

IntelGenx Technologies Corp.  
Form 10-Q  
November 13, 2012

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

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2012**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 000-31187**

**INTELGENX TECHNOLOGIES CORP.**

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

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**87-0638336**

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

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

*(Address of principal executive offices)*

**(514) 331-7440**

*(Issuer's telephone number)*

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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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Yes  No

APPLICABLE TO CORPORATE ISSUERS:

49,890,422 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of November 8, 2012.

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IntelGenx Technologies Corp.  
Form 10-Q

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**IntelGenx Technologies Corp.**

**Consolidated Interim Financial Statements**

**September 30, 2012**

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

**(Unaudited)**

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

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

|   | September 30,<br>2012 | December 31,<br>2011 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| <b>Current</b>  |                       |                      |
| Cash  | \$ 2,768              | \$ 3,505             |
| Accounts receivable   | 145                   | 263                  |
| Prepaid expenses  | 69                    | 68                   |
| Loan receivable   | -                     | 85                   |
| Investment tax credits receivable                             | 265                   | 375                  |
|   | <b>3,247</b>          | <b>4,296</b>         |
| <b>Property and Equipment</b>                                 | <b>380</b>            | <b>149</b>           |
| <b>Intangible Assets</b>                                      | <b>125</b>            | <b>125</b>           |
|   | <b>\$ 3,752</b>       | <b>\$ 4,570</b>      |
| <b>Liabilities</b>  |                       |                      |
| <b>Current</b>  |                       |                      |
| Accounts payable and accrued liabilities                      | 252                   | 666                  |
| Deferred license revenue (note 4)                             | 308                   | -                    |
|   | <b>560</b>            | <b>666</b>           |
| <b>Deferred license revenue, non-current portion (note 4)</b> | <b>692</b>            | <b>-</b>             |
| <b>Shareholders' Equity</b>                                   |                       |                      |
| <b>Capital Stock (note 5)</b>                                 | <b>0</b>              | <b>0</b>             |
| <b>Additional Paid-in-Capital</b>                             | <b>16,298</b>         | <b>15,918</b>        |
| <b>Accumulated Deficit</b>                                    | <b>(14,125)</b>       | <b>(12,213)</b>      |
| <b>Accumulated Other Comprehensive Income</b>                 | <b>327</b>            | <b>199</b>           |
|   | <b>2,500</b>          | <b>3,904</b>         |
|   | <b>\$ 3,752</b>       | <b>\$ 4,570</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 Period Ended September 30, 2012****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

|  | Number            | Capital Stock<br>Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholders<br>Equity |
|--|-------------------|-------------------------|----------------------------------|------------------------|---|---------------------------------|
| <b>Balance -<br/>December 31,<br/>2011</b>       | 48,895,028        | \$ 0                    | \$ 15,918                        | \$ (12,213)            | \$ 199  | \$ 3,904                        |
| Foreign<br>currency<br>translation<br>adjustment | -                 | -                       | -                                | -                      | 128   | 128                             |
| Warrants<br>exercised<br>(note 6)                | 726,080           | -                       | 233                              | -                      | -   | 233                             |
| Agents<br>warrants<br>exercised<br>(note 6)      | 219,313           | -                       | 104                              | -                      | -   | 104                             |
| Stock-based<br>compensation<br>(note 6)          | -                 | -                       | 43                               | -                      | -   | 43                              |
| Net loss for<br>the period                       | -                 | -                       | -                                | (1,912)                | -   | (1,912)                         |
| <b>Balance<br/>September<br/>30, 2012</b>        | <b>49,840,421</b> | <b>\$ 0</b>             | <b>\$ 16,298</b>                 | <b>\$ (14,125)</b>     | <b>\$ 327</b>                                   | <b>\$ 2,500</b>                 |

See accompanying notes

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

|  | For the Three-Month Period<br>Ended September 30, |            | For the Nine-Month Period<br>Ended September 30, |            |
|--|---|------------|--|------------|
|  | 2012  | 2011       | 2012   | 2011       |
| <b>Revenue</b>   | \$ -  | \$ 23      | \$ 120   | \$ 164     |
| <b>Other income</b>  | 3   | 1          | 8  | 4          |
|  | 3   | 24         | 128  | 168        |
| <b>Expenses</b>  |   |            |  |            |
| Research and development   | 312   | 360        | 913  | 994        |
| Research and development<br>tax credits  | (25)  | (40)       | (75)   | (123)      |
| Management salaries  | 143   | 148        | 461  | 416        |
| General and administrative   | 96  | 86         | 256  | 249        |
| Professional fees  | 115   | 162        | 403  | 436        |
| Depreciation   | 10  | 9          | 27   | 26         |
| Foreign exchange   | 50  | (162)      | 53   | (113)      |
| Interest and financing fees  | -   | -          | 2  | 2          |
|  | 701   | 563        | 2,040  | 1,887      |
| <b>Net Loss</b>  | (698)   | (539)      | (1,912)  | (1,719)    |
| <b>Other Comprehensive Income /<br/>(Loss)</b>                                 |   |            |  |            |
| Foreign currency<br>translation adjustment                                     | 109   | (219)      | 128  | (121)      |
| <b>Comprehensive Loss</b>  | \$ (589)  | \$ (758)   | \$ (1,784)                                       | \$ (1,840) |
| <b>Basic and Diluted Weighted<br/>Average Number of Shares<br/>Outstanding</b> | 49,711,617  | 46,158,632 | 49,553,305                                       | 42,087,973 |
| <b>Basic and Diluted Loss Per<br/>Common Share (note 8)</b>                    | \$ (0.01)   | \$ (0.02)  | \$ (0.04)  | \$ (0.04)  |
| See accompanying notes   |   |            |  |            |

## IntelGenx Technologies Corp.

## Consolidated Statement of Cash Flows

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

(Unaudited)

|  | For the Three-Month Period<br>Ended September 30, |              | For the Nine-Month Period<br>Ended September 30, |              |
|--|---|--------------|--|--------------|
|  | 2012  | 2011         | 2012   | 2011         |
| <b>Funds Provided (Used) -</b>                                 |   |              |  |              |
| <b>Operating Activities</b>                                    |   |              |  |              |
| Net loss   | \$ (698)  | \$ (539)     | \$ (1,912)                                       | \$ (1,719)   |
| Depreciation   | 10  | 9            | 27   | 26           |
| Stock-based compensation                                       | 14  | 13           | 43   | 37           |
| Accounts receivable write-off                                  | -   | -            | -  | 52           |
|  | (674)   | (517)        | (1,842)  | (1,604)      |
| Changes in assets and liabilities                              |   |              |  |              |
| Accounts receivable  | 245   | (17)         | 118  | 133          |
| Prepaid and other assets                                       | 16  | 21           | 1  | 1            |
| Other receivables  | (34)  | (15)         | 195  | (104)        |
| Accounts payable and other accrued liabilities                 | (33)  | (6)          | (416)  | 27           |
| Deferred revenue   | -   | -            | 1,000  | -            |
|  | (480)   | (534)        | (944)  | (1,547)      |
| <b>Financing Activities</b>                                    |   |              |  |              |
| Issue of capital stock   | 103   | 865          | 337  | 4,212        |
| Transaction costs  | -   | -            | -  | (369)        |
|  | 103   | 865          | 337  | 3,843        |
| <b>Investing Activities</b>                                    |   |              |  |              |
| Additions to property and equipment                            | (6)   | (4)          | (248)  | (7)          |
|  | (6)   | (4)          | (248)  | (7)          |
| <b>Increase (Decrease) in Cash and Cash Equivalent</b>         | <b>(383)</b>                                      | <b>327</b>   | <b>(855)</b>                                     | <b>2,289</b> |
| <b>Effect of Foreign Exchange on Cash and Cash Equivalents</b> | <b>96</b>   | <b>(208)</b> | <b>118</b>                                       | <b>(113)</b> |
| <b>Cash and Cash Equivalents</b>                               |   |              |  |              |
| Beginning of Period  | 3,055   | 3,201        | 3,505  | 1,144        |
| End of Period  | \$ 2,768  | \$ 3,320     | \$ 2,768   | \$ 3,320     |

See accompanying notes



**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2012**

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

**(Unaudited)**

**1. Basis of Presentation**

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

These financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2011. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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

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

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

**2. Adoption of New Accounting Standards**

**Revenue Recognition and Disclosures**

In May 2011, the FASB issued Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs . The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the Board's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. For public entities, ASU 2011-4 is effective during interim and annual periods beginning after December 15, 2011. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2012**

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

**(Unaudited)**

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

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. Under the amendments, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This Update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. In December 2011 however, the FASB issued Update No. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when, and where reclassification adjustments are presented. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

In September 2011, the FASB issued Update No. 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. The amendments in this Update will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. For public entities, ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2012**

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

**(Unaudited)**

**3. Significant Accounting Policies**

**Recently Issued Accounting Pronouncements**

In December 2011, the FASB issued Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The objective of this Update is to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this Update. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective disclosure is required for all comparative periods presented. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

In December 2011, the FASB issued Update No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when, and where reclassification adjustments are presented. The adoption of this amendment is not expected to have a material effect on the Company's financial position or results of operations, but will affect the presentation of Other Comprehensive Income in the Company's financial statements.

**4. Deferred License Revenue**

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

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****September 30, 2012****(Expressed in U.S. Funds)****(Unaudited)****5. Capital Stock**

|   | <b>June 30,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---|--------------------------|------------------------------|
| Authorized -  |                          |                              |
| 100,000,000 common shares of \$0.00001 par value          |                          |                              |
| 20,000,000 preferred shares of \$0.00001 par value        |                          |                              |
| Issued -  |                          |                              |
| 49,840,421 (December 31, 2011 - 48,895,028) common shares | <b>\$ 498</b>            | <b>\$ 489</b>                |

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

On June 13, 2012 the Company granted 40,000 stock options to two employees to purchase common shares. The stock options are exercisable at \$0.51 per share and vest over 2 years at 25% every six months. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$10 thousand, using the following assumptions:

|                         |           |
|-------------------------|-----------|
| Expected volatility     | 83%       |
| Expected life           | 3.1 years |
| Risk-free interest rate | 0.4%      |
| Dividend yield          | Nil       |

On August 8, 2012 the Company granted 50,000 stock options to a consultant to purchase common shares. The stock options are exercisable at \$0.55 per share and vest over 1 year at 25% every three months. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$12 thousand, using the following assumptions:

|                         |           |
|-------------------------|-----------|
| Expected volatility     | 81%       |
| Expected life           | 2.8 years |
| Risk-free interest rate | 0.38%     |
| Dividend yield          | Nil       |

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**September 30, 2012**

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

**(Unaudited)**

**6. Additional Paid In Capital (Cont d)**

Compensation expenses for stock-based compensation of \$43 thousand and \$37 thousand were recorded during the nine-month period ended September 30, 2012 and 2011 respectively. Of the amount expensed in 2012, \$1 thousand (2011 - \$11 thousand) relates to stock options granted to investor relations firms as compensation for investor relation services, \$1 thousand (2011 - \$Nil) relates to stock options granted to a consultant, and \$41 thousand (2011 - \$26 thousand) relates to stock options granted to employees and directors. As at September 30, 2012 the Company has \$63 thousand (2011 - \$32 thousand) of unrecognized stock-based compensation.

**Warrants**

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

During the nine month period ended September 30, 2012 a total of 11,843,932 warrants expired unexercised.

**7. Related Party Transactions**

Included in management salaries are \$4 thousand (2011 - \$4 thousand) for options granted to the Chief Financial Officer, \$5 thousand (2011 - \$4 thousand) for options granted to the Chief Executive Officer and \$20 thousand (2011 - \$7 thousand) for options granted to non-employee directors under the 2006 Stock Option Plan.

Also included in management salaries are director fees of \$80 thousand (2011 - \$63 thousand) for attendance to board meetings and audit committee meetings.

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.

**8. 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. Introduction to Management's Discussion and Analysis**

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

### **Company Background**

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

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

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

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

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

We plan to hire new personnel, primarily in the area of research and development, on an as-needed basis as we enter into partnership agreements and increase our research and development activities.

## Key Developments

### *Forfivo XL™*

Subsequent to the end of the third quarter, on October 9, 2012 we announced the commercial launch of Forfivo XL™ in the USA.

Forfivo XL™ is indicated for the treatment of Major Depressive Disorder (MDD) and is the only extended-release bupropion HCl product to provide a once-daily, 450mg dose in a single tablet. The active ingredient in Forfivo XL is bupropion, the same active ingredient used in the well-known antidepressant product: Wellbutrin XL®. Until now, patients in the US requiring a 450mg dose of bupropion HCl have been taking multiple tablets to achieve their 450mg dose requirement. With Forfivo XL™ now available in the US, these patients can simplify their dosing regimen to a single Forfivo XL tablet, once-daily.

On February 14, 2012 we announced an exclusive agreement with Edgemont Pharmaceuticals, LLC ("Edgemont") for the commercialization of Forfivo XL™ in the United States.

Under the terms of the agreement, Edgemont obtained certain exclusive rights to market and sell Forfivo XL™ in the U.S. In exchange, we received a \$1.0 million upfront payment and could receive launch related milestones totaling up to \$4.0 million. In addition, we will be eligible for milestones of up to \$23.5 million upon achieving certain sales and exclusivity targets, and we will receive double-digit royalties on the net sales of Forfivo XL™.

### *Anti-migraine VersaFilm (rizatriptan)*

Subsequent to the end of the third quarter, on November 8, 2012 we announced the successful conclusion of a pre-New Drug Application ("NDA") meeting with the U.S. Food and Drug Administration ("FDA") related to our novel oral thin-film formulation of Rizatriptan, the active drug in Maxalt-MLT® orally disintegrating tablets.

The purpose of the meeting was to confirm the adequacy of the clinical, non-clinical and CMC data for the Company's proposed 505(b)(2) NDA submission, which we intend to file in the first quarter of 2013.

On May 29, 2012 we announced the completion of the pivotal bioequivalency study for our oral thin-film formulation of Rizatriptan. We received approval from Health Canada to conduct a pivotal bioequivalence study to determine if our product is safe and bioequivalent with the FDA approved reference product. The study results indicate that the product is safe, and that the confidence intervals of the relevant parameters are well within the acceptance range for bioequivalency.

Maxalt-MLT® is a leading branded anti-migraine product manufactured by Merck & Co. According to Merck's most recent annual report, sales of Maxalt® grew 16% to \$639 million in 2011. Our thin-film formulation of Rizatriptan has been developed in accordance with the co-development and commercialisation agreement with RedHill Biopharma Ltd. (TASE:RDHL) using IntelGenx's proprietary immediate release "VersaFilm" drug delivery technology.

### **Currency rate fluctuations**

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

**Results of Operations for the nine month period ended September 30, 2012 compared with the nine month period ended September 30, 2011.**

| In U.S.\$ thousands                 | 2012    | 2011    | Increase/<br>(Decrease) | Percentage<br>Increase/<br>(Decrease) |
|-------------------------------------|---------|---------|-------------------------|---------------------------------------|
| Revenue                             | \$ 120  | \$ 164  | \$ (44)                 | (27%)                                 |
| Other Income                        | 8       | 4       | 4                       | 100%                                  |
| Research and Development Expenses   | 913     | 994     | (81)                    | (8%)                                  |
| Research and Development Tax Credit | (75)    | (123)   | (48)                    | (39%)                                 |
| Management Salaries                 | 461     | 416     | 45                      | 11%                                   |
| General and Administrative Expenses | 256     | 249     | 7                       | 3%                                    |
| Professional Fees                   | 403     | 436     | (33)                    | (8%)                                  |
| Foreign Exchange                    | 53      | (113)   | 166                     | 146%                                  |
| Net Loss                            | (1,912) | (1,719) | 193                     | 11%                                   |
| <b>Revenue and Other Income</b>     |         |         |                         |                                       |

Total revenue and other income decreased by \$40 thousand, or 24%, from \$168 thousand in the first nine months of 2011 to \$128 thousand in the first nine months of 2012.

In February 2012 we received a \$1.0 million upfront payment under our licensing agreement with Edgemont Pharmaceuticals for our FDA approved product Forfivo XL . The upfront payment has been recorded as deferred license revenue and will be recognized as revenue on a straight-line basis until December 2015, which is the estimated minimum time period that the product could retain market exclusivity. Subsequent to the end of the third quarter, on October 9, 2012, we announced that Forfivo XL had been commercially launched by Edgemont in the USA. As a result, we will start to recognize the upfront payment as revenue commencing in the fourth quarter of 2012. In addition, the commercial launch of Forfivo XL triggered the next milestone payment, which will be fully recorded as revenue in the fourth quarter.

Other income of \$8 thousand was recorded in the first nine months of 2012, compared with \$4 thousand in the same period of the previous year.

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

R&D expenses totaled \$913 thousand in the nine months ended September 30, 2012, representing a decrease of \$81 thousand, or 8%, to the expense of \$994 thousand recorded during the same period of last year.

The decrease in R&D expenses is primarily related to the cancellation of an invoice that had been received and recorded from a supplier in 2011, largely off-set by costs associated with pilot clinical studies for two of our projects that were completed in the second quarter of 2012.

Included within R&D expenses for the first nine months of 2012 are R&D Salaries of \$469 thousand, of which approximately \$11 thousand represents non-cash compensation. This compares to R&D salaries of \$443 thousand in the first nine months of 2011, of which approximately \$12 thousand represented non-cash compensation. The increase in R&D salaries relates to staff salary increases effective from January 2012.



In the nine months ended September 30, 2012 we recorded estimated Research and Development Tax Credits and refunds of \$75 thousand, compared with \$123 that was recorded in the same period of the previous year.

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

Management salaries increased from \$416 thousand in the first nine months of 2011 to \$461 thousand in the first nine months of 2012, representing an increase of \$45 thousand, or 11%. The increase is attributable to the appointment of a new member of our Board of Directors in May 2011 resulting in 9 months of expense in 2012 versus 4 months in 2011, stock compensation expense related to options granted to members of our Board, and annual staff salary increases effective from January 2012.

Included in management salaries are approximately \$9 thousand (2011: \$8 thousand) in non-cash compensation from options granted to management employees in 2010 and 2011, and \$20 thousand (2011: \$7 thousand) in non-cash compensation from options granted to non-employee directors in 2010 and 2011.

General and administrative expenses, at \$256 thousand for the first nine months of 2012, remained at a similar level to the \$249 thousand expensed in the first nine months of 2011.

### **Professional Fees**

Professional fees for the nine months ended September 30, 2012 totaled \$403 thousand and represent a decrease of \$33 thousand, or 8%, compared to the amount of \$436 thousand recorded during the same period of 2011.

Included within professional fees is a non-cash expense of \$1 thousand (2011: \$11 thousand) for options granted to investor relation firms for investor relation services and a non-cash expense of \$1 thousand (2011: \$Nil) for options granted to a consultant.

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

Share-based compensation expense, warrants and share-based payments totaled \$43 thousand for the nine months ended September 30, 2012, compared with \$37 thousand for the nine months ended September 30, 2011.

We expensed approximately \$22 thousand in the first nine months of 2012 for options granted to our employees in 2010, 2011 and 2012 under the 2006 Stock Option Plan, and approximately \$20 thousand for options granted to non-employee directors in 2010 and 2011, compared with \$19 thousand and \$7 thousand respectively that was expensed in the same period of the previous year.

We also expensed \$1 thousand in the first nine months of 2012 for options granted to investor relation firms for investor relation services, compared with \$11 thousand that was expensed in the same period of 2011 and we expensed \$1 thousand (2011: \$Nil) for options granted to a consultant.

There remains approximately \$63 thousand in stock based compensation to be expensed in 2012 through 2014 all of which relates to the issuance of options to employees and directors of the Company during 2010, 2011 and 2012 and to the issuance of options to a consultant in 2012. We anticipate the issuance of additional options in the future, which will continue to result in stock-based compensation expense.

### **Foreign Exchange**

A foreign exchange loss of approximately \$53 thousand was recorded in the nine months ended September 30, 2012 compared with a foreign exchange gain of \$113 thousand in the same period of the previous year. The foreign exchange gains and losses relate primarily to currency fluctuations between the Canadian dollar and the U.S. dollar.



**Key items from the Balance Sheet.**

| In U.S.\$ thousands        | September<br>30, 2012 | December<br>31, 2011 | Increase/<br>(Decrease) | Percentage<br>Increase/<br>(Decrease) |
|----------------------------|-----------------------|----------------------|-------------------------|---------------------------------------|
| Current Assets             | \$ 3,247              | \$ 4,296             | \$ (1,049)              | (24%)                                 |
| Property and Equipment     | 380                   | 149                  | 231                     | 155%                                  |
| Intangible Assets          | 125                   | 125                  | 0                       | 0%                                    |
| Current Liabilities        | 560                   | 666                  | (106)                   | (16%)                                 |
| Deferred License Revenue   | 692                   | -                    | 692                     | N/A                                   |
| Capital Stock              | 0                     | 0                    | 0                       | 0%                                    |
| Additional Paid-in-Capital | 16,298                | 15,918               | 380                     | 2%                                    |

**Current Assets**

Current assets totaled \$3,247 thousand at September 30, 2012 compared with \$4,296 thousand at December 31, 2011. The decrease of \$1,049 thousand is attributable to a decrease in cash of approximately \$737 thousand, a decrease in accounts receivable of approximately \$118 thousand, a decrease in investment tax credits receivable of approximately \$110 thousand and a decrease in loan receivable of approximately \$85 thousand, partly offset by an increase in prepaid expenses of approximately \$1 thousand.

**Prepaid Expenses**

As of September 30, 2012, prepaid expenses totaled \$69 thousand as compared with \$68 thousand at December 31, 2011.

**Liquidity and Capital Resources**

As at September 30, 2012 we had a cash balance of \$2,768 thousand, representing a decrease of \$737 thousand compared with the balance of \$3,505 thousand as at December 31, 2011.

In February 2012 we received a \$1.0 million upfront payment under an exclusive agreement with Edgemont Pharmaceuticals for the commercialization of our lead product, Forfivo XL, in the United States. The upfront payment has been recorded as deferred license revenue and, following the commercial launch Forfivo XL in early October 2012, will be recognized as revenue on a straight-line basis until December 2015 with effect from the fourth quarter of 2012.

During the nine month period ended September 30, 2012 a total of 1,424,981 warrants and agents warrants were exercised for 945,393 common shares for cash consideration of \$337 thousand.

Also during the nine month period ended September 30, 2012 we invested approximately \$248 thousand in fixed assets, of which approximately \$207 thousand is equipment for our VersaFilm technology.

As at September 30, 2012 we had accumulated a deficit of \$14,125 thousand compared with an accumulated deficit of \$12,213 thousand as at December 31, 2011. Total assets amounted to \$3,752 thousand and shareholders' equity totaled \$2,500 thousand as at September 30, 2012, compared with total assets and shareholders' equity of \$4,570 thousand and \$3,904 thousand respectively, as at December 31, 2011.

Accounts receivable totaled \$145 thousand as at September 30, 2012 and includes approximately \$117 thousand of taxes that are expected to be refunded in the first quarter of 2013. The accounts receivable balance of \$263 thousand as at December 31, 2011 was received by us within the first half of 2012.

An interest-bearing short-term loan of \$85 thousand that was provided to an employee, who is also an officer of the Company, on November 9, 2011, was repaid on February 28, 2012.

As at September 30, 2012, we had R&D investment tax credits receivable of approximately \$265 thousand compared with \$375 thousand as at December 31, 2011. Of the balance outstanding as at September 30, 2012, we expect to receive approximately \$188 thousand during the fourth quarter of 2012, and the balance during the fourth quarter of 2013.

Accounts payable and accrued liabilities as at September 30, 2012 amounted to \$252 thousand (December 31, 2011: \$666 thousand), of which approximately \$91 thousand relates to research and development activities, approximately \$10 thousand relates to professional fees, and approximately \$143 thousand relates to accrued payroll liabilities.

### **Property and Equipment**

As at September 30, 2012, the net book value of property and equipment amounted to \$380 thousand, compared with \$149 thousand at December 31, 2011. In the nine months ended September 30, 2012 additions to assets totaled \$248 thousand and comprised \$246 thousand for manufacturing and laboratory equipment, \$1 thousand for office furniture and \$1 thousand for computer equipment. Total depreciation in the nine months ended September 30, 2012 amounted to \$27 thousand and a foreign exchange gain of \$10 thousand was recorded.

### **Intangible Assets**

As at September 30, 2012 the net book value of intangible assets amounted to \$125 thousand, compared with \$125 thousand at December 31, 2011. Amortization of this asset on a straight-line basis will commence in the fourth quarter of 2012 following the commercial launch of Forfivo XL™ and will continue until December 2015, which is the estimated minimum time period that the product could retain market exclusivity.

### **Deferred License Revenue**

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

### **Capital Stock**

As at September 30, 2012 capital stock amounted to \$498 compared with \$489 at December 31, 2011. The increase reflects the issuance of 945,393 shares related to the exercise of warrants issued at par value of \$0.00001. Capital stock is disclosed at its par value with the excess of proceeds shown in additional paid-in-capital.

**Additional Paid-in-Capital**

Additional paid-in capital totaled \$16,298 thousand at September 30, 2012, compared with \$15,918 thousand at December 31, 2011. Approximately \$233 thousand of the increase relates to warrants, and approximately \$104 thousand relates to Agents' warrants, exercised in the nine month period ended September 30, 2012. An additional \$43 thousand relates to stock based compensation, of which approximately \$1 thousand is attributable to the amortization of stock options granted to our investor relations consultants, approximately \$1 thousand is attributable to the amortization of stock options granted to a consultant, and approximately \$41 thousand is attributable to the amortization of stock options granted to employees and directors.

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

| In U.S.\$ thousands  | September<br>30, 2012 | September<br>30, 2011 | Increase/<br>(Decrease) | Percentage<br>Increase/<br>(Decrease) |
|----------------------|-----------------------|-----------------------|-------------------------|---------------------------------------|
| Operating Activities | \$ (944)              | \$ (1,547)            | \$ 603                  | 39%                                   |
| Financing Activities | 337                   | 3,843                 | (3,506)                 | (91%)                                 |
| Investing Activities | (248)                 | (7)                   | (241)                   | (3,443%)                              |
| Cash - end of period | 2,768                 | 3,320                 | (552)                   | (17%)                                 |

**Statement of cash flows**

Net cash used by operating activities was \$944 thousand in the nine months ended September 30, 2012, compared with net cash used of \$1,547 thousand for the nine months ended September 30, 2011. In the first three quarters of 2012, net cash used by operating activities consisted of an operating loss of \$1,842 thousand net of non-cash related expenses of approximately \$70 thousand, and an increase in non-cash operating elements of working capital of \$898 thousand.

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

The net cash provided by financing activities was \$337 thousand in the first nine months of 2012, compared with \$3,843 thousand provided in the same period of the previous year. The net cash provided in the first half of 2012 resulted from the exercise of warrants and agents' warrants, whereas in the first half of 2011 net proceeds of \$2,861 thousand resulted from Canadian and US private placements, \$762 thousand related to the exercise of warrants, \$117 thousand resulted from the exercise of agents' warrants, and \$103 thousand related to the exercise of options.

Net cash used in investing activities amounted to \$248 thousand in the nine months ended September 30, 2012 compared with \$7 thousand in the nine months ended September 30, 2011. Included within the use of funds in the first half of 2012 is an investment of approximately \$207 thousand in equipment for our VersaFilm technology.

The balance of cash as at September 30, 2012 amounted to \$2,768 thousand, compared with \$3,320 thousand at September 30, 2011.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**Item 3. Controls and Procedures.**

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

**PART II**

**Item 1. Legal Proceedings**

This Item is not applicable

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

This Item is not applicable.

**Item 3. Defaults Upon Senior Securities**

This Item is not applicable.

**Item 4. (Reserved)**

**Item 5. Other Information**

This Item is not applicable.

**Item 6. Exhibits**

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

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

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

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

**SIGNATURES**

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

**INTELGENX TECHNOLOGIES CORP.**

Date: November 12, 2012

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

Date: November 12, 2012

By: */s/ Paul Simmons* \_\_\_\_\_  
Paul A. Simmons  
Principal Accounting Officer