IntelGenx Technologies Corp.
Form 10-Q
May 14, 2010

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

FORM 10-Q

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

For the quarterly period ended March 31, 2010

or

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

For the transition period from _____ to _____

Commission File Number 000-31187

INTELGENX TECHNOLOGIES CORP.

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

Delaware	**87-0638336**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6425 Abrams, Ville Saint Laurent, Quebec H4S 1X9, Canada
(Address of principal executive offices)

(514) 331-7440
(Issuer's telephone number)

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

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

Yes [X] No [ ]

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

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

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:

33,081,271 shares of the issuer s common stock, par value $.00001 per share, were issued and outstanding as of May 13, 2010.

IntelGenx Technologies Corp.
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March 31, 2010
(Expressed in U.S. Funds)
(Unaudited)

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IntelGenx Technologies Corp.

Consolidated Balance Sheet
(Expressed in Thousands of U.S. Dollars ($ 000) Except Share and Per Share Data)
(Unaudited)

		March 31, 2010		December 31, 2009
Assets				
Current				
Cash and cash equivalents	**$**	**1,037**	$	1,525
Accounts receivable		**617**		618
Prepaid expenses		**50**		48
Investment tax credits receivable		**554**		512
		2,258		2,703
Property and Equipment		**157**		158
	$	**2,415**	$	2,861
Liabilities				
Current				
Accounts payable and accrued liabilities		**964**		704
		965		704
Shareholders' Equity				
Capital Stock (note 4)		**0**		0
Additional Paid-in-Capital		**8,820**		8,809
Accumulated Other Comprehensive Income		**68**		13
Accumulated Deficit		**(7,437)**		(6,665)
		1,451		2,157
	$	**2,415**	$	2,861

See accompanying notes

Approved on Behalf of the Board:

/s/ Bernard Boudreau Director

/s/ Horst G. Zerbe Director

IntelGenx Technologies Corp.

Consolidated Statement of Shareholders' Equity
For the Period Ended March 31, 2010
(Expressed in Thousands of U.S. Dollars ($ 000) Except Share and Per Share Data)
(Unaudited)

	Capital Stock		Additional Paid-In	Accumulated Other Comprehensive		**Total Shareholders'**
	Number	Amount	Capital	Income	Accumulated Deficit	**Equity**
Balance - December 31, 2009	33,081,271	$ 0	$ 8,809	$ 13	$ (6,665)	**$ 2,157**
Foreign currency translation adjustment	-	-	-	55	-	**55**
Stock-based compensation (note 5)	-	-	11	-	-	**11**
Net loss for the period	-	-	-	-	(772)	**(772)**
Balance March 31, 2010	**33,081,271**	**$ 0**	**$ 8,820**	**$ 68**	**$ (7,437)**	**$ 1,451**

See accompanying notes

IntelGenx Technologies Corp.

Consolidated Statement of Operations and Comprehensive Loss
(Expressed in Thousands of U.S. Dollars ($ 000) Except Share and Per Share Data)
(Unaudited)

	For the Three-Month Period Ended March 31,	
	2010	2009
Revenue	**$ 182**	$ 201
Expenses		
Research and development	**330**	435
Research and development tax credits	**(24)**	(36)
Management salaries	**147**	105
General and administrative	**65**	40
Professional fees	**425**	85
Depreciation	**10**	9
Foreign exchange	**1**	25
Interest and financing fees	**-**	170
	954	833
Loss Before Income Taxes	**(772)**	(632)
Deferred income taxes	**-**	(39)
Net Loss	**(772)**	(593)
Other Comprehensive Loss		
Foreign currency translation adjustment	**55**	(9)
Comprehensive Loss	**$ (717)**	$ (602)
Basic Weighted Average Number of Shares Outstanding	**33,081,271**	20,850,002
Basic and Diluted Loss Per Common Share (note 7)	**$ (0.02)**	$ (0.03)

See accompanying notes

IntelGenx Technologies Corp.

Consolidated Statement of Cash Flows
(Expressed in thousands of U.S. Dollars ($ 000) Except Share and Per Share Data)
(Unaudited)

	For the Three-Month Period Ended March 31,	
	2010	2009
Funds Provided (Used) -		
Operating Activities		
Net loss	**$ (772)**	$ (593)
Depreciation	**10**	9
Investor relations services	**3**	22
Stock-based compensation	**8**	11
Interest accretion	**-**	145
Deferred income taxes	**-**	(39)
	(751)	(445)
Changes in non-cash operating elements of working capital	**217**	(44)
	(534)	(489)
Investing Activities		
Additions to property and equipment	**(3)**	(2)
Restricted cash	**-**	249
	(3)	247
Increase (Decrease) in Cash and Cash Equivalent	**(537)**	(242)
Effect of Foreign Exchange on Cash and Cash Equivalents	**49**	(8)
Cash and Cash Equivalents		
Beginning of Period	**1,525**	556
End of Period	**$ 1,037**	$ 306

See accompanying notes

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2010
(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, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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
Fair Value Measurements and Disclosures

On January 1, 2010, the Company adopted FASB ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) . This Update provides amendments to Subtopic 820-10 and related guidance within U.S. GAAP to require disclosure of the transfers in and out of Levels 1 and 2 and a schedule for Level 3 that separately identifies purchases, sales, issuances and settlements. It also clarifies exposing disclosures requirements indicating that disaggregate information regarding classes of assets and liabilities that make up each level and more detail regarding valuation techniques and inputs. This Update is effective for fiscal years beginning on or after December 15, 2009 except for the disclosure regarding Level 3 activity which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a material effect on the Company s financial position or results of operations.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2010
(Expressed in U.S. Funds)
(Unaudited)

3. Significant Accounting Policies
Recently Issued Accounting Pronouncements

In October 2009, the FASB issued Update No. 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force (ASU 2009-13). ASU 2009-13 provides amendments to the criteria in ASC 605-25, Revenue Recognition Multiple-Element Arrangements for separating consideration in multiple-deliverable arrangements. As a result of those amendments, multiple-deliverable arrangements will be separated in more circumstances than under existing U.S. GAAP. ASU 2009-13: 1) establishes a selling price hierarchy for determining the selling price of a deliverable, 2) eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, 3) requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis, 4) significantly expands the disclosures related to a vendor s multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of this Statement on its consolidated financial statements. The adoption of ASC 2009-13 is not expected to have a material effect on the Company s financial position or results of operations.

In October 2009, the FASB issued Update No. 2009-14, Software (Topic 985) Certain Revenue Arrangements That Include Software Elements a consensus of the FASB Emerging Issues Task Force (ASU 2009-14). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements and provides additional guidance on how to determine which software, if any, relating to tangible product would be excluded from the scope of the software revenue guidance. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASC 2009-14 is not expected to have a material effect on the Company s financial position or results of operations.

In February 2010, the FASB issued Update No. 2010-11, Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives . ASU 2010-11 clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amendments in ASU 2010-11 are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity s first fiscal quarter beginning after March 5, 2010. The adoption of ASC 2010-11 is not expected to have a material effect on the Company s financial position or results of operations.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
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(Expressed in U.S. Funds)
(Unaudited)

4. Capital Stock

	March 31, 2010	December 31, 2009
Authorized -		
100,000,000 common shares of $0.00001 par value		
20,000,000 preferred shares of $0.00001 par value		
Issued -		
33,081,271 (December 31, 2009 - 33,081,271) common shares	**$ 331**	$ 331

5. Additional Paid-In Capital

Stock Options

On January 21, 2010 the Company granted 50,000 stock options to SectorSpeak as compensation for investor relation services. The stock options are exercisable into common shares at an exercise price of $0.47 per share option, which expire on January 21, 2013. The stock options vest 50% on the first, and 50% on the second, anniversary of the agreement. The stock options were accounted for at their fair value of $15 thousand, as determined by the Black-Scholes valuation model, using the assumptions below:

Expected volatility	120%
Expected life	3.0 years
Risk-free interest rate	1.39%
Dividend yield	Nil

Compensation expenses for stock-based compensation of $11 thousand and $33 thousand were recorded during the three-month period ended March 31, 2010 and 2009 respectively. Of the amount expensed in 2010, $3 thousand (2009 - $22 thousand) relates to stock options granted to investor relations firms as compensation for investor relation services and $8 thousand (2009 - $11 thousand) relates to stock options granted to employees. As at March 31, 2010, the Company has $54 thousand (2009 - $51 thousand) of unrecognized stock-based compensation.

6. Related Party Transactions

During the three-month period ended March 31, 2010, the Company incurred expenses of approximately $5 thousand (2009 - $4 thousand) for laboratory equipment leased from a shareholder, who is also an officer of the Company.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2010
(Expressed in U.S. Funds)
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6. Related Party Transactions (Cont d)

Included in management salaries are $6 thousand (2009 - $5 thousand) for options granted to the Chief Financial Officer and $1 thousand (2009 - $Nil) for options granted to the Chief Executive Officer under the 2006 Stock Option Plan.

Also included in management salaries are director fees of $12.5 thousand (2009-$1.2 thousand) for attendance to board meetings and audit committee meetings.

Included in accounts payable and accrued liabilities is approximately $11 thousand (2009 - $18 thousand) payable to shareholders, who are also officers of the Company and cash retainer amounting to $Nil (2009 - $17 thousand) payable to a director of the Company.

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.

7. 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.

8. Subsequent Events

Agreement with RedHill Biopharma:

On April 21, 2010 the Company announced that it has executed a binding term-sheet with RedHill Biopharma Ltd., ("RedHill") to co-develop and license IntelGenx' first oral thin film product based upon the Company's proprietary VersaFilm technology. The term-sheet sets forth the main criteria to be incorporated into a definitive development and license agreement, subject to due diligence, under which RedHill would obtain exclusive worldwide rights to market and sell IntelGenx' rapidly dissolving anti-migraine oral film product. In exchange IntelGenx would receive upfront, milestone, and external development fees totalling up to $2.1 million from RedHill. RedHill will also be responsible for regulatory filing fees, if necessary. Furthermore, upon commercialization of the product, IntelGenx would receive 40% of all proceeds including, but not limited to, all sales and income from the product world-wide.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2010
(Expressed in U.S. Funds)
(Unaudited)

8. Subsequent Events (Cont d)

Agreement with Pillar5 Pharma:

On April 30, 2010, the Company entered into a Memorandum of Agreement ("Agreement") with Pillar5 Pharma Inc. Pursuant to the Agreement, IntelGenx undertakes to use its best efforts to ensure that distributors of IntelGenx' oral solid dose pharmaceutical products developed for commercial production be directed to Pillar5 for purposes of negotiating a manufacturing agreement requiring Pillar5 to manufacture those products. As consideration for this undertaking, Pillar5 issued to IntelGenx 114 voting common shares of Pillar5, representing 10% of the issued and outstanding shares of Pillar5. The shares will be held in escrow and are forfeitable by IntelGenx until Pillar5 achieves certain revenue targets and are subject to restrictions on transfer pursuant to the Agreement. IntelGenx has a right of first refusal in the event of bona fide sale to a third party of all of the shares or substantially all of the assets of Pillar5. Pursuant to the Agreement, IntelGenx has the right to designate a nominee to serve on the board of directors of Pillar5 and Pillar5 has the right to designate a nominee to serve on the board of directors of IntelGenx Technologies Corp. In connection with the Agreement, the Company entered into an Acknowledgment and Agreement, pursuant to which the Company became party to a Shareholders Agreement, dated as of January 22, 2010, with Pillar5 and its shareholders. The Shareholders Agreement provides for restrictions on transfer and drag-along rights with respect to the Pillar5 shares.

Agreement with Cary Pharmaceuticals:

On May 7, 2010, the Company executed a Project Transfer Agreement with Cary Pharmaceuticals Inc. (Cary), its former development partner, whereby Cary assigned its 50% ownership stake in CPI-300 to IntelGenx. Pursuant to the Project Transfer Agreement, IntelGenx and Cary (the Parties) have agreed to terminate the Collaborative Agreement entered into in November 2007 and the Parties further agreed that the CPI-300 project will be transferred and assigned to IntelGenx. In addition, Cary has assigned to IntelGenx all rights and interest in the regulatory approvals that Cary has or may have had, including the New Drug Application (NDA), and IntelGenx will be responsible for the costs associated therewith. IntelGenx will have full and complete authority with respect to the prosecution and/or amendment of the NDA and the commercialization of the product and/or the technology encompassed in the CPI-300 project. IntelGenx will also assume all obligations to, and responsibility for, the Biovail litigation, including the costs thereof. In addition to certain potential pre-commercialization payments, IntelGenx will pay Cary, upon commercialization of CPI-300, 10% of sales royalties received by IntelGenx and 3% of upfront payments received by IntelGenx should a distribution agreement be signed in the future.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction to Management s Discussion and Analysis

The purpose of this section, Management s Discussion and Analysis of Financial Condition and Results of Operations, is to provide a narrative explanation of the financial statements that enables investors to better understand the business of the Company, to enhance the Company s overall financial disclosures, to provide the context within which the Company s financial information may be analyzed, and to provide information about the quality of, and potential variability of, the Company s financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to continuing operations of the Company. Unless otherwise indicated or the context otherwise requires, the words, IntelGenx, Company , we , us , and our refer to IntelG 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

IntelGenx is a drug delivery company established in 2003 and headquartered in Montreal, Quebec, Canada. The Company s focus is on the development of novel oral immediate-release and controlled-release products for the pharmaceutical market. IntelGenx business strategy is to develop pharmaceutical products based on the Company s 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, the Company relies 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, IntelGenx may choose to pursue the development of certain products until the product reaches the marketing and distribution stage. The Company will assess the potential for successful development of a product and associated costs, and then determine at which stage it is most prudent to seek a partner, balancing such costs against the potential for additional returns earned by partnering later in the development process.

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

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

The Company currently purchases and/or leases, on an as-needed basis, the equipment necessary for performing research and development activities related to its products.

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

Key Developments

The Company achieved a number of milestones in its strategic development, growth and future income potential so far in 2010, most notably:

Antidepressant Tablet:

On April 6, 2009 IntelGenx submitted a New Drug Application (NDA) to the FDA for CPI-300. CPI-300 is a higher strength of the antidepressant bupropion HCl, the active ingredient in Wellbutrin XL®. The NDA was accepted for standard review by the FDA in June 2009. As required under NDA filings, IntelGenx' development partner Cary Pharmaceuticals (Cary), the NDA applicant, notified Biovail Laboratories SLR (Biovail), holder of the Wellbutrin XL® patent of the filing contending non-infringement of the Wellbutrin XL® patent.

On August 18, 2009 Cary was sued by Biovail in the U.S. District Court of Delaware for patent infringement, under provisions of the Drug Price Competition and Patent Term Restoration Act of 1984 (Hatch-Waxman Act), with respect to Biovail's U.S. Patent No. 6,096,341. Pursuant to the Hatch-Waxman Act, the filing of the patent infringement lawsuit by Biovail instituted an automatic stay of FDA approval of the NDA until the earlier of a judgment or January 3, 2012. Any decision could have an effect on IntelGenx' potential revenues relating to CPI-300. IntelGenx believes CPI-300 does not infringe Biovail's patent and is vigorously defending its position.

On January 11, 2010 IntelGenx announced a manufacturing site change for CPI-300. The original manufacturer, PharmPro of Aurora, IL ("PharmPro") was sold to URL Pharma of Philadelphia, PA. As a result of this acquisition, URL advised IntelGenx they would no longer manufacture CPI-300. IntelGenx has identified and engaged Pillar5 Pharma, Arnprior, ON, as the new manufacturing facility for the product. Arnprior is a state-of-the-art GMP facility with a long-standing record of manufacturing quality product for the pharmaceutical industry. As a result of the manufacturing site change, IntelGenx is preparing an amendment to the NDA. IntelGenx expects that the changes will not materially affect the existing timeline for commercialization of CPI-300.

On January 21, 2010 IntelGenx announced the U.S. Patent and Trademark Office ("USPTO") issued a formal Notice of Allowance for the patent application protecting CPI-300. The patent was issued on March 9, 2010 under the number US 7,674,479. The patent will be listed in the FDA s Orange Book and will provide broad protection for CPI-300 against generic copies.

On February 8, 2010 IntelGenx received a Complete Response Letter (CRL) from the FDA regarding CPI-300. The CRL lists two main issues which need to be addressed before obtaining final approval: 1) qualification of Pillar5 as the commercial manufacturing site and 2) an observed food effect seen with CPI-300 and the reference product. The FDA found no other notable deficiencies in the NDA. As noted in the January 11, 2010 press release, the FDA was notified about Pillar5. IntelGenx believes the food effect issue can be addressed through a label adjustment and post-approval education. In addition, the company plans to conduct a pilot food effect study with CPI-300 tablets having a modified enteric coating. In the coming weeks IntelGenx will meet with FDA to clarify the steps necessary to obtain approval. IntelGenx is confident the activities required to support the NDA amendment can be completed in time for a submission in the second half of 2010.

On May 7, 2010 IntelGenx executed a Project Transfer Agreement (Agreement) with Cary, its former development partner, whereby Cary assigned its 50% ownership stake in CPI-300 to IntelGenx. Pursuant to the Agreement, IntelGenx and Cary (the Parties) have agreed to terminate the Collaborative Agreement entered into in November 2007 and the Parties further agreed that the CPI-300 project will be transferred and assigned to IntelGenx. In addition, Cary has assigned to IntelGenx all rights and interest in the regulatory approvals that Cary has or may have had, including the NDA, and IntelGenx will be responsible for the costs associated therewith. IntelGenx will have full and complete authority with respect to the prosecution and/or amendment of the NDA and the commercialization of the product and/or the technology encompassed in the CPI-300 project. IntelGenx will also assume all obligations to, and

responsibility for, the Biovail litigation, including the costs thereof. In addition to certain potential pre-commercialization payments, IntelGenx will pay Cary, upon commercialization of CPI-300, 10% of sales royalties received by IntelGenx and 3% of upfront payments received by IntelGenx should a distribution agreement be signed in the future.

Neuropathic Pain Tablet:

On April 14, 2009 IntelGenx and its development partner, Cannasat Therapeutics Inc. (Cannasat), announced positive Phase 1b results for Relivar, a buccal formulation of dronabinol. The randomized, single dose, double blind crossover study compared Cannasat s Relivar with Marinol 2.5 mg in healthy volunteers. Relivar delivered twice the amount of dronabinol into the bloodstream as the brand with no increase in side effects due to a corresponding reduction in the metabolite responsible for the CNS adverse effects of dronabinol. Relivar was developed using IntelGenx proprietary AdVersa buccal delivery technology.

On March 4, 2010 IntelGenx and Cannasat announced that they have entered into a Letter of Intent ("LOI") under which IntelGenx would acquire a fifty percent ownership stake from Cannasat and an exclusive worldwide license to develop and commercialize Relivar. The LOI details the terms under which the two parties will negotiate an exclusive worldwide license that should result in IntelGenx assuming sole product development and corresponding funding as well as commercialization rights for Relivar. The LOI also lays out the terms for shared milestones and royalties generated by sublicensing of Relivar to a potential pharmaceutical marketing partner in the future. Upon completing a definitive license agreement, IntelGenx would forgive approximately CAD$231 thousand of debt owed by Cannasat. A definitive license agreement would be subject to board approval for both companies.

On April 15, 2010 Cannasat announced that it received shareholder approval at its Annual General Shareholder Meeting to change its corporate name to Cynapsus Therapeutics Inc. (Cynapsus).

Anti-Migraine Film:

On April 21, 2010 IntelGenx announced that it has executed a binding term-sheet with RedHill Biopharma Ltd., an Israeli corporation ("RedHill") to co-develop and license IntelGenx' first oral thin film product based upon the Company's proprietary VersaFilm technology. The product is intended for the rapid relief of migraine. The term-sheet sets forth the main criteria to be incorporated into a definitive development and license agreement, subject to due diligence, under which RedHill would obtain exclusive world-wide rights to market and sell IntelGenx' rapidly dissolving anti-migraine oral film product. In exchange IntelGenx would receive upfront, milestone, and external development fees totalling up to $2.1 million from RedHill. RedHill will also be responsible for regulatory filing fees, if necessary. Furthermore, upon commercialization of the product, IntelGenx would receive 40% of all proceeds including, but not limited to, all sales milestones and income from the product world-wide. IntelGenx and RedHill have entered into a ninety day exclusivity period during which IntelGenx is prohibited from engaging in negotiations related to the product contemplated to be licensed to RedHill with any other party. The term-sheet also provides for a breakup fee in the event that IntelGenx or RedHill is unable to execute the licensing agreement under certain circumstances after the satisfactory completion of due diligence.

VersaFilm Manufacturing:

On January 25, 2010 IntelGenx announced a strategic alliance with LTS Lohmann Therapie-Systeme AG (LTS) for the exclusive manufacturing of pharmaceutical products developed by IntelGenx using its VersaFilm drug delivery technology. VersaFilm is comprised of a thin polymeric film using components that are safe and approved by the FDA. VersaFilm provides a patent-protected method of re-formulating approved pharmaceuticals in a more convenient and discrete oral dosage form. IntelGenx currently has three products in development using the VersaFilm technology.

Manufacturing Partnership and Ownership Position in Manufacturing Facility:

On April 30, 2010 IntelGenx entered into a Memorandum of Agreement ("Agreement") with Pillar5 Pharma Inc. Pursuant to the Agreement, IntelGenx undertakes to use its best efforts to ensure that distributors of IntelGenx' oral solid dose pharmaceutical products developed for commercial production be directed to Pillar5 for purposes of negotiating a manufacturing agreement requiring Pillar5 to manufacture those products. As consideration for this undertaking, Pillar5 issued to IntelGenx 114 voting common shares of Pillar5, representing 10% of the issued and outstanding shares of Pillar5. The shares will be held in escrow and are forfeitable by IntelGenx until Pillar5 achieves certain revenue targets and are subject to restrictions on transfer pursuant to the Agreement. IntelGenx has a right of first refusal in the event of bona fide sale to a third party of all of the shares or substantially all of the assets of Pillar5. Pursuant to the Agreement, IntelGenx has the right to designate a nominee to serve on the board of directors of Pillar5 and Pillar5 has the right to designate a nominee to serve on the board of directors of IntelGenx Technologies Corp.

Currency rate fluctuations

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

Results of Operations - three month period ended March 31, 2010 compared to the three month period ended March 31, 2009.

In U.S.$ thousands	2010	2009	Increase/ (Decrease)	Percentage Change
Revenue	$ 182	$ 201	$ (19)	9%
Research and Development Expenses	330	435	(105)	24%
Research and Development Tax Credit	(24)	(36)	12	33%
Management Salaries	147	105	42	40%
General and Administrative Expenses	65	40	25	63%
Professional Fees				