opposed to the intestinal tract absorption seen with oral tablet technologies.

In this clinical trial, *Relivar* delivered twice the amount of dronabinol into the bloodstream versus the reference drug Marinol (as measured by AUC) with no increase in adverse events. The randomized, single dose, double crossover study compared *Relivar* to the reference oral dosage form of dronabinol (Marinol) at 2.5 mg in healthy volunteers. *Relivar* was well-tolerated with no adverse events noted in this study. *Relivar* met its primary goal of delivering a greater dose of the drug through the buccal mucosa versus the reference compound, Marinol, which is swallowed and has an intestinal absorption mechanism. *Relivar* also showed nearly a 50% reduction in the ratio of 11-OH-THC to the parent drug versus oral dronabinol in the same subjects. Literature suggests that the 11-OH-THC metabolite, which is also a marker of absorption in the gut, is responsible for the pronounced CNS adverse events of oral Marinol (or dronabinol). *Relivar* also showed an extended absorption profile which may be advantageous for more convenient dosing.

***Signed New Partnership Agreement with European Pharmaceutical Company*** - On January 15, 2009 the Company announced a new partnership with Circ Pharma Limited, a specialty pharmaceutical company based in Ireland, to develop and commercialize a novel drug for the treatment of hyperlipidemia. This is the first product in a series of Circ Pharma's controlled release lipid lowering agents specifically designed to target the absorption of drug in order to reduce the effective dose and potentially lower the side effects.

In accordance with the Agreement, IntelGenx will be responsible for the formulation, manufacture and supply to Circ Pharma of the drug product. Circ Pharma will be responsible for commercialization of the product. Under the terms of the agreement, Circ Pharma will fund the development of the product and IntelGenx will receive royalties from the product's sales. IntelGenx will use its proprietary Versatab technology to formulate the product.

Hyperlipidemia is an elevation of lipids (fats) in the bloodstream. These lipids include cholesterol, cholesterol esters (compounds), phospholipids and triglycerides. They are transported in the blood as part of large molecules called lipoproteins.

## Currency rate fluctuations

The Company's operating currency is Canadian dollars, while its reporting currency is U.S. dollars. Accordingly, the Company's 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 - three months ended March 31, 2009 compared to the three month period ended March 31, 2008.

In U.S.\$ thousands	2009	2008	Increase/ (Decrease)	Percentage Change
Revenue	\$ 201.0	\$ 158.1	\$ 42.9	27%
Research and Development Expenses	435.0	337.6	97.4	29%
Research and Development Tax Credit	(35.8)	(44.8)	9.0	20%
Management Salaries	104.8	107.5	(2.7)	3%
General and Administrative Expenses	39.9	48.2	(8.3)	17%
Professional Fees	84.6	118.4	(33.8)	29%
Interest and Financing Fees	170.2	127.9	42.3	33%
Foreign Exchange	24.7	(51.5)	76.2	N/A
Income taxes	(39.0)	(35.4)	(3.6)	10%
Net Income (Loss)	(592.9)	(463.4)	(129.5)	28%

### Revenue

Total revenue increased by \$42.9 thousand, or 27%, to \$201.0 thousand for the three months ended March 31, 2009 from \$158.1 thousand for the three months ended March 31, 2008.

The increase in revenue is primarily attributable to royalty revenues earned from commercialization of the first product fully-developed by the Company, a prenatal multivitamin supplement marketed as Gesticare® in the USA, which was commercialized in November 2008. Royalty revenue totaling approximately \$42.9 thousand was received by the Company in the first quarter of 2009 in respect of commercial activities in November and December 2008.

In the first quarter of 2009, revenue earned from our pharmaceutical partners for development milestones achieved increased by \$13.1 thousand, or 9%, to \$158.1 thousand, compared with \$145.0 thousand in the previous year.

No interest income was recorded in the first quarter of 2009, compared with \$13.1 thousand earned in the first quarter of 2008.

### Research and Development ( R&D ) Expenses

R&D expenses for the three months ended March 31, 2009 were \$435.0 thousand and represent an increase of \$97.4 thousand, or 29%, compared to \$337.6 thousand for the three months ended March 31, 2008.

Included within R&D expenses for the first quarter of 2009 are approximately \$253.4 thousand of costs related to the development of the CPI-300 pursuant to the collaboration agreement with Cary Pharmaceuticals. These expenses relate primarily to the preparation of the 505(b)(2) New Drug Application, which was filed with the U.S. Food and Drug Administration on April 3, 2009.

Also included within R&D expenses for the three months ended March 31, 2009 are R&D Salaries of \$91.4 thousand, none of which represents non-cash compensation. This compares to R&D salaries of \$106.5 thousand in the three month period ended March 31, 2008, which included \$3.8 thousand in non-cash compensation.

In the first quarter of 2009 we recorded estimated Research and Development Tax Credits and refunds of \$35.8 thousand, as compared to \$44.8 for the first quarter of 2008.

### **Management Salaries and General and Administrative ( G&A ) Expenses**

Management salaries decreased \$2.7 thousand, or 3% in the first quarter of 2009, to \$104.8 thousand from \$107.5 thousand in the first quarter of 2008. Included within the decrease in management salaries is approximately \$21.6 thousand relating to the effects of foreign exchange, which have been partially compensated by increases in management salaries.

Included in management salaries in the first quarter of 2009 are approximately \$11.4 thousand in non cash compensation resulting from options granted to management employees in 2007 and 2008, as compared to \$12.7 thousand expensed for the same period last year.

General and administrative expenses decreased 17%, to \$39.9 thousand in the first quarter of 2009 from \$48.2 thousand in the first quarter of 2008. The decrease is primarily attributable to the effect of foreign exchange between the Canadian and U.S. currencies.

### **Professional Fees**

Professional fees for the three months ended March 31, 2009 decreased by \$33.8 thousand, or 29%, to \$84.6 thousand from \$118.4 thousand for the three months ended March 31, 2008.

The decrease in professional fees is primarily attributable to foreign exchange effects of approximately \$21.2 thousand and a reduction of approximately \$44.0 thousand incurred in the first quarter of 2008 in respect of the Company's reporting obligations, partly compensated by an increase in investor relation expenses of approximately \$11.9 thousand and other professional fees of approximately \$19.5 thousand.

Included within professional fees in the first quarter of 2009 is a non-cash expense of approximately \$21.6 thousand for options granted to Auctus Capital for investor relation services compared to \$nil in the same period last year.

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

Share-based compensation expense, warrants and share based payments totaled \$33.0 thousand for the three months ended March 31, 2009, as compared to \$16.6 thousand for the three months ended March 31, 2008.

We expensed approximately \$11.4 thousand in the first quarter of 2009 for options granted to Company employees in 2007 and 2008 under the 2006 Stock Option Plan, compared with \$16.6 thousand expensed in the same period last year.

We also expensed \$21.6 thousand in the first quarter of 2009 for options granted to Auctus Capital for investor relation services, compared to \$nil in the same period last year.

There remains approximately \$51.0 thousand in stock based compensation to be expensed in fiscal 2009 and 2010 of which approximately \$36.6 thousand relates to the issuance of options to employees of the Company during 2007 and 2008, and approximately \$14.4 thousand relates to options granted to Auctus Capital. We anticipate that we will issue additional options and warrants in the future, which will continue to result in stock-based compensation expense.

### **Financing Cost**

We incurred interest and financing fee expense of \$170.2 thousand for the three months ended March 31, 2009, compared with \$127.9 thousand for the three months ended March 31, 2008.

The costs in the first quarter of 2009 relate primarily to a non-cash accretion expense of \$145.1 thousand and cash interest payments of \$23.6 thousand on the convertible notes issued in May 2007. These amounts compare with \$97.5 thousand and \$28.7 thousand respectively for the first quarter of 2008.

Based on the outstanding principal amount of the convertible notes issued in May 2007, and assuming no additional conversions of these notes into common stock, we expect to incur additional interest expense of approximately \$48.0 thousand in the remainder of 2009 and approximately \$370.6 thousand of accreted interest.

### **Foreign Exchange**

A foreign exchange loss of \$24.7 thousand was recorded in the three months ended March 31, 2009 compared with a foreign exchange gain of \$51.5 thousand in the three months ended March 31, 2008. The foreign exchange loss in 2009 and the foreign exchange gain in 2008 relate primarily to currency fluctuations between the Canadian dollar and the U.S. dollar.

### **Net Loss**

The net loss for the three months ended March 31, 2009 was \$592.9 thousand and represents an increase of \$129.5 thousand, or 28%, compared to the net loss of \$463.4 thousand for the three months ended March 31, 2008. The main items resulting in the increase in net loss are summarized as follows:

- a) The first royalty revenues earned by the Company of approximately \$42.9 thousand
- b) Additional R&D expenses of approximately \$97.4 thousand. Included in R&D expenses are approximately \$253.4 thousand of costs relate primarily to the preparation of the 505(b)(2) New Drug Application for CPI- 300, which was filed with the U.S. Food and Drug Administration on April 3, 2009.
- c) Negative foreign exchange impact of approximately \$76.2 thousand
- d) Additional non cash accretion expense of approximately \$47.6 thousand
- e) Reduced professional fees of approximately \$33.8 thousand

Non-cash related expenses included within the net loss for the first quarter of 2009 total approximately \$148.6 thousand and relate primarily to the interest accretion expense of \$145.1 thousand.

**Key items from the Balance Sheet - March 31, 2009 compared to December 31, 2008.**

In U.S.\$ thousands		2008	2007	Increase/ (Decrease)	Percentage Change
Current Assets	\$	1,067.7	\$ 1,464.4	\$ (396.7)	27%
Property and Equipment		144.0	157.2	(13.2)	8%
Current Liabilities		581.8	525.8	56.0	11%
Loan Payable, Shareholder		79.5	82.4	(2.9)	4%
Convertible notes		859.6	714.5	145.1	20%
Deferred Income Tax Liability		88.4	127.4	(39.0)	31%
Capital Stock		0.2	0.2	0.0	0%
Additional Paid-in-Capital		5,113.8	5,080.8	33.0	1%

**Current Assets**

Current assets totaled \$1,067.7 thousand at March 31, 2009, as compared to \$1,464.4 thousand at December 31, 2008. The decrease of \$396.7 thousand is primarily attributable to a decrease in cash of \$250.4 thousand and a decrease of \$248.5 thousand in the restricted cash balance, which is restricted in accordance with the Collaborative Agreement with Cary Pharmaceuticals to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology.

**Prepaid Expenses**

As of March 31, 2009, prepaid expenses totaled \$48.3 thousand as compared to \$44.9 thousand at December 31, 2008.

**Liquidity and Capital Resources**

Our cash and cash equivalents totaled \$334.3 thousand as of March 31, 2009, a decrease of \$498.9 thousand as compared to \$833.2 thousand as of December 31, 2008. Our cash and cash equivalents balance includes a restricted cash amount of \$28.7 thousand. This amount represents the remaining balance of the \$2.0 million in cash that was set aside under the terms of the Collaborative Agreement ratified on April 7, 2008 with Cary Pharmaceuticals to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology.

As at March 31, 2009, we had an accumulated deficit of \$5,317.9 thousand, as compared to an accumulated deficit of \$4,725.0 thousand as of December 31, 2008. Total assets amounted to \$1,211.7 thousand and shareholders' equity amounted to a negative \$397.6 thousand as of March 31, 2009, as compared with total assets and shareholders' equity of \$1,621.5 thousand and \$171.6 thousand, respectively, as of December 31, 2008.

As of March 31, 2009, accounts receivable totaled \$389.5 thousand, as compared to \$317.1 thousand as of December 31, 2008. Included within accounts receivable as of March 31, 2008 is a sales tax refund of approximately \$117.9 thousand which we expect to receive during the second quarter of 2009. In addition, we had R&D investment tax credits receivable of \$295.6 thousand as of March 31, 2009 as compared to \$269.2 thousand as at December 31, 2008. We expect to receive approximately \$260.0 thousand of the R&D investment tax credits during the second half of 2009.

Accounts payable and accrued liabilities as of March 31, 2009 amounted to \$581.8 thousand (December 31, 2008 -\$525.8 thousand), of which approximately \$407.1 thousand relates to research and development activities, approximately \$62.7 thousand relates to professional fees, and \$17.2 thousand relates to a retainer to a non-employee director of the Company. Included within other accruals is approximately \$18.4 thousand due to a shareholder.

Our consolidated financial statements as of December 31, 2008 have been prepared under the assumption that we will continue as a going concern for the twelve months ending December 31, 2009. The report of our independent registered public accounting firm which accompanies our financial statements includes an explanatory paragraph raising substantial doubt about our ability to continue as a going concern due to our operating losses our need to obtain significant additional capital in order to finance our operations and repay our indebtedness. Accordingly, our ability to continue as a going concern is dependent upon our ability to obtain additional capital from equity and/or debt financing, or by generating increased revenues or other sources of income.

We presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief operating history, our operations have not been a consistent source of liquidity. We have financed our operating and capital expenditures principally through the sale of debt and equity securities to accredited and institutional investors. In May 2007, we issued convertible notes in an aggregate principal amount of \$1.5 million, of which \$1,230,241 remained outstanding as of March 31, 2009. In March 2008, we completed a private placement of common stock and warrants for net proceeds of \$2,349,119. Management believes that the Company's existing cash resources will be sufficient to meet our operating requirements until the end of August, 2009. We are seeking additional funding through additional equity and/or debt financings. However, there can be no assurance that that any additional financing will become available to us, and if available, on terms acceptable to us. Any financing, if available, may involve restrictive covenants that impact our ability to conduct our business and raise additional funds. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates.

### **Property and Equipment**

As at March 31, 2009, the net book value of our property and equipment amounted to \$144.0 thousand, as compared to \$157.2 thousand at December 31, 2008. In the three months ended March 31, 2009 additions to assets totaled \$1.8 thousand, depreciation amounted to \$9.5 thousand and a foreign exchange loss of \$5.5 thousand was recorded.

### **Loan Payable, Shareholder**

As of March 31, 2009, we had a loan payable to a shareholder with an outstanding principal amount of \$79.5 thousand, as compared to an outstanding principal amount of \$82.4 thousand at December 31, 2008. The decrease in the outstanding principal amount is attributable to currency exchange rate fluctuation.

### **Capital Stock**

There were no changes to capital stock during the three months ended March 31, 2009. 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 \$5,113.8 thousand at March 31, 2009, as compared to \$5,080.8 thousand at December 31, 2008. Included within the increase of \$33.0 thousand is approximately \$21.6 thousand attributable to the amortization of stock options granted to our investor relations consultant, Auctus Capital, and approximately \$11.4 thousand attributable to the amortization of stock options granted to employees.





**Key items from the Statement of Cash Flows - three months ended March 31, 2009 compared to the three month period ended March 31, 2008**

	2009	2008	Increase/ (Decrease)	Percentage Change
Operating Activities	\$ (488.6)	\$ 280.7	\$ (769.3)	273%
Financing Activities	0.0	2,349.1	(2,349.1)	N/A
Investing Activities	246.7	(4.4)	251.1	5,707%
Cash and cash equivalents - end of period	305.6	2,879.2	(2,573.6)	89%

**Statement of cash flows**

Net cash used by operating activities was \$488.6 thousand in the three months ended March 31, 2009, as compared to net cash provided by operating activities of \$280.7 thousand for the same period in 2008. In the first three months of 2009, net cash used by operating activities consisted of an operating loss of \$592.9 thousand and a decrease in non-cash operating elements of working capital of \$44.3 thousand.

Non-cash items included in operating activities totaled approximately \$148.6 thousand, as follows:

- An expense of \$145.1 thousand in respect of accretion expense on the convertible notes issued in May 2007.
- An expense of \$21.6 thousand in respect of the amortization of options granted to Auctus Capital as per the investor relation agreement.
- An expense of \$11.4 thousand in respect of the amortization of options granted to Company employees.
- An expense of \$9.5 thousand in respect of the amortization of fixed assets.
- A credit of \$39.0 thousand in respect of deferred income tax related to the convertible debt.

Our operating activities will continue to consume our available funds until we can generate increased revenues.

No cash was provided by financing activities during the three months ended March 31, 2009, as compared to \$2,349.1 thousand provided in the three month period ended March 31, 2008. Of the net cash provided by financing activities in the first quarter of 2008, \$2,800,700 came from a private placement financing completed on March 27, 2008, less \$451,581 used to pay related transaction costs.

Net cash provided in investing activities amounted to \$246.7 for the three months ended March 31, 2009 compared to a use of funds of \$4.4 thousand in the same period of 2008.

Net cash provided in investing activities in the first quarter of 2009 includes approximately \$248.5 thousand of cash restricted for the CPI-300 project under the collaborative agreement with Cary Pharmaceuticals. In accordance with the collaborative agreement dated April 7, 2008 the Company agreed to restrict \$2.0 million of its cash reserves in development support activities for an oral antidepressant using the Company's proprietary oral delivery technology. As at March 31, 2009 the Company had expensed approximately \$2,085.9 thousand on the project of which approximately \$1,971.3 thousand had been disbursed, resulting in a restricted cash balance of \$28.7 thousand and amounts payable of \$114.6 thousand. Included within these disbursements is approximately \$222,236 paid to Cary Pharmaceuticals in respect of management fees.

Cash of \$1.8 thousand was used to purchase capital assets in the first quarter of 2009, as compared to \$4.4 thousand in the same period of 2008.

The balance of cash and cash equivalents as of March 31, 2009 amounted to \$334.3 thousand, as compared to \$2,879.2 thousand at March 31, 2008. Included within these amounts is cash restricted for the CPI-300 project under the collaborative agreement with Cary Pharmaceuticals in the amounts of \$28.7 thousand and \$2,000.0 thousand respectively. In accordance with the collaborative agreement dated April 7, 2008 the Company agreed to restrict \$2.0 million of its cash reserves in development support activities for an oral antidepressant using the Company's proprietary oral delivery technology.

### **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**

There are no material pending legal proceedings to which we are a party or to which any of our property is subject and to the best of our knowledge, no such actions against us are contemplated or threatened.

**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. Submission of Matters to a Vote of Security Holders**

This Item is not applicable.

**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 12, 2009 By: /S/ *Horst Zerbe*  
-----  
Horst G. Zerbe  
President, C.E.O. and Director

Date: May 12, 2009 By: /S/ *Paul Simmons*  
-----  
Paul A. Simmons  
Principal Accounting Officer

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

**FORM 10-Q**

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

For the quarterly period ended **June 30, 2009**

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** **87-0638336**  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

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

(Address of principal executive offices)

**(514) 331-7440**

(Issuer's telephone number)

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(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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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:**

22,350,113 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of August 13, 2009.

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IntelGenx Technologies Corp.  
Form 10-Q

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## **IntelGenx Technologies Corp.**

### **Consolidated Interim Financial Statements**

**June 30, 2009**

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

**(Unaudited)**

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

	<b>June 30,</b>	December
	<b>2009</b>	2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 94.8	\$ 55.0
Restricted cash (note 4)	10.4	27.0
Accounts receivable	541.3	311.0
Prepaid expenses	49.8	44.0
Investment tax credits receivable	359.3	269.0
	<b>1,055.6</b>	<b>1,466.0</b>
<b>Property and Equipment</b>	<b>146.8</b>	<b>151.0</b>
	<b>\$ 1,202.4</b>	<b>\$ 1,623.0</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	515.2	523.0
Convertible notes, less unamortized discount of \$190.6 (note 5)	1,039.6	714.0
Deferred income tax liability	43.2	127.0
	<b>1,598.0</b>	<b>1,364.0</b>
<b>Loan Payable, Shareholder</b>	<b>86.2</b>	<b>86.0</b>
<b>Shareholders' Equity (Deficiency)</b>		
<b>Capital Stock</b> (note 6)	<b>0.2</b>	<b>0.0</b>
<b>Additional Paid-in-Capital</b>	<b>5,161.8</b>	<b>5,080.0</b>
<b>Accumulated Other Comprehensive Income</b>	<b>(210.0)</b>	<b>(184.0)</b>
<b>Accumulated Deficit</b>	<b>(5,433.8)</b>	<b>(4,723.0)</b>
	<b>(481.8)</b>	<b>17.0</b>
	<b>\$ 1,202.4</b>	<b>\$ 1,623.0</b>

See accompanying notes

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



**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity (Deficiency)****For the Period Ended June 30, 2009****(Expressed in Thousands of U.S. Dollars (\$ 000) Except Share and Per Share Data)****(Unaudited)**

	Capital Stock		Additional	Accumulated			Total
	Number	Amount	Paid-In	Other	Comprehensive	Deficit	Shareholders'
			Capital	Income (Loss)			Equity/Deficiency
<b>Balance - December 31, 2008</b>	20,850,002	\$ 0.2	\$ 5,080.8	\$ (184.4)	\$ (4,725.0)		\$ 171.6
Foreign currency translation adjustment	-	-	-	(25.6)	-		(25.6)
Stock-based compensation (note 7)	-	-	59.2	-	-		59.2
Options exercised (note 6)	31,071	-	21.8	-	-		21.8
Net loss for the period	-	-	-	-	(708.8)		(708.8)
<b>Balance June 30, 2009</b>	<b>20,881,073</b>	<b>\$ 0.2</b>	<b>\$ 5,161.8</b>	<b>\$ (210.0)</b>	<b>\$ (5,433.8)</b>		<b>\$ (481.8)</b>

See accompanying notes

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

	For the Three-Month Period		For the Six-Month Period	
	Ended June 30,		Ended June 30,	
	2009	2008	2009	2008
<b>Revenue</b>	\$ <b>499.4</b>	\$ 291.5	\$ <b>700.4</b>	\$ 436.5
<b>Interest</b>	<b>1.0</b>	6.5	<b>1.0</b>	19.6
	<b>500.4</b>	298.0	<b>701.4</b>	456.1
<b>Expenses</b>				
Research and development	<b>317.9</b>	628.2	<b>752.9</b>	965.9
Research and development tax credits	<b>(39.0)</b>	(44.6)	<b>(74.8)</b>	(89.4)
Management salaries	<b>109.8</b>	178.7	<b>214.6</b>	286.2
General and administrative	<b>48.6</b>	56.5	<b>88.5</b>	104.7
Professional fees	<b>64.8</b>	305.2	<b>149.3</b>	423.6
Depreciation	<b>10.6</b>	13.5	<b>20.1</b>	27.1
Foreign exchange	<b>(58.7)</b>	(23.3)	<b>(33.7)</b>	(74.8)
Interest and financing fees	<b>207.4</b>	388.7	<b>377.5</b>	516.6
	<b>661.4</b>	1,502.9	<b>1,494.4</b>	2,159.9
<b>Loss Before Income Taxes</b>	<b>(161.0)</b>	(1,204.9)	<b>(793.0)</b>	(1,703.8)
Income taxes (note 8)	<b>(45.2)</b>	(53.4)	<b>(84.2)</b>	(88.9)
<b>Net Loss</b>	<b>(115.8)</b>	(1,151.5)	<b>(708.8)</b>	(1,614.9)
<b>Other Comprehensive Loss</b>				
Foreign currency translation adjustment	<b>(16.3)</b>	9.6	<b>(25.6)</b>	(43.3)
<b>Comprehensive Loss</b>	\$ <b>(132.1)</b>	\$ (1,141.9)	\$ <b>(734.4)</b>	\$ (1,658.2)
<b>Basic Weighted Average Number of Shares Outstanding</b>	<b>20,867,074</b>	20,502,837	<b>20,858,585</b>	18,329,991
Basic and Diluted Loss Per Common Share (note 10)	\$ <b>(0.01)</b>	\$ (0.06)	\$ <b>(0.04)</b>	\$ (0.09)

See accompanying notes

**IntelGenx Technologies Corp.****Consolidated Statement of Cash Flows****(Expressed in thousands of U.S. Dollars (\$ 000) Except Share and Per Share Data)****(Unaudited)**

	For the Three-Month Period		For the Six-Month Period	
	Ended June 30,		Ended June 30,	
	2009	2008	2009	2008
<b>Funds Provided (Used) -</b>				
<b>Operating Activities</b>				
Net loss	\$ (115.8)	\$ (1,151.5)	\$ (708.8)	\$ (1,614.9)
Depreciation	10.6	13.5	20.1	27.1
Investor relations services	14.4	-	36.0	-
Stock-based compensation	11.9	45.0	23.2	61.5
Modification of warrant terms	-	92.6	-	92.6
Interest accretion	180.0	155.3	325.1	252.8
Deferred income tax	(45.2)	(53.5)	(84.1)	(88.9)
Issue of capital stock	-	111.6	-	111.6
	55.9	(787.0)	(388.5)	(1,158.2)
Changes in non-cash operating elements of working capital	(283.7)	(170.6)	(329.7)	481.3
	(227.8)	(957.6)	(718.2)	(676.9)
<b>Financing Activities</b>				
Issue of capital stock	21.8	74.4	21.8	2,875.1
Transaction costs	-	-	-	(451.6)
	21.8	74.4	21.8	2,423.5
<b>Investing Activities</b>				
Additions to property and equipment	(1.2)	(3.4)	(3.0)	(7.7)
Restricted cash (note 4)	18.3	(984.4)	266.8	(984.4)
	17.1	(987.8)	263.8	(992.1)
<b>Increase (Decrease) in Cash and Cash Equivalent</b>	<b>(188.9)</b>	<b>(1,871.0)</b>	<b>(432.6)</b>	<b>754.5</b>
Effect of Foreign Exchange on Cash and Cash Equivalents	(21.9)	35.2	(28.6)	(42.1)
<b>Cash and Cash Equivalents</b>				
<b>Beginning of Period</b>	<b>305.6</b>	<b>2,879.2</b>	<b>556.0</b>	<b>331.0</b>
<b>End of Period</b>	<b>\$ 94.8</b>	<b>\$ 1,043.4</b>	<b>\$ 94.8</b>	<b>\$ 1,043.4</b>

See accompanying notes

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements**

**June 30, 2009**

**(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 financial statements at December 31, 2008. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States. 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 on August 13, 2009 and concluded that there are no additional significant events requiring recognition or disclosure.

#### **2. Adoption of New Accounting Standards**

##### **Fair Value Measurements**

SFAS No.157 is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008. The Company adopted SFAS No.157 for financial assets and liabilities in the first quarter of fiscal 2008 with no material impact to the consolidated financial statements. The Company adopted SFAS No.157 for non-financial assets and liabilities in the first quarter of fiscal 2009 with no material impact to the consolidated financial statements.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements June 30, 2009

(Expressed in U.S. Funds)

(Unaudited)

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

SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There are no assets or liabilities measured at fair value as at June 30, 2009.

#### Fair Value of Financial Instruments

The table below presents the carrying value and fair value of Company's financial instruments expressed in thousands of US\$. The disclosure excludes leases.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of receivables and payables arising in the ordinary course of business and the investment tax credits receivable and the convertible notes approximate fair value because of the relatively short period of time between their origination and expected realization. The loan payable, shareholder is presumed to have a fair value measured by the cash proceeds exchanged at issuance in accordance with APB-21 Interest on Receivables and Payables .

The convertible notes use significant unobservable inputs and thus are shown as Level 3 hierarchy items. The fair value of the convertible notes is calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived changes in credit risk of the borrower.

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements June 30, 2009****(Expressed in U.S. Funds)****(Unaudited)****2. Adoption of New Accounting Standards (Cont d)**

<u>US\$ thousands</u>	Level	June 30, 2009		December 31, 2008	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets</b>					
Cash and cash equivalents	Level 1	\$ 94.8	\$ 94.8	\$ 556.0	\$ 556.0
Restricted cash	Level 1	10.4	10.4	277.2	277.2
Accounts receivable	Level 1	541.3	541.3	317.1	317.1
Investment tax credits receivable	Level 1	359.3	359.3	269.2	269.2
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	Level 1	515.2	515.2	525.8	525.8
Loan payable, shareholder	Level 2	86.2	86.2	82.4	82.4
Convertible notes, excluding unamortized discounts	Level 3	1,230.2	1,170.7	1,230.2	1,099.3

**Interim Disclosures about Fair Value of Financial Instruments**

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP, amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about the fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. Since this FSP at most requires additional disclosures, its adoption did not have a material impact on its consolidated financial statements.

**Subsequent Events**

FAS 165, "Subsequent Events", which established principles and requirements for subsequent events is effective for interim or annual reporting periods ending after June 15, 2009. The statement details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. Since FAS 165 at most requires additional disclosures, the adoption of FAS 165 did not have a material impact on its consolidated financial statements.

## **IntelGenx Technologies Corp.**

### **Notes to Consolidated Interim Financial Statements June 30, 2009**

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

**(Unaudited)**

#### **3. Significant Accounting Policies Recently Issued Accounting Pronouncements**

In June 2009, the FASB issued FAS 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140", which amends the derecognition guidance in FASB Statement No. 140 and eliminates the exemption from consolidation for qualifying special-purpose entities. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. The adoption of FAS 166 is not expected to have a material effect on the Company's financial position or results of operations.

In June 2009, the FASB issued FAS 167, "Amendments to FASB Interpretation No. 46(R)", which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. The adoption of FAS 167 is not expected to have a material effect on the Company's financial position or results of operations.

On July 1, 2009, the FASB released the final version of its new Accounting Standards Codification (the Codification) as the single authoritative source for U.S. generally accepted accounting principle (GAAP). The Codification replaces all previous U.S. GAAP accounting standards as described in SFAS 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles FAS 168. While not intended to change U.S. GAAP, the Codification significantly changes the way in which the accounting literature is organized. It is structured by accounting topic to help accountants and auditors more quickly identify the guidance that applies to a specific accounting issue. The Company will apply the Codification to the first quarter fiscal 2010 interim financial statements. The adoption of the Codification will not have an effect on the Company's financial position and results of operations. However, because the Codification completely replaces existing standards, it will affect the way U.S. GAAP is referenced by FactSet in its consolidated financial statements and accounting policies.

#### **4. Collaborative Agreements**

On April 7, 2008, the Company ratified with Cary Pharmaceutical, a pharmaceutical development company, an Agreement to jointly develop and commercialize an oral antidepressant using IntelGenx's proprietary oral delivery technology. Under the terms of the agreement, IntelGenx will provide funding and development support for the product and will be entitled to profit sharing. The Company accounts for this transaction as a collaborative agreement as defined in EITF 07-1 Accounting for Collaborative agreements. Per the Agreement, \$2,000,000 of the Company's cash and cash equivalents was initially restricted for the funding of this venture. This cash was taken from the proceeds of the private placement of March 27, 2008. Expenses exceeding the initial \$2,000,000 are to be equally shared between the Company and Cary Pharmaceuticals.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements June 30, 2009

(Expressed in U.S. Funds)

(Unaudited)

#### 4. Collaborative Agreements (cont d)

As of June 30, 2009, the Company has expensed approximately \$2,097,442 on the project of which \$2,068,663 had been disbursed. Included within these disbursements is approximately \$222,236 paid to Cary Pharmaceuticals in 2008 in respect of management fees. All expenses incurred with respect to the collaborative agreement were expensed in the statement of operations and were classified as research and development expenses and professional fees. In the six month period ended June 30, 2009 the Company received \$39,842 from Cary Pharmaceuticals in respect of their share of disbursements exceeding the Company's initial investment of \$2,000,000.

Development work for this product was completed in the fourth quarter of 2008 and a New Drug Application ( NDA ) (505(b)(2) was filed with the FDA on April 3, 2009.

#### 5. Convertible Notes

On May 22, 2007 the Company entered into convertible note agreements with certain institutional and accredited investors for amounts totaling \$1,500,000. The convertible notes bear interest at the rate of 8% per annum and are repayable on September 22, 2009. Interest is payable quarterly and payments commenced on July 1, 2007. The notes are convertible into common stock of the Company, at the option of the holders, at a rate of \$0.70 per share. The Company also issued to the holders 2,142,857 stock purchase warrants exercisable at \$1.02 per share before May 22, 2012.

On May 22, 2007, the Company paid approximately \$229,323 in cash consideration and issued warrants with a fair value of \$82,993 in consideration for transaction costs. These transaction costs were allocated between the convertible debt and the warrants based on their relative fair value.

The Company may, at its option, elect to pay the interest by the issuance of common shares. The number of shares is to be determined by dividing the amount of the interest payment by the number which is 85% of the average market price of the Company's common shares for the 20 trading days immediately prior to the interest payment date assuming the average market price is equal or greater than \$0.70 as adjusted for reverse and forward share splits, recapitalizations and the like that occur after the date of the Securities Purchase Agreements.

In accordance with EITF Issue 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company recognized the value of the embedded beneficial conversion feature of \$490,093 as additional paid-in capital and an equivalent discount which will be expensed over the term of the convertible notes. In addition, in accordance with EITF Issue 00-27 "Application of Issue No.98-5 to Certain Convertible Instruments", the Company has allocated the proceeds of issuance between the convertible notes and the detachable warrants based on their relative fair value. Accordingly, the Company recognized the fair value of the detachable warrants of \$490,093 as additional paid-in capital and an equivalent discount against the convertible notes. The difference between the face amount of the convertible notes and their carrying value is amortized over the life of the convertible notes. The Black-Scholes Model was used to calculate the fair value of the warrants.



**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements June 30, 2009****(Expressed in U.S. Funds)****(Unaudited)****5. Convertible notes (cont d)**

The underlying assumptions included in the Black-Scholes Model were as follows:

Expected volatility	64%
Contractual life	5 years
Risk-free interest rate	4.39%
Dividend yield	Nil

Substantially all of the assets of the Company have been pledged as security of the convertible notes. In the six months ended June 30, 2009, \$49,350 of interest was paid (2008 - \$54,610), and \$325,106 of interest has been accreted (2008 - \$254,520). In the six month period ended of 2009, no convertible notes were exchanged for shares of common stock (2008 - \$165,000).

**6. Capital Stock**

Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
20,881,073 (December 31, 2008 - 20,850,002) common shares	\$	209

During the six month period ended June 30, 2009, 31,071 stock options were exercised for 31,071 common shares having a par value of \$0 in aggregate, for cash consideration of \$21,750, resulting in an increase in additional paid-in capital of \$21,750.

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

On March 11, 2009 the Company granted 25,000 stock options to an employee to purchase common shares. The stock options are exercisable at \$0.31 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 \$4,448, using the following assumptions:

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements June 30, 2009****(Expressed in U.S. Funds)****(Unaudited)****7. Additional Paid-In Capital (cont d)**

Expected volatility	100%
Expected life	3.1 years
Risk-free interest rate	2.49%
Dividend yield	Nil

Compensation expenses for stock-based compensation of \$59,235 and \$61,520 were recorded during the six months ended June 30, 2009 and 2008 respectively. Of the amount expensed in 2009, \$36,015 (2008 - \$7,176) relates to stock options granted to Auctus Capital as compensation for investor relation services and \$23,220 (2008 - \$33,015) relates to stock options granted to employees. As at June 30, 2009, the Company has \$29,193 (2008 - \$141,021) of unrecognized stock-based compensation.

**8. Income Taxes****Deferred Income Taxes**

The balance of deferred income taxes as at June 30, 2009 represents the tax effect of the convertible debt arising from the difference between the convertible debt's basis for accounting purposes and that for income tax purposes and it has been charged to additional paid-in capital. As the convertible debt is repaid, the deferred tax liability will be charged to expenses.

**9. Related Party Transactions**

During the six month period ended June 30, 2009, the Company incurred expenses of approximately \$8,411 (2008 - \$10,056) for laboratory equipment leased from a shareholder, who is also an officer of the Company, and \$2,590 (2008 - \$3,060) for interest on the loan payable, shareholder.

Included in management salaries are \$9,934 (2008 - \$13,070) for options granted to the Chief Financial Officer under the 2006 Stock Option Plan and \$Nil (2008 - \$20,891) for options granted to directors.

Included in accounts payable and accrued liabilities is approximately \$25,281 (2008 - \$7,590) payable to shareholders, who are also officers of the Company and cash retainer amounting to \$Nil (2008 - \$43,217) payable to a director.

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.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements June 30, 2009

(Expressed in U.S. Funds)

(Unaudited)

#### 10. 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.

#### 11. Subsequent Events

##### a) Offering of Special Warrants

On July 13, 2009 the Company closed a private placement offering of approximately 10.5 million special warrants ( Special Warrants ) at a price of CDN\$0.40 (approximately US\$0.36) per Special Warrant for net proceeds of approximately CDN\$3.8 million (approximately US\$3.5 million) (the Offering ) net of agent cash compensation of approximately CDN\$0.3 million (approximately US\$0.3 million). Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise thereof, one common share of the Company (a Unit Share ) and one common share purchase warrant (a Warrant ). Each Warrant entitles the holder thereof to purchase one common share ( Warrant Share ) at a price of US\$0.80 until July 13, 2012. The proceeds of the private placement will be used to support the Company s strategic development projects and for working capital purposes.

In addition to the above the Company granted compensation options ( Compensation Options ) to the agents entitling them to purchase 838,080 common shares of the Company and issued 419,040 of common shares of the Company ( Broker Shares ) to the agents. Each Compensation Option entitles the holder thereof to purchase one common share ( Compensation Option Share ) at a price of US \$0.80 until July 13, 2012.

##### b) Conversion of Convertible Notes

On July 16, 2009, \$252,000 of convertible notes were exchanged for 700,000 shares of common stock. Certain convertible note holders took advantage of a one-time option that arose as a result of the aforementioned Special Warrant Offering to convert part of the convertible debt at CDN\$0.40 (approximately US\$0.36) per share as opposed to the convertible note agreement rate of \$0.70 per share.

##### c) Offering of Units

On July 22, 2009, the Company completed an offering of 350,000 units (the "Units") at CDN\$0.40 (approximately US\$0.36) per Unit for gross proceeds of approximately CDN\$140,000 (approximately US\$121,000) ("the "Offering"), pursuant to the terms of subscription agreements with its investors (the "Subscription Agreements"). Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at an initial exercise price of US\$0.80 per common share and expires on July 22, 2012.

## 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 our financial statements that enables investors to better understand our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to our continuing operations. 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 Technologies 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. We focus 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 our partners in the pharmaceutical industry to fund development of the licensed products, complete the regulatory approval process with the 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 product reaches the marketing and distribution stage. The Company 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.

The Company has also undertaken a strategy under which it 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.

The Company is currently continuing to develop the existing products in its pipeline and may also perform research and development on other potential products as opportunities arise.

The Company currently purchases and/or leases, on an as-needed basis, the equipment necessary for performing research and development activities related to its products.

The Company plans to hire new personnel, primarily in the area of research and development, on an as-needed basis as the Company enters into partnership agreements and increases its research and development activities.

## Key Developments

The Company achieved a number of milestones in its strategic development, growth and future income potential in 2009 to date, most notably:

***Raised CDN\$4.2 million (approximately US\$3.6 million) through a private placement*** - on July 13, 2009 the Company closed a private placement offering of approximately 10.5 million special warrants ( Special Warrants ) at a price of CDN\$0.40 per Special Warrant for gross proceeds of approximately CDN\$4.2 million (the Offering ). The Offering was made and the Special Warrants were issued to investors in the Provinces of Ontario, British Columbia, Alberta and Manitoba pursuant to exemptions from prospectus requirements under applicable securities laws in the Provinces where the offering was made, and from registration requirements in the United States Securities Act of 1933, as amended (the U.S. Securities Act ). Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise thereof, one common share of the Company (a Unit Share ) and one common share purchase warrant (a Warrant ). Each Warrant entitles the holder thereof to purchase one Common Share ( Warrant Share ) at a price of US\$0.80 until July 13, 2012. The proceeds of the private placement will be used to support the Company's strategic development projects and for working capital purposes.

***Filed NDA with U.S. Food and Drug Administration (FDA)*** - on April 3, 2009 the Company and Cary Pharmaceuticals filed a New Drug Application (NDA) under CFR 21 §505(b)(2) for the CPI-300 antidepressant. CPI-300 is a new strength of a leading antidepressant that will provide a more convenient dosing option to patients with major depressive disorder ( MDD ).

The NDA has been formally accepted by the FDA for standard review. Pursuant to Prescription Drug User Fee Act (PDUFA) guidelines, IntelGenx expects the FDA will complete its review or otherwise respond to the NDA by February 6, 2010.

IntelGenx and Cary Pharmaceuticals entered into a Collaborative Agreement in November 2007 to jointly develop and commercialize CPI-300 using IntelGenx's proprietary oral delivery technology. Under the terms of the Collaborative Agreement, IntelGenx raised \$2 million in March 2008 to fund completion of the product development and Cary Pharmaceuticals acted as the applicant for the submission of the NDA. Upon commercialization of the product, IntelGenx and Cary Pharmaceuticals would share profits.

***Announced Positive Phase 1(b) Clinical Study Results for Relivar*** - on April 14, 2009 the Company and Cannasat Therapeutics Inc., announced positive results for the Phase 1(b) clinical trial of *Relivar*, the first buccal dronabinol drug delivery product, which was developed using IntelGenx's proprietary AdVersa buccal delivery technology. Buccal delivery allows for drug absorption from the mouth directly into the bloodstream as opposed to the intestinal tract absorption seen with oral tablet technologies.

In this clinical trial, *Relivar* delivered twice the amount of dronabinol into the bloodstream versus the reference drug Marinol (as measured by AUC) with no increase in adverse events. The randomized, single dose, double crossover study compared *Relivar* to the reference oral dosage form of dronabinol (Marinol) at 2.5 mg in healthy volunteers. *Relivar* was well-tolerated with no adverse events noted in this study. *Relivar* met its primary goal of delivering a greater dose of the drug through the buccal mucosa versus the reference compound, Marinol, which is swallowed and has an intestinal absorption mechanism. *Relivar* also showed nearly a 50% reduction in the ratio of 11-OH-THC to the parent drug versus oral dronabinol in the same subjects. Literature suggests that the 11-OH-THC metabolite, which is also a marker of absorption in the gut, is responsible for the pronounced CNS adverse events of oral Marinol (or dronabinol). *Relivar* also showed an extended absorption profile which may be advantageous for more convenient dosing.

***Signed New Partnership Agreement with European Pharmaceutical Company*** - On January 15, 2009 the Company announced a new partnership with Circ Pharma Limited, a specialty pharmaceutical company based in



Ireland, to develop and commercialize a novel drug for the treatment of hyperlipidemia. This is the first product in a series of Circ Pharma's controlled release lipid lowering agents specifically designed to target the absorption of drug in order to reduce the effective dose and potentially lower the side effects.

In May 2009 IntelGenx and Circ Pharma announced that they have completed the formulation development of CRES Pravastatin (Controlled Release Enhanced Statin), and that they will enter the clinical development phase to initiate the proof-of-concept programme.

In accordance with the Agreement, IntelGenx will be responsible for the formulation, manufacture and supply to Circ Pharma of the drug product. Circ Pharma will be responsible for commercialization of the product. Under the terms of the agreement, Circ Pharma will fund the development of the product and IntelGenx will receive royalties from the product's sales. IntelGenx will use its proprietary VersaTab technology to formulate the product.

Hyperlipidemia is an elevation of lipids (fats) in the bloodstream. These lipids include cholesterol, cholesterol esters (compounds), phospholipids and triglycerides. They are transported in the blood as part of large molecules called lipoproteins.

### Currency rate fluctuations

The Company's operating currency is Canadian dollars, while its reporting currency is U.S. dollars. Accordingly, the Company's 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 - six months ended June 30, 2009 compared to the six month period ended June 30, 2008.

In U.S.\$ thousands	2009	2008	Increase/ (Decrease)	Percentage Change
Revenue	\$ 701.4	\$ 456.1	\$ 245.3	54%
Research and Development Expenses	752.9	965.9	(213.0)	22%
Research and Development Tax Credit	(74.8)	(89.4)	(14.6)	16%
Management Salaries	214.6	286.2	(71.6)	25%
General and Administrative Expenses	88.5	104.7	(16.2)	15%
Professional Fees	149.3	423.6	(274.3)	65%
Interest and Financing Fees	377.5	516.6	(139.1)	27%
Foreign Exchange	(33.7)	(74.8)	41.1	55%
Income taxes	(84.2)	(88.9)	4.7	5%
Net Income (Loss)	(708.8)	(1,614.9)	906.1	56%

#### Revenue

Total revenue increased by \$245.3 thousand, or 54%, to \$701.4 thousand for the six months ended June 30, 2009 from \$456.1 thousand for the six months ended June 30, 2008.

The increase in revenue is partly attributable to royalty revenues earned from commercialization of the first product fully-developed by the Company, a prenatal multivitamin supplement marketed as Gesticare® in the USA, which was commercialized in November 2008. Royalty revenue totaling approximately \$91.4 thousand was received by the Company in the first six months of 2009 in respect of commercial activities in the fourth quarter of 2008 and in the first quarter of 2009.





In the first six months of 2009, revenue earned from our pharmaceutical partners for development milestones achieved increased by \$172.5 thousand, or 40%, to \$609.0 thousand, compared with \$436.5 thousand in the same period of the previous year.

Interest income declined from \$19.6 thousand in the first six months of 2008 to \$1.0 thousand in the first six months of 2009 as a result of the Company's decreased cash reserves and as a result of decreased interest rates.

### **Research and Development ( R&D ) Expenses**

R&D expenses for the six months ended June 30, 2009 were \$752.9 thousand and represent a decrease of \$213.0 thousand, or 22%, compared to \$965.9 thousand for the six months ended June 30, 2008.

Included within R&D expenses for the first six months of 2009 are approximately \$265.0 thousand (versus approximately \$470.0 thousand in the same period of 2008) of costs related to the development of the CPI-300 pursuant to the collaboration agreement with Cary Pharmaceuticals. These expenses relate primarily to the preparation of the 505(b)(2) New Drug Application, which was filed with the U.S. Food and Drug Administration on April 3, 2009.

Also included within R&D expenses for the six months ended June 30, 2009 are R&D Salaries of \$201.2 thousand, of which approximately \$1.0 thousand represents non-cash compensation. This compares to R&D salaries of \$201.6 thousand in the six month period ended June 30, 2008, which included \$7.7 thousand in non-cash compensation.

In the first six months of 2009 we recorded estimated Research and Development Tax Credits and refunds of \$74.8 thousand, as compared to \$89.4 thousand for the first six months of 2008.

### **Management Salaries and General and Administrative ( G&A ) Expenses**

Management salaries decreased \$71.6 thousand, or 25% in the first six months of 2009, to \$214.6 thousand from \$286.2 thousand in the first six months of 2008. The decrease relates to expenses incurred in 2008 that did not recur in 2009, which were non-recurring cash compensation to non employee directors of \$43.2 thousand and non cash compensation in the form of options granted to non-employee directors of \$21.3 thousand.

Included in management salaries in the first six months of 2009 are approximately \$22.6 thousand in non cash compensation resulting from options granted to management employees in 2007 and 2008, as compared to \$25.5 thousand expensed for the same period last year.

General and administrative expenses decreased 15%, to \$88.5 thousand in the first six months of 2009 from \$104.7 thousand in the first six months of 2008. The decrease reflects the effect of foreign exchange movements between the Canadian and U.S. currencies.

### **Professional Fees**

Professional fees for the six months ended June 30, 2009 decreased by \$274.3 thousand, or 65%, to \$149.3 thousand from \$423.6 thousand for the six months ended June 30, 2008.

The decrease in professional fees is primarily attributable to approximately \$123.1 thousand of management fees in respect of the CPI-300 project that were incurred in 2008 but not in 2009, approximately \$108.7 thousand of costs associated with the Company's listing on the TSX-V in 2008 that were not incurred in 2009, and foreign exchange effects of approximately \$69.3 thousand.



Included within professional fees in the first six months of 2009 is a non-cash expense of approximately \$36.0 thousand for options granted to Auctus Capital for investor relation services compared to \$7.2 thousand in the same period last year.

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

Share-based compensation expense, warrants and share based payments totaled \$59.2 thousand for the six months ended June 30, 2009, as compared to \$265.7 thousand for the six months ended June 30, 2008.

We expensed approximately \$23.2 thousand in the first half of 2009 for options granted to Company employees in 2007 and 2008 under the 2006 Stock Option Plan, compared with \$33.2 thousand expensed in the same period last year.

We also expensed \$36.0 thousand in the first half of 2009 for options granted to Auctus Capital for investor relation services, compared to \$7.2 thousand in the same period last year.

In the first six months of 2008 we expensed \$111.6 thousand related to the amendment of the anti-dilution terms of the convertible notes whereby, as consideration for entering into this amendment, the Company agreed to issue to the holders of the convertible notes an aggregate of 159,456 fully paid common shares. At the same time the exercise price of the outstanding warrants to the debenture holders was adjusted from \$1.02 to \$0.80 resulting in an increase in the fair value of the warrants and an additional compensation charge of \$92.5 thousand. We also expensed \$21.3 thousand during the first six months of 2008 for options granted to non-employee directors.

There remains approximately \$29.2 thousand in stock based compensation to be expensed in fiscal 2009, 2010 and 2011, which relates to the issuance of options to employees of the Company during 2007, 2008 and 2009. We anticipate that we will issue additional options and warrants in the future, which will continue to result in stock-based compensation expense.

### **Financing Cost**

We incurred interest and financing fee expense of \$377.5 thousand for the six months ended June 30, 2009, compared with \$516.6 thousand for the six months ended June 30, 2008.

The costs in the first half of 2009 relate primarily to a non-cash accretion expense of \$325.1 thousand and cash interest payments of \$49.4 thousand on the convertible notes issued in May 2007. These amounts compare with \$254.5 thousand and \$52.9 thousand respectively for the first half of 2008. In the first six months of 2008 we also expensed \$111.6 thousand related to the amendment of the anti-dilution terms of the convertible notes whereby, as consideration for entering into this amendment, the Company agreed to issue to the holders of the convertible notes an aggregate of 159,456 fully paid common shares. At the same time the exercise price of the outstanding warrants to the debenture holders was adjusted from \$1.02 to \$0.80 resulting in an increase in the fair value of the warrants and an additional compensation charge of \$92.5 thousand.

Based on the outstanding principal amount of the convertible notes issued in May 2007, and assuming no additional conversions of these notes into common stock, we expect to incur additional interest expense of approximately \$22.2 thousand in the remainder of 2009 and approximately \$190.6 thousand of accreted interest.

### **Foreign Exchange**

A foreign exchange gain of \$33.7 thousand was recorded in the six months ended June 30, 2009 compared with a foreign exchange gain of \$74.8 thousand in the same period of 2008. The foreign exchange effects relate primarily to currency fluctuations between the Canadian dollar and the U.S. dollar.



**Net Loss**

The net loss for the first half of 2009 was \$708.8 thousand, which represents an improvement of \$906.1 thousand, or 56%, over the net loss of \$1,614.9 for the same period of the previous year. The main items resulting in the increase in net loss can be summarized as follows:

- a) Increased Revenue of approximately \$245.3 thousand, of which \$94.1 thousand relates to royalty revenues earned on the first product fully developed by the Company.
- b) Decreased R&D expenses of approximately \$213.0 thousand, primarily related to the decrease in costs associated with the development of the CPI-300 antidepressant following submission of the NDA on April 3, 2009.
- c) Decreased Professional Fees of approximately \$274.3 thousand, primarily related to non recurring management fees paid in 2008 in respect of CPI-300 and one-time costs in 2008 associated with the Company's listing on the TSX-V.
- d) Decreased Financing Cost of approximately \$139.1 thousand, primarily related to certain one-time costs that were incurred in 2008 related to the convertible notes and related warrants.

Non-cash related expenses included within the net loss for the first half of 2009 total approximately \$404.4 thousand and relate primarily to the interest accretion expense of \$325.1 thousand, the stock compensation expense of \$59.2 thousand, and the depreciation expense of \$20.1 thousand.

**Key items from the Balance Sheet - June 30, 2009 compared to December 31, 2008.**

	In U.S.\$ thousands		Increase/ (Decrease)	Percentage Change
	2009	2008		
Current Assets	\$ 1,055.6	\$ 1,464.4	\$ (408.8)	28%
Property and Equipment	146.8	157.2	(10.4)	7%
Current Liabilities	515.2	525.8	(10.6)	2%
Loan Payable, Shareholder	86.2	82.4	3.8	5%
Convertible notes	1,039.6	714.5	325.1	46%
Deferred Income Tax Liability	43.2	127.4	(84.2)	66%
Capital Stock	0.2	0.2	0.0	0%
Additional Paid-in-Capital	5,161.8	5,080.8	81.0	2%

**Current Assets**

Current assets totaled \$1,055.6 thousand at June 30, 2009, as compared to \$1,464.4 thousand at December 31, 2008. The decrease of \$408.8 thousand is primarily attributable to a decrease in cash of \$461.2 thousand along with a decrease of \$266.8 thousand in the restricted cash balance (which is restricted in accordance with the Collaborative Agreement with Cary Pharmaceuticals), being partly offset by an increase in accounts receivable of \$224.2 thousand as a result of increased revenue in the second quarter of 2009, and increased tax credits receivable of \$90.1 thousand.

## Prepaid Expenses

As of June 30, 2009, prepaid expenses totaled \$49.8 thousand as compared to \$44.9 thousand at December 31, 2008.

## Liquidity and Capital Resources

Subsequent to the end of the second quarter, on July 13, 2009 the Company closed a private placement offering of approximately 10.5 million special warrants ( Special Warrants ) at a price of CDN\$0.40 (approximately US\$0.36) per Special Warrant for net proceeds of approximately CDN\$3.8 million (approximately US\$3.5 million) (the Offering ) net of agent cash compensation of CDN\$0.3 million (approximately US\$ 0.3 million). Each Special Warrant entitles its holder to receive, upon exercise or deemed exercise thereof, one common share of the Company (a Unit Share ) and one common share purchase warrant (a Warrant ). Each Warrant entitles the holder thereof to purchase one Common Share ( Warrant Share ) at a price of US\$0.80 until July 13, 2012. The proceeds of the private placement will be used to support the Company s strategic development projects and for working capital purposes.

In addition to the above the Company granted compensation options ( Compensation Options ) to the agents entitling them to purchase 838,080 common shares of the Company and issued 419,040 of common shares of the Company ( Broker Shares ) to the agents. Each Compensation Option entitles the holder thereof to purchase one Common Share ( Compensation Option Share ) at a price of US \$0.80 until July 13, 2012.

Also subsequent to the end of the second quarter, on July 16, 2009, \$252,000 of convertible notes were exchanged for 700,000 shares of common stock. Certain convertible note holders took advantage of a one-time option that arose as a result of the aforementioned Special Warrant Offering to convert part of the convertible debt at CDN\$0.40 (approximately US\$0.36) per share as opposed to the convertible note agreement rate of \$0.70 per share.

Also subsequent to the end of the second quarter, on July 22, 2009, the Company completed an offering of 350,000 units (the "Units") at CDN\$0.40 (approximately US\$0.36) per Unit for gross proceeds of CDN\$140,000 (approximately US\$121,324) ("the "Offering"), pursuant to the terms of subscription agreements with its investors (the "Subscription Agreements"). Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at an initial exercise price of US\$0.80 per common share and expires on July 22, 2012.

Our cash and cash equivalents totaled \$105.2 thousand as of June 30, 2009, a decrease of \$728.0 thousand as compared to \$833.2 thousand as of December 31, 2008. Our cash and cash equivalents balance includes a restricted cash amount of \$10.4 thousand. This amount represents the remaining balance of the \$2.0 million in cash that was set aside under the terms of the Collaborative Agreement ratified on April 7, 2008 with Cary Pharmaceuticals to jointly develop and commercialize an oral antidepressant using IntelGenx s proprietary oral delivery technology.

As at June 30, 2009, we had an accumulated deficit of \$5,433.8 thousand, as compared to an accumulated deficit of \$4,725.0 thousand as of December 31, 2008. Total assets amounted to \$1,202.4 thousand and shareholders equity amounted to a negative \$481.8 thousand as of June 30, 2009, as compared with total assets and shareholders equity of \$1,621.5 thousand and \$171.6 thousand, respectively, as of December 31, 2008.

As of June 30, 2009, accounts receivable totaled \$541.3 thousand, as compared to \$317.1 thousand as of December 31, 2008. The increase in accounts receivable relates primarily to the increased revenue billed at the end of the second quarter. In addition, we had R&D investment tax credits receivable of \$359.3 thousand as of June 30, 2009 as compared to \$269.2 thousand as at December 31, 2008. We expect to receive approximately \$260.0 thousand of the R&D investment tax credits during the second half of 2009.

Accounts payable and accrued liabilities as of June 30, 2009 amounted to \$515.2 thousand (December 31, 2008 -\$525.8 thousand), of which approximately \$412.8 thousand relates to research and development activities, \$62.9

thousand relates to accrued payroll activities and approximately \$11.8 thousand relates to professional fees. Included within other accruals is approximately \$25.3 thousand due to a shareholder.

## Property and Equipment

As at June 30, 2009, the net book value of our property and equipment amounted to \$146.8 thousand, as compared to \$157.2 thousand at December 31, 2008. In the first half of 2009 additions to assets totaled \$3.0 thousand, depreciation amounted to \$20.1 thousand and a foreign exchange gain of \$6.7 thousand was recorded.

## Loan Payable, Shareholder

As of June 30, 2009, we had a loan payable to a shareholder with an outstanding principal amount of \$86.2 thousand, as compared to an outstanding principal amount of \$82.4 thousand at December 31, 2008. The increase in the outstanding principal amount is attributable to currency exchange rate fluctuation.

## Capital Stock

There were no changes to capital stock during the six months ended June 30, 2009. 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 \$5,161.8 thousand at June 30, 2009, as compared to \$5,080.8 thousand at December 31, 2008. Included within the increase of \$81.0 thousand is approximately \$36.0 thousand attributable to the amortization of stock options granted to our investor relations consultant, Auctus Capital, approximately \$23.2 thousand attributable to the amortization of stock options granted to employees, and \$21.8 thousand attributable to the exercise of 31,071 stock options which were exercised for 31,071 common shares having a par value of \$0.

## Key items from the Statement of Cash Flows - six months ended June 30, 2009 compared to the six month period ended June 30, 2008

	2009	2008	Increase/ (Decrease)	Percentage Change
Operating Activities	\$ (718.2)	\$ (676.9)	\$ (41.3)	6%
Financing Activities	21.8	2,423.5	(2,401.7)	99%
Investing Activities	263.8	(992.1)	1,255.9	127%
Cash and cash equivalents - end of period	105.2	2,027.8	(1922.6)	95%



## Statement of cash flows

Net cash used by operating activities was \$718.2 thousand in the six months ended June 30, 2009, as compared to \$676.9 thousand for the same period in 2008. In the first half of 2009, net cash used by operating activities consisted of an operating loss of \$708.8 thousand and a decrease in non-cash operating elements of working capital of \$329.7 thousand.

Non-cash items included in operating activities totaled approximately \$320.3 thousand, as follows:

- a) An expense of \$325.1 thousand in respect of accretion expense on the convertible notes issued in May 2007.
  - b) An expense of \$36.0 thousand in respect of the amortization of options granted to Auctus Capital as per the investor relation agreement.
  - c) An expense of \$23.2 thousand in respect of the amortization of options granted to Company employees.
  - d) An expense of \$20.1 thousand in respect of the amortization of fixed assets.
  - e) A credit of \$84.1 thousand in respect of deferred income tax related to the convertible debt.
- Our operating activities will continue to consume our available funds until we can generate increased revenues.

The net cash provided by financing activities was \$21.8 thousand for the six months ended June, 2009 compared to \$2,423.5 thousand provided in the same period in 2008. Of the net cash provided by financing activities in 2008, \$2,800.7 thousand came from a private placement financing completed on March 27, 2008 less \$451.6 thousand used to pay related transaction costs and \$74.4 thousand was generated from the issue of capital stock in the second quarter.

Net cash provided in investing activities amounted to \$263.8 thousand for the six months ended June 30, 2009 compared to a use of funds of \$992.1 thousand in the same period of 2008. Included within the use of funds in 2008 was \$984.4 thousand in respect of the restricted cash for the CPI-300 project under the collaborative agreement with Cary Pharmaceuticals

Cash of \$3.0 thousand was used to purchase capital assets in the first half of 2009, as compared to \$7.7 thousand in the same period of 2008.

The balance of cash and cash equivalents as of June 30, 2009 amounted to \$105.2 thousand, as compared to \$2,027.8 thousand at June 30, 2008. Included within these amounts is cash restricted for the CPI-300 project under the collaborative agreement with Cary Pharmaceuticals in the amounts of \$10.4 thousand and \$94.8 thousand respectively. In accordance with the collaborative agreement dated April 7, 2008 the Company agreed to restrict \$2.0 million of its cash reserves in development support activities for an oral antidepressant using the Company's proprietary oral delivery technology.

## 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**

There are no material pending legal proceedings to which we are a party or to which any of our property is subject and to the best of our knowledge, no such actions against us are contemplated or threatened.

**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.**

**Submission of Matters to a Vote of Security Holders**

This Item is not applicable.

**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: August 13, 2009 By: /S/ *Horst Zerbe*  
-----  
Horst G. Zerbe  
President, C.E.O. and Director

Date: August 13, 2009 By: /S/ *Paul Simmons*  
-----  
Paul A. Simmons  
Principal Accounting Officer