

IntelGenx Technologies Corp.  
Form 10-Q  
May 11, 2017

---

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

**FORM 10-Q**

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

For the quarterly period ended March 31, 2017

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.)

**6420 Abrams, Ville Saint Laurent, Quebec H4S 1Y2, Canada**

(Address of principal executive offices)

**(514) 331-7440**

(Issuer's telephone number)

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

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Edgar Filing: IntelGenx Technologies Corp. - Form 10-Q

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

65,422,021 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of May 09, 2017.

IntelGenx Technologies Corp.  
Form 10-Q

TABLE OF CONTENTS

<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	1
Consolidated Balance Sheet	2
Statement of Shareholders' Equity	3
Statement of Operations and Comprehensive Loss	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Item 2. Management's Discussion and Analysis and Results of Operations	19
Item 3. Controls and Procedures	24
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3. Defaults upon Senior Securities	24
Item 4. Reserved	24
Item 5. Other Information	24
Item 6. Exhibits	24
Signatures	25

**IntelGenx Technologies Corp.**

**Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

**Contents**

<u>Consolidated Balance Sheet</u>	<u>2</u>
<u>Consolidated Statement of Shareholders' Equity</u>	<u>3</u>
<u>Consolidated Statement of Comprehensive Loss</u>	<u>4</u>
<u>Consolidated Statement of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6 - 14</u>

---

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

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

(Unaudited)

	March 31, 2017	December 31, 2016
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 300	\$ 612
Short-term investments	3,632	3,884
Accounts receivable	428	1,044
Prepaid expenses	428	566
Investment tax credits receivable	178	246
<b>Total Current Assets</b>	<b>4,966</b>	<b>6,352</b>
<b>Leasehold Improvements and Equipment, net (note 4)</b>	<b>5,833</b>	<b>5,730</b>
<b>Security Deposits</b>	<b>714</b>	<b>708</b>
<b>Total Assets</b>	<b>\$ 11,513</b>	<b>\$ 12,790</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	613	897
Current portion of long-term debt (note 7)	710	704
Deferred revenue (note 6)	2,750	3,634
<b>Total Current Liabilities</b>	<b>4,073</b>	<b>5,235</b>
<b>Deferred lease obligations</b>	<b>46</b>	<b>45</b>
<b>Long-term debt (note 7)</b>	<b>2,410</b>	<b>2,565</b>
<b>Total Liabilities</b>	<b>6,529</b>	<b>7,845</b>
<b>Subsequent event (note 12)</b>		
<b>Shareholders' Equity</b>		
Capital Stock, common shares, \$0.00001 par value; 100,000,000 shares authorized; 65,422,020 shares issued and outstanding (2016: 64,812,020 common shares) (note 8)	1	1
Additional Paid-in-Capital (note 9)	24,207	23,700
Accumulated Deficit	(18,249)	(17,737)
Accumulated Other Comprehensive Loss	(975)	(1,019)
<b>Total Shareholders' Equity</b>	<b>4,984</b>	<b>4,945</b>
	<b>\$ 11,513</b>	<b>\$ 12,790</b>

See accompanying notes

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

**IntelGenx Technologies Corp.****Consolidated Statement of Shareholders' Equity****For the Period Ended March 31, 2017****(Expressed in Thousands of U.S. Dollars (\$000 s) Except Share and Per Share Data)****(Unaudited)**

	Capital Stock Number	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance - December 31, 2016</b>	64,812,020	\$ 1	\$ 23,700	\$ (17,737)	\$ (1,019)	<b>4,945</b>
Foreign currency translation adjustment	-	-	-	-	44	<b>44</b>
Warrants exercised (note 9)	560,000	-	316	-	-	<b>316</b>
Options exercised (note 9)	50,000	-	21	-	-	<b>21</b>
Stock-based compensation (note 9)	-	-	170	-	-	<b>170</b>
Net loss for the period	-	-	-	(512)	-	<b>(512)</b>
<b>Balance March 31, 2017</b>	<b>65,422,020</b>	<b>\$ 1</b>	<b>\$ 24,207</b>	<b>\$ (18,249)</b>	<b>\$ (975)</b>	<b>4,984</b>

See accompanying notes

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

	For the Three-Month Period Ended March 31,	
	2017	2016
<b>Revenues</b>		
Royalties	\$ -	\$ 379
License and other revenue	1,353	439
<b>Total Revenues</b>	<b>1,353</b>	<b>818</b>
<b>Expenses</b>		
Cost of royalty and license revenue	92	65
Research and development expense	644	481
Selling, general and administrative expense	904	891
Depreciation of tangible assets	170	87
<b>Total Expenses</b>	<b>1,810</b>	<b>1,524</b>
<b>Operating loss</b>	<b>(457)</b>	<b>(706)</b>
<b>Interest income</b>	<b>2</b>	<b>-</b>
<b>Financing and interest expense</b>	<b>(57)</b>	<b>(40)</b>
<b>Net Loss</b>	<b>(512)</b>	<b>(746)</b>
<b>Other Comprehensive Income</b>		
Foreign currency translation adjustment	44	39
<b>Comprehensive Loss</b>	<b>\$ (468)</b>	<b>\$ (707)</b>
<b>Basic and Diluted Weighted Average Number of Shares</b>		
<b>Outstanding</b>	<b>65,305,520</b>	<b>63,615,255</b>
Basic and Diluted Loss Per Common Share (note 11)	\$ (0.01)	\$ (0.01)

See accompanying notes

## IntelGenx Technologies Corp.

## Consolidated Statement of Cash Flows

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

(Unaudited)

	For the Three-Month Period Ended March 31,	
	2017	2016
<b>Funds Provided (Used) -</b>		
<b>Operating Activities</b>		
Net loss	\$ (512)	\$ (746)
Depreciation	170	87
Stock-based compensation	170	63
	(172)	(596)
Changes in assets and liabilities:		
Accounts receivable	616	650
Prepaid expenses	138	(12)
Investment tax credits receivable	68	(29)
Security deposits	(6)	(226)
Accounts payable and accrued liabilities	(284)	(860)
Deferred revenue	(884)	-
Deferred lease obligations	1	17
<b>Net change in assets and liabilities</b>	<b>(351)</b>	<b>(460)</b>
<b>Net cash used in operating activities</b>	<b>(523)</b>	<b>(1,056)</b>
<b>Financing Activities</b>		
Issuance of term loans	-	392
Repayment of term loans	(103)	(17)
Proceeds from exercise of warrants and stock options	337	-
<b>Net cash provided by financing activities</b>	<b>234</b>	<b>375</b>
<b>Investing Activities</b>		
Additions to leasehold improvements and equipment	(222)	(290)
Redemption of short-term investments	300	-
<b>Net cash provided by (used in) investing activities</b>	<b>78</b>	<b>(290)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(211)</b>	<b>(971)</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<b>(101)</b>	<b>173</b>
<b>Cash and Cash Equivalents</b>		
Beginning of Period	612	2,865
End of Period	\$ 300	\$ 2,067

See accompanying notes



**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

**(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, 2016. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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

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

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

**2. Adoption of New Accounting Standards**

The FASB issued Update 2016-06, Derivatives and Hedging Contingent Put and Call Options in Debt Instruments, clarifying the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The amendments in this Update require an entity performing the assessment to assess the embedded call (put) options solely in accordance with the four-step decision sequence. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this statement did not have a material effect on the Company s financial position or results.

The FASB issued Update 2016-09, Compensation Stock Compensation Improvements to Employee Share-Based Payment Accounting, simplifying several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this statement did not have a material effect on the Company s financial position or results.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

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

The FASB issued Update 2015-11, Inventory: Simplifying the Measurement of Inventory, aligning the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The amendments in this Update state that an entity should measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this statement did not have a material effect on the Company's financial position or results.

The FASB issued 2015-017, Income Taxes: Balance Sheet Classification of Deferred Taxes, which requires that deferred tax liabilities be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this statement did not have a material effect on the Company's financial position or results.

**3. Significant Accounting Policies**

**ASU 2016-18 Statement of Cash Flows (Topic 230) Restricted Cash**

In November 2016, the FASB issued ASU 2016-18 which requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted or restricted cash equivalents. The statement is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period and should be applied on a retrospective basis. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**ASU 2016-15 Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments**

In August 2016, the FASB issued ASU 2016-15 which clarifies how certain cash receipts and payments are to be presented in the Statement of cash flows. The statement is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

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

**ASU 2016-01 Financial Instruments Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities**

In January 2016, the FASB issued ASU 2016-01, which will significantly change practice for all entities. The targeted amendments to existing guidance are expected to include:

1. Equity investments that do not result in consolidation and are not accounted for under the equity method would be measured at fair value through net income, unless they qualify for the proposed practicability exception for investments that do not have readily determinable fair values.
2. Changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option would be recognized in other comprehensive income.
3. Entities would make the assessment of the realizability of a deferred tax asset (DTA) related to an available-for-sale (AFS) debt security in combination with the entity's other DTAs. The guidance would eliminate one method that is currently acceptable for assessing the realizability of DTAs related to AFS debt securities. That is, an entity would no longer be able to consider its intent and ability to hold debt securities with unrealized losses until recovery.
4. Disclosure of the fair value of financial instruments measured at amortized cost would no longer be required for entities that are not public business entities.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**ASU 2017-04 Intangibles Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment**

The FASB issued ASU 2017-04 which eliminates Step 2 from the goodwill impairment test and eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. These amendments are effective for a public business entity for fiscal years beginning after December 15, 2019. Early adoption is permitted in any interim or annual period and should be applied on a retrospective basis. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

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

**ASU 2017-01 - Business Combinations (Topic 805) Clarifying the Definition of a Business**

The FASB issued ASU 2017-01 clarifies the definition of a business and is intended to help companies evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. These amendments are effective for a public business entity for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted under certain circumstances and should be applied on a prospective. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**ASU 2016-16 Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory**

The FASB issued ASU 2016-16 and requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. These amendments are effective for a public business entity for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**ASU 2016-02: Leases (Topic 842) Section A**

The FASB issued ASU 2016-02 to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

These amendments are effective for a public business entity for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

**3. Significant Accounting Policies (Cont d)**  
**Revenue from Contracts with Customers (Topic 606)**

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

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

In the year ended December 31, 2016, the FASB issued three new amendments related to Topic 606:

1. ASU 2016-08: Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) which was issued to add clarification to the implementation guidance on principle versus agent considerations. This amendment does not provide any changes to the previously issued ASU No. 2014-09 and is effective for the same reporting period which was deferred by one year in ASU 2015-14: Revenue From Contracts With Customers (Topic 606), Deferral of the Effective Date.
2. ASU 2016-10: Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing which was issued to clarifying the following two aspects of topic 606; identifying performance obligations and the licensing implementation guidance. This amendment does not provide any changes to the previously issued ASU No. 2014-09 and is effective for the same reporting period which was deferred by one year in ASU 2015-14: Revenue From Contracts With Customers (Topic 606), Deferral of the Effective Date.
3. ASU 2016-11 Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting. With this amendment, the SEC Staff is rescinding the following SEC Staff Observer comments that are codified in Topic 605, Revenue Recognition, and Topic 932, Extractive Activities Oil and Gas, effective upon adoption of Topic 606. This amendment is effective immediately.

**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

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

Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

This ASU is to be applied retrospectively, with certain practical expedients allowed. The Company is currently evaluating the impact of this Statement on its consolidated financial statements

**4. Leasehold Improvements and Equipment**

As at March 31, 2017 no depreciation has been recorded on manufacturing equipment in the amount of \$339 as the equipment is not ready for use.

**5. Bank indebtedness**

The Company's credit facility is subject to review annually and consists of an operating demand line of credit of up to CAD\$250 thousand and corporate credits cards of up to CAD\$75 thousand. Borrowings under the operating demand line of credit bear interest at the Bank's prime lending rate plus 2%. The credit facility and term loan (see note 7) are secured by a first ranking movable hypothec on all present and future movable property of the Company and a 50% guarantee by Export Development Canada, a Canadian Crown corporation export credit agency. The terms of the banking agreement require the Company to comply with certain debt service coverage and debt to net worth financial covenants on an annual basis at the end of the Company's fiscal year. As at March 31, 2017, the Company has not drawn on its credit facility.

**6. Deferred Revenue**

On August 5, 2016, the Company sold its U.S. royalty on future sales of Forfivo XL<sup>®</sup> to SWK Holdings Corporation for \$6 million. Under the terms of the agreement, SWK paid IntelGenx \$6 million at closing. In return for, (i) 100% of any and all royalties or similar royalty amounts received on or after April 1, 2016, (ii) 100% of the \$2 million milestone payment upon Edgemont reaching annual net sales of \$15 million, and (iii) 35% of all potential future milestone payments.

The deferred revenue represents the remaining, unrecognized portion of the payment received for the royalty on future sales in the amount of \$6 million less the Q2 royalties recognized in the second quarter of 2016 in the amount of \$352 thousand. The deferred revenue will be recognized as other revenue on a straight-line basis until December 31, 2017.

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****March 31, 2017****(Expressed in U.S. Funds)****(Unaudited)****6. Deferred Revenue (cont d)**

10% of the proceeds were paid to our former development partner, Cary Pharmaceuticals Inc. This amount is included in prepaid expenses and will be recognized as cost of royalty, license and other revenue on a straight-line basis until December 31, 2017.

**7. Long-term debt**

The components of the Company's debt are as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$
(in U.S. \$ thousands)		
Term loan facility	2,519	2,636
Secured loan	601	633
Total debt	3,120	3,269
Less: current portion	710	704
Total long-term debt	2,410	2,565

The Company's term loan facility consists of a total of CAD\$4 million bearing interest at the Bank's prime lending rate plus 2.50%. The term loan is subject to the same security and financial covenants as the bank indebtedness (see note 5).

The secured loan has a principal balance authorized of CAD\$1 million bearing interest at prime plus 7.3%, reimbursable in monthly principal payments of CAD\$17 thousand from January 2017 to March 2021. The loan is secured by a second ranking on all present and future property of the Company. The terms of the banking agreement require the Company to comply with certain debt service coverage and debt to net worth financial covenants on an annual basis at the end of the Company's fiscal year.

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

2017	\$	532 (CAD 709)
2018		710 (CAD 945)
2019		710 (CAD 945)
2020		710 (CAD 945)
2021		458 (CAD 610)

F-12

**IntelGenx Technologies Corp.****Notes to Consolidated Interim Financial Statements****March 31, 2017****(Expressed in U.S. Funds)****(Unaudited)****8. Capital Stock**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Authorized -		
100,000,000 common shares of \$0.00001 par value		
20,000,000 preferred shares of \$0.00001 par value		
Issued -		
65,422,020 (December 31, 2016 - 64,812,020) common shares	<b>\$ 1</b>	<b>\$ 1</b>

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

During the three-month period ended March 31, 2017, on January 18, 2017, 300,000 options to purchase common stock were granted to non-employee directors under the 2016 Stock Option Plan. The options have an exercise price of \$0.89. The options vest immediately and expire 10 years after the grant date. The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, of approximately \$114 thousand.

During the three-month period ended March 31, 2017 a total of 50,000 stock options were exercised for 50,000 common shares having a par value of \$0 thousand in aggregate, for cash consideration of \$21 thousand, resulting in an increase in additional paid-in capital of \$21 thousand. No stock options were exercised during the three-month period ended March 31, 2016.

Compensation expenses for stock-based compensation of \$170 thousand and \$63 thousand were recorded during the three-month periods ended March 31, 2017 and March 31, 2016 respectively. An amount of \$168 thousand expensed in the first quarter of 2017 relates to stock options granted to employees and directors and an amount of \$2 thousand relates to stock options granted to a consultant. The entire amount expensed in the first quarter of 2016 relates to stock options granted to employees and directors. As at March 31, 2017 the Company has \$238 thousand (2016 - \$159 thousand) of unrecognized stock-based compensation.

**Warrants**

During the three-month period ended March 31, 2017 a total of 560,000 warrants were exercised for 560,000 common shares having a par value of \$Nil in aggregate, for cash consideration of approximately \$316 thousand, resulting in an increase in additional paid-in capital of approximately \$316 thousand. No warrants were exercised during the three-month period ended March 31, 2016.



**IntelGenx Technologies Corp.**

**Notes to Consolidated Interim Financial Statements**

**March 31, 2017**

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

**(Unaudited)**

**10. Related Party Transactions**

Included in management salaries are \$Nil (2016 - \$1 thousand) for options granted to the Chief Executive Officer, \$15 thousand (2016 - \$15 thousand) for options granted to the Chief Financial Officer, \$3 thousand (2016 - \$3 thousand) for options granted to the Vice President, Operations, \$1 thousand (2016 - \$1 thousand) for options granted to the Vice-President, Research and Development, \$8 thousand (2016 - \$Nil) for options granted to Vice-President, Business and Corporate Development and \$Nil (2016 - \$2 thousand) for options granted to the Vice President, Corporate Development under the 2016 Stock Option Plan and \$119 thousand (2016 - \$35 thousand) for options granted to non-employee directors.

Also included in management salaries are director fees of \$68 thousand (2016 - \$44 thousand).

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

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

Basic and diluted loss per common share is calculated based on the weighted average number of shares outstanding during the period. Common share equivalents from stock options and warrants are also included in the diluted per share calculations unless the effect of the inclusion would be antidilutive.

**12. Subsequent event**

Subsequent to the quarter end, on April 5, 2017, the Company filed a preliminary short form prospectus with respect to an offering of a minimum of Cdn\$7,000,000 and a maximum of Cdn\$10,000,000 aggregate principal amount of 8% convertible unsecured subordinated debentures due June 30, 2020 at a price of Cdn\$1,000 per Debenture. Concurrently with the filing of the Prospectus, the Corporation has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission to register the Debentures and the shares of common stock underlying the Debentures.

The Debentures will bear interest at an annual rate of 8%, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2017. The size of the Offering and the conversion price will be determined in the context of the market prior to filing of a (final) short form prospectus. Total issue costs related to this transaction will amount to approximately Cdn\$350,000 and a commission of 6% of the gross proceeds will be paid.

F-14

---

**Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction to Management's Discussion and Analysis**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) comments on our business operations, performance, financial position and other matters for the three-month periods ended March 31, 2017 and 2016.

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 MD&A should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes thereto. We also encourage you to refer to Company's MD&A for the year ended December 31, 2016. In preparing this MD&A, we have taken into account information available to us up to May 11, 2017, the date of this MD&A, unless otherwise indicated.

Additional information relating to the Company, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the 2015 Form 10-K), is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the U.S. Securities and Exchange Commission (the SEC) website at [www.sec.gov](http://www.sec.gov).

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

### Cautionary Statement Concerning Forward-Looking Statements

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. All statements contained in this MD&A that are not clearly historical in nature are forward-looking, and the words anticipate, believe, continue, expect, estimate, intend, may, and other similar expressions are generally intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but on management's expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Forward-looking statements involve significant known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those implied by forward-looking statements. These factors should be considered carefully and you should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A or incorporated by reference herein are based upon what management believes to be reasonable assumptions, there is no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A or as of the date specified in the documents incorporated by reference herein, as the case may be. **We undertake no obligation to update any forwardlooking statements to reflect events or circumstances after the date on which such statements were made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws.** The factors set forth in Item 1A., "Risk Factors" of the 2016 Form 10-K, as well as any cautionary language in this MD&A, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in the common stock, you should be aware that the occurrence of the events described as risk factors and elsewhere in this report could have a material adverse effect on our business, operating results and financial condition.

## 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.

Our primary growth strategies include: (1) identifying lifecycle management opportunities for existing market leading pharmaceutical products, (2) repurposing existing drugs for new indications, (3) developing generic drugs where high technology barriers to entry exist in reproducing branded films, (4) manufacturing our VersaFilm products for commercial sale and (5) development of 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 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 U.S. Federal Food, Drug and Cosmetic Act. 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. A 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 505(b)(2) products represent a viable business opportunity for us.

### Repurposing Existing Drugs

We are working on the repurposing of already approved drugs for new indications using our VersaFilm film technology. This program represents a viable growth strategy for us as it will allow for reduced development costs, improved success rates and shorter approval times. We believe that through our repurposing program we will be able minimize the risk of developmental failure and create value for us and potential partners.

### Generic Drugs with High Barriers to Entry

We plan to pursue the development of generic drugs that have certain barriers to entry, e.g., where product development and manufacturing is 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.



## VersaFilm Manufacturing

We have establishing a state-of-the-art manufacturing facility with the intent to manufacture all our VersaFilm products in house as we believe that this (1) represents a profitable business opportunity, (2) will reduce our dependency upon third-party contract manufacturers, thereby protecting our manufacturing process know-how and intellectual property, and (3) allows us to offer our development partners a full service from product conception through to supply of the finished product.

### **Most recent key developments**

On January 4, 2017, the Company announced the signing of a definitive agreement with Chemo Group for the co-development and commercialization of a generic tablet in the area of CNS (central nervous system) on a worldwide basis. According to Global Data, worldwide sales in 2015 of the CNS related product exceeded \$4 billion. This definitive agreement signed December 30, 2016 follows the binding term sheet announced on December 1, 2016. Under the agreement, IntelGenx is entitled to an upfront payment, development costs of the product and future milestone payments. Chemo and IntelGenx will also share the profits of commercialization.

On January 19, 2017, the Company announced the grant of 300,000 options to the Company's board of directors to acquire a total of 300,000 common shares under the 2016 Stock Option Plan. Of the total stock options granted, 50,000 were granted to each of the following non-employee directors: Bernard Boudreau, John Marinucci, Ian Troup, Bernd Melchers, Clemens Mayr and Mark Nawacki. The options were granted as part of the annual compensation for non-employee directors. The options have an exercise price of US\$0.89 (CAD\$1.16), vest immediately, and expire on January 17, 2027.

On March 13, 2017, the Company announced that it had retained Kilmer Lucas Inc. to provide the Company with select Canadian and U.S. investor relations and strategic advisory services. Kilmer Lucas is an arm's length third party to IntelGenx, and it does not have any interest, directly or indirectly, in IntelGenx, or any right or intent to acquire such an interest. The agreement between IntelGenx and Kilmer Lucas had an initial term of 90 days, following which the agreement can be terminated for any reason by either party. Kilmer Lucas will be paid out of IntelGenx' immediately available funds. Effective March 13, 2017, Kilmer Lucas replaced IntelGenx' previous in-house Director of IR.

Kilmer Lucas is a healthcare-only investor relations and capital markets advisory company with offices in New York, San Francisco and Toronto. It takes a holistic approach to building a customized investor relations strategy that begins with a deep understanding of a company's corporate and financial goals. Kilmer Lucas seeks to leverage its longstanding relationships and strong track record to positively influence investor perceptions, maximize stock valuations and lower the cost of capital needed to fund its clients' growth. Kilmer Lucas also publishes its own popular healthcare investor news blog, *BioTuesdays*. To-date, *BioTuesdays* has profiled more than 350 life sciences companies, providing invaluable exposure for innovative technologies and compelling investment stories that may have otherwise gone unnoticed.

On March 28, 2017, the Company announced that Eli Lilly and Company granted IntelGenx' VersaFilm an exclusive license for tadalafil film product under erectile dysfunction (ED) dosing patent, United States Patent No. 6,943,166 (the '166 dosing patent). Any exclusivity associated with the tadalafil compound patent expiring is not affected by this agreement.

Subject to U.S. Food and Drug Administration (FDA) approval, this exclusive license allows IntelGenx to commercialize its Tadalafil ED VersaFilm product in the U.S. prior to the expiration of the '166 dosing patent. With this license, IntelGenx is the only company that has a free and clear pathway to launch a tadalafil film product for the treatment of ED in the U.S. The exclusivity provides an outstanding competitive advantage to IntelGenx' Tadalafil ED VersaFilm product and IntelGenx will continue its efforts to securing a strategic partnership for the commercialization

of Tadalafil VersaFilm .

IntelGenx has developed a proprietary process and formulation for manufacturing the Tadalafil ED VersaFilm product and plans to supply the product to multiple markets around the world.

On April 3, 2017, the Company and Tetra Bio-Pharma Inc. announced the signing of a definitive agreement for the development and commercialization of a drug product containing the cannabinoid Dronabinol for the management of anorexia and cancer chemotherapy-related pain. This definitive agreement effective March 31, 2017 follows the binding term sheet between the two companies that was announced on February 9, 2017.

Pursuant to the definitive agreement, Tetra has exclusive rights to sell the Product in North America, with a right of first negotiation for territories outside of the United States and Canada. Tetra will make an upfront payment to IntelGenx, in addition to set future milestone and royalty payments, based on the completion of an efficacy study, approvals from the U.S. Food and Drug Association and Health Canada, and the commercial launch of the Product. IntelGenx will be responsible for the research and development of the Product, including clinical studies, and will develop the product as an oral mucoadhesive tablet based on its proprietary AdVersa® controlled-release technology. Tetra will be responsible for funding the product development, and will own and control all regulatory approvals, including the related applications, and any other marketing authorizations. Tetra will also be responsible for all aspects of commercializing the Product.

Subsequent to the quarter end, on April 5, 2017, the Company filed a preliminary short form prospectus with respect to an offering of a minimum of Cdn\$7,000,000 and a maximum of Cdn\$10,000,000 aggregate principal amount of 8% convertible unsecured subordinated debentures due June 30, 2020 at a price of Cdn\$1,000 per Debenture. Concurrently with the filing of the Prospectus, the Corporation has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission to register the Debentures and the shares of common stock underlying the Debentures.

The Offering is being conducted on a commercially reasonable best efforts basis by a syndicate of agents led by Desjardins Capital Markets and including Laurentian Bank Securities Inc. The Offering will be conducted in the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec.

The Debentures will bear interest at an annual rate of 8%, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2017. The size of the Offering and the conversion price will be determined in the context of the market prior to filing of a (final) short form prospectus.

The net proceeds from the Offering will be used for capital expansion, clinical studies, product development and general working capital requirements.

The Corporation will apply to list the Debentures and the shares of common stock issuable on the conversion of the Debentures or pursuant to other terms of the Debentures on the TSX Venture Exchange (the "**TSXV**"). A copy of the Prospectus is available under the Corporation's profile at [www.sedar.com](http://www.sedar.com) and a copy of the Registration Statement can be obtained from the SEC's website at [www.sec.gov](http://www.sec.gov) or by request to Desjardins Capital Markets at [ecm@vmd.desjardins.com](mailto:ecm@vmd.desjardins.com). The Offering is subject to certain customary conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSXV and the SEC declaring the Registration Statement effective.

A registration statement relating to these securities has been filed with the SEC but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. No offer to buy the securities can be accepted and no part of the purchase price can be received until the registration statement has become effective, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to notice of its acceptance given after the effective date.





## Corporate related developments

### *Expansion to the existing Manufacturing Facility*

The Company has initiated an expansion project to the existing manufacturing facility. This expansion became necessary following requests by commercial partners to increase manufacturing capacity and provide solvent film manufacturing capabilities. The new facility should create a fivefold increase of our production capacity in addition to offering a one-stop shopping opportunity to our partners. It should also significantly lower the acquisition cost for our partners and provide better protection of our Intellectual Property.

The Company has already entered into a lease agreement for an additional 11,000 square feet of expansion space and the preparation for a facility expansion is already ongoing.

*All amounts are expressed in thousands of U.S. dollars unless otherwise stated.*

## Currency rate fluctuations

Our operating currency is Canadian dollars, while our reporting currency is U.S. dollars. Accordingly, our results of operations and balance sheet position have been affected by currency rate fluctuations. In summary, our financial statements for the three-month period ended March 31, 2017 report an accumulated other comprehensive loss due to foreign currency translation adjustments of \$975 due to the fluctuations in the rates used to prepare our financial statements, \$44 of which positively impacted our comprehensive loss for the three-month period ended March 31, 2017. The following Management Discussion and Analysis takes this into consideration whenever material.

## Reconciliation of Comprehensive Loss to Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

Adjusted EBITDA is a non-US GAAP financial measure. A reconciliation of the Adjusted EBITDA is presented in the table below. The Company uses adjusted financial measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than US-GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses Adjusted EBITDA to measure its performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because the Company believes it provides meaningful information on the Company's financial condition and operating results.

IntelGenx obtains its Adjusted EBITDA measurement by adding to comprehensive loss, finance income and costs, depreciation and amortization, income taxes and foreign currency translation adjustment incurred during the period. IntelGenx also excludes the effects of certain non-monetary transactions recorded, such as share-based compensation, for its Adjusted EBITDA calculation. The Company believes it is useful to exclude these items as they are either non-cash expenses, items that cannot be influenced by management in the short term, or items that do not impact core operating performance. Excluding these items does not imply they are necessarily nonrecurring. Share-based compensation costs are a component of employee and consultant's remuneration and can vary significantly with changes in the market price of the Company's shares. Foreign currency translation adjustments are a component of other comprehensive income and can vary significantly with currency fluctuations from one period to another. In addition, other items that do not impact core operating performance of the Company may vary significantly from one period to another. As such, Adjusted EBITDA provides improved continuity with respect to the comparison of the Company's operating results over a period of time. Our method for calculating Adjusted EBITDA may differ from that used by other corporations.



**Reconciliation of Non-U.S.-GAAP Financial Information**

In U.S.\$ thousands	2017	Three-month period ended March 31, 2016
Comprehensive Loss	\$ (468)	\$ (707)
<b>Add (deduct):</b>		
Depreciation	170	87
Finance costs	57	40
Finance income	(2)	-
Share-based compensation	170	63
Foreign currency translation adjustment	(44)	(39)
<b>Adjusted EBITDA</b>	<b>(117)</b>	<b>(556)</b>
<b>Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)</b>		

Adjusted EBITDA increased by \$439 for the three-month period ended March 31, 2017 to (\$117) compared to (\$556) for the three-month period ended March 31, 2016. The increase in Adjusted EBITDA of \$439 for the three month period ended March 31, 2017 is mainly attributable to an increase in revenues of \$535 partially offset by an increase in R&D expenses of \$157 before consideration of stock-based compensation.

**Results of operations for the three-month period ended March 31, 2017 compared with the three-month period ended March 31, 2016.**

In U.S.\$ thousands	2017	Three-month period ended March 31, 2016
Revenue	\$ 1,353	\$ 818
Cost of Royalty and License Revenue	92	65
Research and Development Expenses	644	481
Selling, General and Administrative Expenses	904	891
Depreciation of tangible assets	170	87
<b>Operating Loss</b>	<b>(457)</b>	<b>(706)</b>
<b>Net Loss</b>	<b>(512)</b>	<b>(746)</b>
<b>Comprehensive Loss</b>	<b>(468)</b>	<b>(707)</b>
<b>Revenue</b>		

Total revenues for the three-month period ended March 31, 2017 amounted to \$1,353, representing an increase of \$535 or 65% compared to \$818 for the three-month period ended March 31, 2016. The increase for the three-month period ended March 31, 2017 compared to the last year's corresponding period is mainly attributable to the increase in upfront and deferred revenues on monetization of \$914 offset by a decrease in royalties of \$379.

### **Cost of royalty and license revenue**

We recorded \$92 for the cost of royalty and license revenue in the three-month period ended March 31, 2017 compared with \$65 in the same period of 2016. This expense relates to a Project Transfer Agreement that was executed in May 2010 with one of our former development partners whereby we acquired full rights to, and ownership of, Forfivo XL<sup>®</sup>, our novel, high strength formulation of Bupropion hydrochloride, the active ingredient in Wellbutrin XL<sup>®</sup>. Pursuant to the Project Transfer Agreement, and following commercial launch of Forfivo XL<sup>®</sup> in October 2012, we are required, after recovering an aggregate \$200 for management fees previously paid, to pay our former development partner 10% of net product sales received from the sale of Forfivo XL<sup>®</sup>. We recovered the final portion of the management fees in December 2014, thereby invoking payments to our former development partner. Following the monetization of Forfivo XL<sup>®</sup> s royalties, we are required to record 10% of the deferred revenues from the monetization as cost of royalty and license revenue until December 31, 2017 which represented \$92 for the first quarter of 2017.

### **Research and development ( R&D ) expenses**

R&D expenses for the three-month period ended March 31, 2017 amounted to \$644, representing an increase of \$163 or 34%, compared to \$481 for the three-month period ended March 31, 2016.

The increase in R&D expenses for the three-month period ended March 31, 2017 is mainly attributable to increases in manufacturing scale up activities of \$49, study costs of \$111, license fees of \$42, lab supplies of \$47 and R&D salaries of \$85. The increase was partially offset by a reduction in patent costs of \$171.

In the three-month period ended March 31, 2017 we recorded estimated Research and Development Tax Credits and refunds of \$30, compared with \$22 that was recorded in the same period of the previous year.

### **Selling, general and administrative ( SG&A ) expenses**

SG&A expenses for the three-month period ended March 31, 2017 amounted to \$904, representing an increase of \$13 or 1%, compared to \$891 for the three-month period ended March 31, 2016.

The increase in SG&A expenses for the three-month period ended March 31, 2017 is mainly attributable to an increase in investor relation expenses \$41, partially offset by a decrease in office and general expenses of \$23.

### **Depreciation of tangible assets**

In the three-month period ended March 31, 2017 we recorded an expense of \$170 for the depreciation of tangible assets, compared with an expense of \$87 thousand for the same period of the previous year.

### **Share-based compensation expense, warrants and stock based payments**

Share-based compensation warrants and share-based payments expense for the three-month period ended March 31, 2017 amounted to \$170 compared to \$63 for the three-month period ended March 31, 2016.

We expensed approximately \$49 in the three-month period ended March 31, 2017 for options granted to our employees in 2015 and 2016 under the 2006/2016 Stock Option Plan, approximately \$119 for options granted to non-employee directors in 2015, 2016 and 2017, and approximately \$2 for options granted to a consultant in 2016, compared with \$28, \$35, and \$nil respectively that was expensed in the same period of the previous year.



There remains approximately \$238 in stock based compensation to be expensed in fiscal 2017 and 2018, of which \$229 relates to the issuance of options to our employees and directors during 2015 to 2017 and \$9 relates to the issuance of options to a consultant in 2016. We anticipate the issuance of additional options and warrants in the future, which will continue to result in stock-based compensation expense.

### Key items from the balance sheet

In U.S.\$ thousands	March 31, 2017	December 31, 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Current Assets	\$ 4,966	\$ 6,352	\$ -1,386	-22%
Leasehold improvements and Equipment	5,833	5,730	103	2%
Security Deposits	714	708	6	1%
Current Liabilities	4,073	5,235	-1,162	-22%
Long-term debt	2,410	2,565	-155	-6%
Capital Stock	1	1	0	0%
Additional Paid-in-Capital	24,207	23,700	507	2%

#### Current assets

Current assets totaled \$4,966 as at March 31, 2017 compared with \$6,352 at December 31, 2016. The decrease of \$1,386 is mainly attributable to a decrease in cash and cash equivalents of approximately \$312 and a decrease in short term investments of \$252 as well as a decrease in accounts receivable of approximately \$616.

#### Cash and cash equivalents

Cash and cash equivalents totaled \$300 as at March 31, 2017 representing a decrease of \$312 compared with the balance of \$612 as at December 31, 2016. The decrease in cash on hand relates to net cash used by operating activities of \$523 and unrealized foreign exchange loss of \$101, offset by net cash provided by financing activities of \$234 and net cash provided by investing activities of \$78.

#### Accounts receivable

Accounts receivable totaled \$428 as at March 31, 2017 representing a decrease of \$616 compared with the balance of \$1,044 as at December 31, 2016. The main reason for the decrease is related to the collection in Q1 2017 of upfront payments accounted for as at December 31, 2016.

#### Prepaid expenses

As at March 31, 2017 prepaid expenses totaled \$428 compared with \$566 as of December 31, 2016. The decrease in prepaid expenses is attributable to the advance payments in December 2016 of certain expenses that relate to services to be provided in the remainder of the year.

### **Investment tax credits receivable**

R&D investment tax credits receivable totaled approximately \$178 as at March 31, 2017 compared with \$246 as at December 31, 2016. The decrease is attributable to the collection of the 2015 tax credits offset by the accrual estimated and recorded for the first quarter of 2017.

### **Leasehold improvements and equipment**

As at March 31, 2017, the net book value of leasehold improvements and equipment amounted to \$5,833, compared to \$5,730 at December 31, 2016. In the three-month period ended March 31, 2017 additions to assets totaled \$222 and mainly comprised of \$210 for manufacturing equipment, \$7 for computer equipment, \$3 for leasehold improvements, and \$2 for office furniture.

### **Security deposit**

A security deposit in the amount of CAD\$300 in respect of an agreement to lease approximately 17,000 square feet in a property located at 6420 Abrams, St-Laurent, Quebec, Canada was recorded as at March 31, 2017. Security deposits in the amount of CAD\$650 for the term loans were also recorded as at March 31, 2017.

### **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities totaled \$613 as at March 31, 2017 compared with \$897 as at December 31, 2016. The decrease is mainly attributable to the December 31, 2016 bonus accruals paid out in Q1 2017.

### **Long-term debt**

Long-term debt totaled \$3,120 as at March 31, 2017 (December 31, 2016 - \$3,269). An amount of \$2,519 is attributable to term loan from the lender secured by a first ranking movable hypothec on all present and future movable property of the Company and a 50% guarantee by Export Development Canada, a Canadian Crown corporation export credit agency. The reimbursement of the term loan started in September 2015 and should be fully reimbursed by October 2021.

An amount of \$601 is attributable to a second loan secured by a second ranking on all present and future property of the Company. The reimbursement of the loan started in January 2017 and should be fully reimbursed by March 2021.

### **Shareholders equity**

As at March 31, 2017 we had accumulated a deficit of \$18,249 compared with an accumulated deficit of \$17,737 as at December 31, 2016. Total assets amounted to \$11,513 and shareholders equity totaled \$4,984 as at March 31, 2017, compared with total assets and shareholders equity of \$12,790 and \$4,945 respectively, as at December 31, 2016.

### **Capital stock**

As at March 31, 2017 capital stock amounted to \$0.654 (December 31, 2016: \$0.648) . 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 \$24,207 as at March 31, 2017, as compared to \$23,700 as at December 31, 2016. Additional paid in capital increased by \$507 from which \$337 came from proceeds from exercise of warrants and stock options and \$170 from stock based compensation attributable to the amortization of stock options granted to

employees and directors.



## Taxation

As at December 31, 2016, the date of our latest annual tax return, we had Canadian and provincial net operating losses of approximately \$7,585 (December 31, 2015: \$6,462) and \$7,763 (December 31, 2015: \$6,725) respectively, which may be applied against earnings of future years. Utilization of the net operating losses is subject to significant limitations imposed by the change in control provisions. Canadian and provincial losses will be expiring between 2027 and 2036. A portion of the net operating losses may expire before they can be utilized.

As at December 31, 2016, we had non-refundable tax credits of \$1,190 thousand (2015: \$1,022 thousand) of which \$8 thousand is expiring in 2026, \$10 thousand is expiring in 2027, \$168 thousand is expiring in 2028, \$147 thousand is expiring in 2029, \$126 thousand is expiring in 2030, \$133 thousand is expiring in 2031, \$167 thousand is expiring in 2032 and \$111 thousand is expiring in 2033, \$84 thousand expiring in 2034 and \$99 thousand is expiring in 2035 and \$137 thousand expiring in 2036. We also had undeducted research and development expenses of \$5,438 thousand (2015: \$4,563 thousand) with no expiration date.

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

## Key items from the statement of cash flows

In U.S.\$ thousands	March 31, 2017	March 31, 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Activities	\$ (523)	\$ (1,056)	\$ 533	50 %
Financing Activities	234	375	(141)	(38%)
Investing Activities	78	(290)	368	127 %
Cash and cash equivalents - end of period	300	2,067	(1,767)	(85%)

## Statement of cash flows

Net cash used in operating activities was \$523 for the three-month period ended March 31, 2017, compared to \$1,056 for the three-month period ended March 31, 2016. For the three-month period ended March 31, 2017, net cash used by operating activities consisted of a net loss of \$512 (2016: \$746) and a decrease in non-cash operating elements of working capital of \$351 (2016: \$460).

The net cash provided by financing activities was \$234 for the three-month period ended March 31, 2017, compared to \$375 provided in the same period of the previous year. An amount of \$337 derives from proceeds from exercise of warrants and stock options offset by repayment of term loans for an amount of \$103.

Net cash provided by investing activities amounted to \$78 for the three-month period ended March 31, 2017 compared to a negative \$290 in the same period of 2016. The net cash provided by investing activities for the three-month period ended March 31, 2017 relates to the redemption of short term investments of \$300 (2016: \$Nil), offset by the purchase of fixed assets of \$222 (2016: \$290).

The balance of cash and cash equivalents as at March 31, 2017 amounted to \$300, compared to \$2,067 at March 31, 2016.

### Off-balance sheet arrangements

We have no off-balance sheet arrangements

### Item 3. Controls and Procedures.

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

## PART II

### Item 1. Legal Proceedings

This Item is not applicable

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

This Item is not applicable.

### Item 3. Defaults Upon Senior Securities

This Item is not applicable.

### Item 4. (Reserved)

### Item 5. Other Information

This Item is not applicable.

### Item 6. Exhibits

#### Exhibit 31.1

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

#### Exhibit 31.2

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

#### Exhibit 32.1

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

#### Exhibit 32.2

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

**SIGNATURES**

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

**INTELGENX TECHNOLOGIES CORPORATION**

Date: May 11, 2017 By: *Horst G. Zerbe*  
*/s/*

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

Date: May 11, 2017 By: *Andre Godin*  
*/s/*

Andre Godin  
Principal Accounting  
Officer